

**REGULAR MEETING
OF
CACHUMA OPERATION AND MAINTENANCE BOARD**

**3301 Laurel Canyon Road
Santa Barbara, CA 93105**

Monday, January 25, 2010

Approximate Start Time
2:45 p.m.

AGENDA

- 1. COMB CALL TO ORDER, ROLL CALL** (COMB Board of Directors.) (*1 minute*).
- 2. PUBLIC COMMENT** (Public may address the Board on any subject matter not on the agenda and within the Board's jurisdiction. See "Notice to the Public" below.) (*5 minutes*)
- 3. CONSENT AGENDA** (For Board action by vote on one motion unless member requests separate consideration.) (*2 minutes*)
 - a. Minutes December 21, 2010 Regular Board Meeting
 - b. Investment of Funds
 - Financial Reports
 - Investment Reports
 - c. Payment of Claims
- 4. INTRODUCTION OF MONTECITO WATER DISTRICT'S APPOINTEE DOUG MORGAN TO THE COMB BOARD** (*2 minutes*)
- 5. RESOLUTIONS RELATING TO COMB BANK ACCOUNTS** (*5 minutes*)
 - a. Resolution No. 498 Authorizing Signatories for the Cachuma Project Trust Fund and Renewal Fund Accounts at Santa Barbara Bank & Trust
 - b. Resolution No. 499 Authorizing Signatories for General Fund Account at Santa Barbara Bank & Trust
- 6. RECONSIDERATION OF COMB BOARD COMMITTEE APPOINTMENTS** (*5 minutes*)
- 7. REPORTS FROM THE MANAGER** (*10 minutes*)
 - a. Cachuma Water Reports
 - b. Operations Report

- c. COMB Operating Committee
 - d. Quagga Mussel Inspection Report – County of Santa Barbara
 - e. Jesusita Fire Activities
 - f. Status of Cachuma Lake & Park RMP/EIS
 - g. Proposition 50 and 84 Activities
 - h. 2008 Surcharge Accounting
 - i. **Verbal Report - Cachuma Reservoir Current Conditions**
8. **CONSIDER RESOLUTION NO. 497 TO APPROVE THE COMB 2010 REVENUE BOND AND RELATED LEGAL DOCUMENTS AND AGREEMENTS FOR THE SCC UPPER REACH RELIABILITY PROJECT (2ND PIPELINE PROJECT) (20 minutes)**
- a. COMB Indenture of Trust
 - b. Goleta Water District Joint Participation Agreement
 - c. City of Santa Barbara Joint Participation Agreement
 - d. COMB Purchase Contract - Citigroup Global Markets, Inc.
 - e. COMB Continuing Disclosure Agreement – Bank of New York Mellon Trust Company, N.A.
 - f. COMB Preliminary Official Statement
 - g. Montecito Water District Contribution Agreement
 - h. Bond Indemnification Agreement
9. **COMB CAPITAL IMPROVEMENT PROGRAM (5 minutes)**
- a. Second Pipeline Project
 - 1) Project Status Report
 - b. Mission Creek Pipeline and Fish Passage Project
 - 1) Project Status Report
10. **CONSIDER APPROVAL OF COMB OPERATIONS STAFF RESTRUCTURING AND NEW ENGINEER POSITION (10 minutes)**
11. **AD HOC COMMITTEE REPORT REGARDING COMB OPERATING COMMITTEE’S ROLE AND RESPONSIBILITIES (7 minutes)**
12. **CONSIDER SANTA BARBARA COUNTY PARKS DEPARTMENT’S REQUEST FOR ASSISTANCE WITH MATCHING FUNDS FOR CACHUMA PARK FEDERAL GRANT AND REQUEST TO AUTHORIZE ISSUES DISCUSSION WITH THE COUNTY CEO’S OFFICE (5 minutes) (Also see CCRB Item #5)**
13. **DIRECTORS’ REQUEST FOR AGENDA ITEMS FOR NEXT MEETING (2 minutes)**
14. **MEETING SCHEDULE**
- February 10, 2010 COMB Facilities Overview Tour, 12:00pm – 4:00pm
 - February 22, 2010 following CCRB at 2:15 P.M., COMB Office
 - Board Packages Available on COMB Website
www.cachuma-board.org

15. COMB ADJOURNMENT

NOTICE TO PUBLIC

Public Comment: Any member of the public may address the Board on any subject within the jurisdiction of the Board that is not scheduled for a public hearing before the Board. The total time for this item will be limited by the President of the Board. If you wish to address the Board under this item, please complete and deliver to the Secretary of the Board before the meeting is convened, a "Request to Speak" forms including a description of the subject you wish to address.

Americans with Disabilities Act: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Cachuma Operation and Maintenance Board office at (805) 687-4011 at least 48 hours prior to the meeting to enable the Board to make reasonable arrangements.

[This Agenda was Posted at 3301 Laurel Canyon Road, Santa Barbara, CA
at Santa Barbara City Hall, Santa Barbara, CA and at Member District Offices and Noticed and Delivered in Accordance with
Section 54954.1 and .2 of the Government Code.]

**MINUTES OF A REGULAR MEETING
Of the
CACHUMA OPERATION & MAINTENANCE BOARD**

**Held at the
Cachuma Operation & Maintenance Board Office
3301 Laurel Canyon Road, Santa Barbara, CA
Monday, December 21, 2009**

1. Call to Order, Roll Call

The meeting was called to order at 2:19 p.m. by President Williams who chaired the meeting. Those in attendance were:

Directors present:

Das Williams	City of Santa Barbara
Bob Lieberknecht	Carpinteria Valley Water District
Jan Abel	Montecito Water District
Lauren Hanson	Goleta Water District
Lee Bettencourt	SYR Conservation Dist ID#1

Others present:

Kate Rees	William Hair
Chris Dahlstrom	Tom Mosby
Janet Gingras	Fran Farina
Robert McDonald	W.D. Morgan
Tim Robinson	Adelle Capponi
Matt Bloise	Phil Walker
John McInnes	

2. Public Comment

There were no comments from the public.

3. Consent Agenda

- a. Minutes:**
November 23, 2009 Regular Board Meeting and December 11, 2009 Special Board Meeting
- b. Investment Funds**
Financial Reports
Investment Report
- c. Payment of Claims**

Director Abel moved to approve the consent agenda as presented, seconded by Director Hanson, 7/0/0.

ITEM # 3a
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The Board next considered Item #9

9. El Jaro Creek Cross Creek Ranch Fish Passage Project

a. Notice of Completion and Final Report

Tim Robinson highlighted the project. The project started construction on August 25, 2009 and was completed November 18, 2009. Schock Contracting Corp. was able to maintain the original construction schedule, clean up the construction site to the landowner's and project engineer's satisfaction, all the while keeping the construction costs within 8.2% of the contracted amount.

Included in the board packet was a Notice of Completion for the project provided by Tim Robinson. Chris Dahlstrom suggested that a more formal notice of completion be filed with the county. The suggestion was documented and Tim will complete the appropriate form and file it with the county clerk's office.

b. Status of MOU Among COMB, CCRB and ID No. 1 for Funding and Construction of El Jaro Creek Cross Creek Ranch Fish Passage Project

This was not discussed.

4. Appoint Ad Hoc Committee to Attend January 13, 2010 COMB Operating Committee Meeting Regarding Roles and Responsibilities of Operating Committee

President Williams appointed Director Hanson and Director Abel to serve on the Ad Hoc Committee to discuss the roles and responsibilities of the COMB Operating Committee. They will attend the January 13, 2010 or the February 3, 2010 COMB Operating Committee meeting for this discussion. Director Abel will be able to attend the meeting if is held in February; however she will not be able to attend the scheduled meeting in January. President Williams will appoint one other Director if needed.

5. Reports From the Manager

a. Cachuma Water Reports

The Water Reports were included in the board packet

b. Operations Report

The Operations Report was included in the board packet

c. Quagga Mussel inspection Report – County of Santa Barbara

The monthly report from the County was included in the board packet

d. Santa Barbara County Parks Department Request for Assistance with Matching Funds for Cachuma Park Federal Grant

Ms. Rees reported that at the recommendation of the USBR, Juan Beltranena from the Santa Barbara County Parks Dept. had contacted her requesting the use of funded projects that COMB or CCRB had constructed at Lake Cachuma. The intention of the request was to use the expended fund amounts

as matching funds for a federal grant that the County needed for infrastructure improvement projects at Lake Cachuma.

The COMB Operating Committee discussed this request at the December 2, 2009 meeting. Chris Dahlstrom, ID #1, strongly opposed the use of these funds for the County's grant application. Since that discussion, a letter from Director Bettencourt was received and included in the board packet re-stating ID #1's position. Mr. Dahlstrom had one correction to the letter; fourth paragraph, line eleven, last sentence should have read, "In my mind, this is an unacceptable arrangement," not an acceptable arrangement. In the spirit of cooperation and to support the County's efforts to improve the facilities at Lake Cachuma, staff and the Operating Committee agreed it would be acceptable for the county parks to use the projects as matching funds if they wish to do so. It was noted that Charles Hamilton and Rebecca Bjork were the only yes votes, Mike Kanno abstained, Chris Dahlstrom voted no and Tom Mosby was absent.

Ms. Rees was directed by the Board to follow-up with the County stating that COMB has heard their request and is considering the request but needs additional time and information. Ms. Rees will follow up with details about the grant application, the due date and what projects the grant would be supporting. She will bring that information back to the Board in January. The projects being considered for use of matching funds were carried out by COMB, CCRB and/or ID #1 on behalf of the Cachuma Member Units.

e. Proposition 50 and 84 Activities

Ms. Rees reported that the SWRCB has recently suspended reimbursement to the Santa Barbara Prop 50 region due to an invoicing irregularity from the Casmalia Community Services District. The County Auditor is currently working with the SWRCB representative to establish a procedure by which such irregularities will be identified and prevented. The SWRCB has agreed to reinstate reimbursement for the grant once they are comfortable with the County's procedures.

The discussion on the County wide participation in Prop 84 will continue in January. There are a lot of participants and not a large amount of money available in the first round of grant funding.

f. Letters/emails from Charles Hamilton to Kate Rees

Ms. Rees highlighted the series of correspondence between Charles Hamilton, CVWD and Ms. Rees. The correspondence was included in the board packet. One request made from CVWD was to refund the portion of the two quarterly Special Project assessments already paid by CVWD that correspond to the bond debt repayment for the 2nd Pipeline Project. After discussion, the board felt it would be premature to release those funds at this time.

g. 2008 Surcharge Accounting

The Surcharge Accounting was included in the board packet.

h. Cachuma Reservoir Current Conditions

Date 12/21/2009

Lake Elevation	730.86 feet
Storage	135,562 acre feet
Rain (for the month to date)	2.82 inches
Rain YTD (for the season to date)	8.51 inches
Fish Release-Hilton	11.8 acre feet per day
Month to Date Fish Release	248.6 acre feet
Month to Date Spill	0 acre feet
Year to Date Spill	0 acre feet

6. COMB Capital Improvement Program

a. SCC/Upper Reach Reliability Project

1) Project Status Report

This report was included in the board packet

b. Mission Creek Pipeline and Fish Passage Project

1) Project Status Report

This report was included in the board packet.

2) Status of Cachuma General Managers' Review of Engineering Designs

Ms. Rees reported that, at the request of the MU managers, the engineering designs for the Mission Creek Project were delivered to each of them for review. Comments are to be provided to Glen Hille, AECOM by January 7, 2010 at the monthly CIP meeting.

7. Reconciliation of Unexpended Funds From FY 2008-09 and Recommended Use of Funds for Mission Creek Pipeline Project

President Williams reported that GWD had requested to table item #7 until the February regular Board meeting.

Director Hanson moved to table item #7, seconded by President Williams. Director Abel opened discussion by requesting the reason for delaying discussion on the item. Director Hanson stated that it seemed premature to be allocating unexpended funds when the total amount of funds available is not yet clear due to the remaining reimbursements due from the Jesusita fire claim. Also, the project design for the Mission Creek Project have not been completed or fully discussed by the MU managers. Ms. Rees felt there was no down side to delaying this decision to the February meeting. Director Abel called the question. Motion passed 7/0/0.

8. COMB General Counsel's Written Legal Opinion Regarding Biological Opinion Activities

COMB Counsel Bill Hair highlighted his opinion concerning whether it is appropriate for COMB to act as the contracting party in carrying out various Southern Steelhead restoration projects. He stated it was his opinion that COMB is

the proper agency to implement the fish passage projects and by doing so is not undertaking anything that is “a matter involving the water rights of any party.”

Director Bettencourt requested that this be tabled for a later meeting when ID #1 counsel could be present. Director Abel requested clarification whether or not this opinion required any action from the Board. Counsel Hair stated that this was his opinion and did not require action. President Williams suggested that this discussion be added to a future agenda.

10. Selection of Representative to Attend 2010 ACWA Washington D.C. Conference, February 23-25

Director Abel suggested that this be tabled to the January meeting since the needs have not been developed nor has it been determined if any lobbying in Washington is of value at this time. Director Hanson suggested that the Board request that Director Williams attend the 2010 ACWA Washington D.C. Conference, February 23th - 25th, if it is determined that there is a need. This will be added to the January 25th agenda with a task list for a decision.

Director Hanson moved to select President Williams to attend the 2010 ACWA Washington D.C. Conference if there is a need to send a representative, seconded by Director Lieberknecht, passed 7/0/0.

11. Directors’ Request for Agenda Items for Next Meeting

Consider list of task and need for President Williams to attend the 2010 ACWA Conference in Washington D.C.

Director Bettencourt requested that the discussion of the opinion letter of COMB Counsel presented at today’s meeting be held either at the February or March meeting.

12. Meeting Schedule

The next regular Board meeting will be held January 25, 2010 following the CCRB meeting at 2:15 P.M.

The Agendas and Board Packets are available on the COMB website, www.cachuma-board.org

13. COMB Adjournment

There being no further business, the meeting was adjourned at 4:07 p.m.

Respectfully submitted,

Kate Rees, Secretary of the Board

APPROVED:

Das Williams, President

Approved _____
Unapproved _____ ✓

comb2
Balance Sheet
 As of December 31, 2009

Dec 31, 09

ASSETS	
Current Assets	
Checking/Savings	
1050 · GENERAL FUND	277,006.35
1100 · REVOLVING FUND	8,551.04
TRUST FUNDS	
1210 · WARREN ACT TRUST FUND	103,539.93
1220 · RENEWAL FUND	5,029.95
Total TRUST FUNDS	108,569.88
Total Checking/Savings	394,127.27
Other Current Assets	
1010 · PETTY CASH	400.00
1200 · LAIF	1,426,328.62
1300 · DUE FROM CCRB	55,486.01
1303 · Bradbury SOD Act Assmnts Rec	59,192.00
1304 · Lauro Dam SOD Assesmnt Rec	18,299.00
1400 · PREPAID INSURANCE	13,456.72
1401 · W/C INSURANCE DEPOSIT	6,529.00
Total Other Current Assets	1,579,691.35
Total Current Assets	1,973,818.62
Fixed Assets	
1500 · VEHICLES	338,973.52
1505 · OFFICE FURN & EQUIPMENT	219,801.66
1510 · TRAILERS	97,803.34
1515 · FIELD EQUIPMENT	366,549.49
1525 · PAVING	22,350.00
1550 · ACCUMULATED DEPRECIATION	-768,209.21
Total Fixed Assets	277,268.80
Other Assets	
1910 · LT Bradbury SOD Act Assess Rec	5,686,239.07
1920 · LT Lauro SOD Act Assess Rec	976,048.00
Total Other Assets	6,662,287.07
TOTAL ASSETS	8,913,374.49
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2200 · ACCOUNTS PAYABLE	103,568.91
Total Accounts Payable	103,568.91
Other Current Liabilities	
2550 · VACATION/SICK	73,628.67
2561 · BRADBURY DAM SOD ACT	59,192.60
2562 · SWRCB-WATER RIGHTS FEE	-0.26
2563 · LAURO DAM SOD ACT	18,299.00
2590 · DEFERRED REVENUE	108,569.88
Payroll-DepPrm Admin	25.00
Payroll-CCRB DepPrm	4.62
Payroll-DepPrm Ops	4.62
Total Other Current Liabilities	259,724.13
Total Current Liabilities	363,293.04
Long Term Liabilities	
2602 · LT SOD Act Liability-Bradbury	5,686,239.07
2603 · LT SOD Act Liability - Lauro	976,048.00
Total Long Term Liabilities	6,662,287.07

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Accrual Basis

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Balance Sheet
As of December 31, 2009

	Dec 31, 09
Total Liabilities	7,025,580.11
Equity	
3000 · Opening Bal Equity	0.95
3901 · Retained Earnings	1,013,062.66
Net Income	874,730.77
Total Equity	1,887,794.38
TOTAL LIABILITIES & EQUITY	8,913,374.49

7:20 AM
01/19/10
Accrual Basis

comb2
Profit & Loss Budget vs. Actual
July through December 2009

TOTAL

	Jul - Dec 09	Budget	\$ Over Budget	% of Budget
Income				
3000 REVENUE				
3001 · O&M Budget (Qtrly Assessments)	1,682,863.50			
3007 · Renewal Fund	0.00			
3010 · Interest Income	1,454.65			
3020 · Misc Income	15.00			
3021 · Grant Income	0.00			
3031 · Ins. Reimbrsmnt - Jesusita Fire	203,234.85			
Total 3000 REVENUE	1,887,568.00			
Total Income	1,887,568.00			
Gross Profit	1,887,568.00			
Expense				
4000 · Reconciliation Discrepancies	0.16			
3100 LABOR				
3101-H · Holiday Leave	8,860.52			
3101-S · Sick Leave	5,703.55			
3101-V · Vacation Leave	6,813.33			
3102 · Meter Reading	1,985.01			
3103 · SCC Ops	143,479.24			
3104 · Veh & Equip Mtce	2,546.31			
3105 · SCADA	1,843.58			
3106 · Rodent Bait	2,549.57			
3107 · NORTH PORTAL				
Total 3107-1 · NP INTAKE TOWER	1,781.43			
Total 3107-2 · NP CONTROL STATION	686.15			
Total 3107 · NORTH PORTAL	2,467.58			
3108 · GLEN ANNE				
Total 3108-1 · GA SOUTH PORTAL	3,316.77			
Total 3108-2 · GA RESERVOIR	116.80			
Total 3108 · GLEN ANNE	3,433.57			

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Profit & Loss Budget vs. Actual
July through December 2009

	TOTAL		
	Budget	\$ Over Budget	% of Budget
	Jul - Dec 09		
3109 · CORONA DEL MAR			
Total 3109-1 · TURNOUT	741.54		
Total 3109 · CORONA DEL MAR	741.54		
3110 · LAURO			
Total 3110-1 · YARD	12,035.87		
Total 3110-2 · CONTROL STATION	249.18		
Total 3110-3 · RESERVOIR	7,532.21		
Total 3110-4 · DEBRIS BASINS	224.46		
Total 3110 · LAURO	20,041.72		
3111 · OFFICE			
Total 3111-1 · CREW OFFICE	125.70		
Total 3111-3 · MAIN OFFICE	32.72		
Total 3111-4 · SHOPS	262.79		
Total 3111 · OFFICE	421.21		
3112 · SHEFFIELD			
Total 3112-1 · CONTROL STATION	276.15		
Total 3112 · SHEFFIELD	276.15		
3113 · ORTEGA			
Total 3113-1 · CONTROL STATION	408.53		
Total 3113-2 · RESERVOIR	1,451.52		
Total 3113 · ORTEGA	1,860.05		
3115 · CARPINTERIA			
Total 3115-1 · CONTROL STATION	618.00		
Total 3115-2 · RESERVOIR	303.13		
Total 3115 · CARPINTERIA	921.13		
3116 · GOLETA REACH			
Total 3116-1 · STRUCTURES	759.39		
Total 3116-2 · LATERAL METERS	32.92		
Total 3116 · GOLETA REACH	792.31		

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01/19/10
Accrual Basis

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Profit & Loss Budget vs. Actual
July through December 2009

	Jul - Dec 09	Budget	\$ Over Budget	% of Budget
TOTAL				
3117 · CARPINTERIA REACH				
Total 3117-1 · STRUCTURES	377.10			
Total 3117-2 · LATERAL METERS	230.44			
Total 3117-4 · CONDUIT	362.13			
Total 3117 · CARPINTERIA REACH	969.67			
3150 · Health & Workers Comp	72,816.11			
3155 · PERS	32,696.94			
3160 · Payroll Comp FICA Ops	14,184.84			
3165 · Payroll Comp MCARE Ops	3,317.41			
3100 LABOR - Other	0.00	886,401.00	-886,401.00	0.0%
Total 3100 LABOR	328,721.34	886,401.00	-557,679.66	37.09%
3200 VEH & EQUIPMENT				
3201 · Vehicle/Equip Mfct	10,516.08	40,000.00	-29,483.92	26.29%
3202 · Fixed Capital	1,251.19	40,000.00	-38,748.81	3.13%
3203 · Equipment Rental	525.59	5,000.00	-4,474.41	10.51%
3204 · Miscellaneous	2,113.25	15,000.00	-12,886.75	14.09%
Total 3200 VEH & EQUIPMENT	14,406.11	100,000.00	-85,593.89	14.41%
3300 · CONTRACT LABOR				
3301 · Conduit, Meter, Valve & Misc	5,193.35	12,000.00	-6,806.65	43.28%
3302 · Buildings & Roads	1,661.15	16,000.00	-14,338.85	10.38%
3303 · Reservoirs	3,675.50	52,000.00	-48,324.50	7.07%
3304 · Engineering, Misc Services	0.00	20,000.00	-20,000.00	0.0%
Total 3300 · CONTRACT LABOR	10,530.00	100,000.00	-89,470.00	10.53%
3400 · MATERIALS & SUPPLIES				
3401 · Conduit, Meter, Valve & Misc	122.62	25,000.00	-24,877.38	0.49%
3402 · Buildings & Roads	4,947.35	25,000.00	-20,052.65	19.79%
3403 · Reservoirs	1,396.31	10,000.00	-8,603.69	13.96%
Total 3400 · MATERIALS & SUPPLIES	6,466.28	60,000.00	-53,533.72	10.78%
3500 · OTHER EXPENSES				
3501 · Utilities	2,130.67	6,500.00	-4,369.33	32.78%
3502 · Uniforms	206.49	6,500.00	-6,293.51	3.18%
3503 · Communications	8,424.31	20,000.00	-11,575.69	42.12%

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01/19/10
Accrual Basis

comb2
Profit & Loss Budget vs. Actual
July through December 2009

	TOTAL			
	Jul - Dec 09	Budget	\$ Over Budget	% of Budget
3504 · USA & Other Services	1,058.12	4,000.00	-2,941.88	26.45%
3505 · Miscellaneous	4,974.68	8,000.00	-3,025.32	62.18%
3506 · Training	475.00	8,000.00	-7,525.00	5.94%
Total 3500 · OTHER EXPENSES	17,269.27	53,000.00	-35,730.73	32.58%
4999 · GENERAL & ADMINISTRATIVE				
5000 · Director Fees				
5001 · Director Mileage	620.35			
5000 · Director Fees - Other	6,016.00	12,000.00	-5,984.00	50.13%
Total 5000 · Director Fees	6,636.35	12,000.00	-5,363.65	55.3%
5100 · Legal	51,010.33	63,000.00	-11,989.67	80.97%
5101-1 · Audit	12,000.00	12,000.00	0.00	100.0%
5150 · Unemployment Tax	1,800.00	7,567.00	-5,767.00	23.79%
5200 · Liability Insurance	31,629.00	40,000.00	-8,371.00	79.07%
5201 · Health & Workers Comp	37,361.08	72,310.00	-34,948.92	51.67%
5250 · PERS	19,532.76	39,760.00	-20,227.24	49.13%
5260 · Company FICA Admin	6,601.40	15,658.00	-9,056.60	42.16%
5265 · Company MCARE Admin	1,803.92	3,662.00	-1,858.08	49.26%
5300 · Manager Salary	35,499.88	73,000.00	-37,500.12	48.63%
5301 · Administrative Manager	48,098.96	96,198.00	-48,099.04	50.0%
5306 · Administrative Assistant	29,710.72	59,421.00	-29,710.28	50.0%
5310 · Postage/Office Exp	3,250.27	9,000.00	-5,749.73	36.11%
5311 · Office Equip/Leases	3,160.91	6,200.00	-3,039.09	50.98%
5312 · Misc Admin Expenses	2,781.27	12,000.00	-9,218.73	23.18%
5313 · Communications	2,065.34	6,000.00	-3,934.66	34.42%
5314 · Utilities	3,759.02	6,000.00	-2,240.98	62.65%
5315 · Membership Dues	5,633.00	6,050.00	-417.00	93.11%
5316 · Admin Fixed Assets	0.00	5,000.00	-5,000.00	0.0%
5318 · Computer Consultant	9,221.90	10,000.00	-778.10	92.22%
5325 · Emp Training/Subscriptions	664.94	4,500.00	-3,835.06	14.78%
5330 · Admin Travel/Conferences	652.54	5,000.00	-4,347.46	13.05%
5331 · Public Information	345.46	6,000.00	-5,654.54	5.76%
5332 · Transportation	706.80	1,000.00	-293.20	70.68%
Total 4999 · GENERAL & ADMINISTRATIVE	313,925.85	571,326.00	-257,400.15	54.95%
5510 · Integrated Reg. Water Mgt Plan	0.00	70,000.00	-70,000.00	0.0%

7:20 AM
01/19/10
Accrual Basis

comb2
Profit & Loss Budget vs. Actual
July through December 2009

	Jul - Dec 09	Budget	\$ Over Budget	% of Budget
TOTAL				
6000 · SPECIAL PROJECTS				
6062 · SCADA	9,320.00	50,000.00	-40,680.00	18.64%
6090-1 · COMB Bldg/Grounds Repair	5,707.50	50,000.00	-44,292.50	11.42%
6092 · SCC Improv Plan & Design	100,528.39	275,000.00	-174,471.61	36.56%
6092-1 · SCC Improv Plan & Design - UF	0.00	-100,000.00	100,000.00	0.0%
6096 · SCC Structure Rehabilitation	1,593.44	100,000.00	-98,406.56	1.59%
6097 · GIS and Mapping	4,481.41	50,000.00	-45,518.59	8.96%
Total 6000 · SPECIAL PROJECTS	121,630.74	425,000.00	-303,369.26	28.62%
6400 · STORM DAMAGE				
6403 · Jesusita Fire Damage	199,887.34	375,000.00	-175,112.66	53.3%
6403-1 · Jesusita Fire Damage - UF	0.00	-375,000.00	375,000.00	0.0%
Total 6400 · STORM DAMAGE	199,887.34	0.00	199,887.34	100.0%
6999 · Uncategorized Expense	0.00	1,100,000.00	-1,100,000.00	0.0%
PAYROLL				
Gross	0.08			
Gross-CCRB	0.06			
Total PAYROLL	0.14			
Total Expense	1,012,837.23	3,365,727.00	-2,352,889.77	30.09%
Net Income	874,730.77	-3,365,727.00	4,240,457.77	-25.99%

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Local Agency Investment Fund
 P.O. Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001

www.treasurer.ca.gov/pmia-laif
 January 08, 2010

CACHUMA OPERATION AND MAINTENANCE BOARD

GENERAL MANAGER
 3301 LAUREL CANYON ROAD
 SANTA BARBARA, CA 93105-2017

PMIA Average Monthly Yields

Transactions

Tran Type Definitions

December 2009 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
12/21/2009	12/21/2009	RW	1251910	KATHLEEN REES	-160,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	1,586,328.62
Total Withdrawal:	-160,000.00	Ending Balance:	1,426,328.62

MEMO TO: Board of Directors
 Cachuma Operation & Maintenance Board

FROM: Kathleen Rees, Secretary

SUBJECT: COMB INVESTMENT POLICY

The above statement of investment activity for the month of December, 2009, complies with legal requirements for investment policy of government agencies, AB 1073. I hereby certify that it constitutes a complete and accurate summary of all LAIF investments of this agency for the period indicated.

Kathleen Rees
 Secretary

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**SANTA BARBARA
BANK & TRUST**

P.O. Box 60839, S.B., CA, 93160-0839

6200
Cachuma Operation & Maintenance Board
Master Contract Renewal Fund
3301 Laurel Canyon Rd
Santa Barbara CA 93105-2017

Banking Statement

Statement Period: 12/01/2009 to 12/31/2009

Customer Number: Page 1

Customer Service Representative
(888) 400-SBBT (400-7228)

BANKLINE-24-HOUR AUTOMATED INFORMATION
(800) 287-SBBT (287-7228)

www.sbbt.com

FDIC INSURANCE NOTICE

Effective 01/01/2010, many banks have decided to opt out of the FDIC's Transaction Account Guarantee Program.

Pacific Capital Bank, N.A. has committed to remain a participant in the Program, and unlimited funds held in eligible transaction accounts will continue to be fully insured by the safety and security of the FDIC.

Please contact your local branch manager with any questions you may have.

Business Money Market

Checking Summary

Cachuma Operation & Maintenance Board

Master Contract Renewal Fund

Account Number 102335072
Interest Paid YTD 49.13

Deposit Account Recap

Beginning Balance as of
December 1, 2009 5,027.81
1 Deposits (Plus) 2.14
Ending Balance as of
December 31, 2009 5,029.95
Interest Paid 2.14

MEMO TO: Board of Directors
Cachuma Operation & Maintenance Board

FROM: Kathleen Rees, Secretary

SUBJECT: COMB INVESTMENT POLICY

The above statement of investment activity for the month of December, 2009, complies with legal requirements for investment policy of government agencies, AB 1073. I hereby certify that it constitutes a complete and accurate summary of all Santa Barbara Bank & Trust investments of this agency for the period indicated.

Kathleen Rees
Secretary

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**SANTA BARBARA
BANK & TRUST**

P.O. Box 60839, S.B., CA, 93160-0839

6201

Cachuma Operation & Maintenance Board
Cachuma Project Trust Fund
3301 Laurel Canyon Rd
Santa Barbara CA 93105-2017

Banking Statement

Statement Period: 12/01/2009 to 12/31/2009

Customer Number: Page 1

Customer Service Representative
(888) 400-SBBT (400-7228)

BANKLINE-24-HOUR AUTOMATED INFORMATION
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Please contact your local branch manager with any questions you may have.

Public Capital Tiered MMDA

Checking Summary

Cachuma Operation & Maintenance Board

Cachuma Project Trust Fund

Account Number 102335080
Interest Paid YTD 846.73

Deposit Account Recap

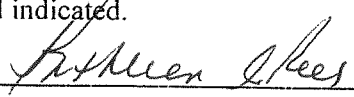
Beginning Balance as of December 1, 2009 103,474.00 ✓
1 Deposits (Plus) 65.93
Ending Balance as of December 31, 2009 103,539.93
Interest Paid 65.93

MEMO TO: Board of Directors
Cachuma Operation & Maintenance Board

FROM: Kathleen Rees, Secretary

SUBJECT: COMB INVESTMENT POLICY

The above statement of investment activity for the month of December, 2009, complies with legal requirements for investment policy of government agencies, AB 1073. I hereby certify that it constitutes a complete and accurate summary of all Santa Barbara Bank & Trust investments of this agency for the period indicated.


Secretary

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comb2
Payment of Claims
As of December 31, 2009

Date	Num	Name	Memo	Split	Amount
1050 · GENERAL FUND					
12/2/2009	18555	Business Card		2200 · ACC...	-1,201.86
12/2/2009	18556	Coastal Copy, LP	Lease/mtce agmt KM-C4035 10/9...	2200 · ACC...	-160.33
12/2/2009	18557	COMB - Revolving Fund	Dec 11 & 25 payroll/taxes	2200 · ACC...	-99,440.07
12/2/2009	18558	Draganchuk Alarm Systems	Service call	2200 · ACC...	-79.00
12/2/2009	18559	Federal Express	Mailings	2200 · ACC...	-36.23
12/2/2009	18560	Growing Solutions	Plant care PO#8931	2200 · ACC...	-100.00
12/2/2009	18561	McCormix Corp.	Diesel fuel	2200 · ACC...	-63.68
12/2/2009	18562	PG&E		2200 · ACC...	-115.99
12/2/2009	18563	COMB-Petty Cash	Replenish petty cash	2200 · ACC...	-369.33
12/2/2009	18564	Cox Communications	Business internet 11/18-12/17/09	2200 · ACC...	-195.00
12/2/2009	18565	UPS	Shipping	2200 · ACC...	-39.43
12/9/2009	18566	Bureau of Reclamation	MP 620 Permit 2nd barrel project	2200 · ACC...	-10,000.00
12/9/2009	18567	Acorn Landscape Manage...	Scheduled mtce	2200 · ACC...	-253.17
12/9/2009	18568	ACWA Health Benefits Au...	Jan EAP	2200 · ACC...	-46.02
12/9/2009	18569	Aqua-Flo Supply		2200 · ACC...	-77,930.56
12/9/2009	18570	AT&T	Nov statement	2200 · ACC...	-315.53
12/9/2009	18571	CIO Solutions, LP	Support	2200 · ACC...	-1,356.25
12/9/2009	18572	Das Williams	Nov mtg fees	2200 · ACC...	-132.56
12/9/2009	18573	ECHO Communications	Answering service	2200 · ACC...	-66.80
12/9/2009	18574	GE Capital	Copies lease Billing ID#90133933...	2200 · ACC...	-499.16
12/9/2009	18575	Jan Abel	Nov mtg fees	2200 · ACC...	-139.00
12/9/2009	18576	Lauren W. Hanson	Nov mtg fees	2200 · ACC...	-133.50
12/9/2009	18577	Lee F. Bettencourt	Nov mtg fees	2200 · ACC...	-159.19
12/9/2009	18578	MarBorg Industries		2200 · ACC...	-426.40
12/9/2009	18579	McCormix Corp.	Diesel fuel	2200 · ACC...	-96.73
12/9/2009	18580	Nextel Communications	Cellular	2200 · ACC...	-612.28
12/9/2009	18581	Power Maintenance Corp.	Mtce contract UPS system-Lake ...	2200 · ACC...	-650.00
12/9/2009	18582	Praxair Distribution, Inc	Cylinder rental	2200 · ACC...	-41.71
12/9/2009	18583	Robert Lieberknecht	Nov mtg fees	2200 · ACC...	-143.56
12/9/2009	18584	Santa Barbara Sand & To...	Gravel-Glen Anne	2200 · ACC...	-322.48
12/9/2009	18585	State Compensation Insur...	Payroll Report Nov 09	2200 · ACC...	-4,222.64
12/9/2009	18586	TechnoFlo Systems	Labor/calibrate/repair-meter	2200 · ACC...	-603.35
12/9/2009	18587	Underground Service Alert...	Nov tickets	2200 · ACC...	-85.50
12/9/2009	18588	Verizon Wireless	Cellular	2200 · ACC...	-179.54
12/10/2009	18589	A-OK Mower Shops, Inc.	Gas cans/blades	2200 · ACC...	-113.59
12/10/2009	18590	AECOM USA Inc.		2200 · ACC...	-10,362.13
12/10/2009	18591	CIO Solutions, LP		2200 · ACC...	-536.25
12/10/2009	18592	City of Santa-Barbara	Refuse/recycle 10/28-11/30/09	2200 · ACC...	-158.12
12/10/2009	18593	Culligan Water	RO system Dec	2200 · ACC...	-24.95
12/10/2009	18594	Fed Ex Kinko's, Inc.	Copies	2200 · ACC...	-14.69
12/10/2009	18595	Fleet Services	Fuel	2200 · ACC...	-1,592.30
12/10/2009	18596	Home Depot Credit Services	Post for fence	2200 · ACC...	-57.09
12/10/2009	18597	J&C Services	Ofc cleaning 11/6,16,20,30	2200 · ACC...	-500.00
12/10/2009	18598	Larry's 8-Day Auto Parts	Lamp lens	2200 · ACC...	-23.71
12/10/2009	18599	Nordman, Cormany, Hair ...	Gen Counsel Nov services	2200 · ACC...	-10,305.00
12/10/2009	18600	Paychex, Inc.	11/13, 27 payrolls/taxes	2200 · ACC...	-236.98
12/10/2009	18601	Republic Elevator Co.	Scheduled mtce	2200 · ACC...	-256.90
12/10/2009	18602	Robert R. Lieberknecht	Nov reimb-ACWA/JPIA conf	2200 · ACC...	-324.93
12/10/2009	18603	SB Home Improvement C...		2200 · ACC...	-24.41
12/10/2009	18604	Southern California Edison	Main ofc/outlying stations	2200 · ACC...	-1,046.14
12/10/2009	18605	Staples Credit Plan	Office supplies	2200 · ACC...	-428.86
12/10/2009	18606	Verizon California		2200 · ACC...	-459.56
12/10/2009	18607	County of Santa Barbara	Hazmat waste disposal	2200 · ACC...	-72.62
12/10/2009	18608	Mark Crane's Tree & Arbor...	Green waste fees PO#09-10-04	2200 · ACC...	-3,943.50
12/10/2009	18609	UPS	Shipping	2200 · ACC...	-10.12
12/10/2009	18610	WFCB-OSH Commercial ...		2200 · ACC...	-171.61
12/15/2009	18611	ACWA Health Benefits Au...	1/1-2/1/10 coverage	2200 · ACC...	-12,642.86
12/15/2009	18612	Crocker Refrigeration Hea...	Install new heater-Board room	2200 · ACC...	-2,230.00
12/15/2009	18613	Hydrex Pest Control Co.	Ant/pest control	2200 · ACC...	-80.00
12/15/2009	18614	Prudential Overall Supply		2200 · ACC...	-292.04
12/15/2009	18615	Science Applications Inter...		2200 · ACC...	-651.25

1:40 PM
01/18/10
Accrual Basis

comb2
Payment of Claims
As of December 31, 2009

Date	Num	Name	Memo	Split	Amount
12/15/2009	18616	Southern California Edison		2200 · ACC...	-51.11
12/15/2009	18617	Verizon California	SCADA	2200 · ACC...	-527.01
12/15/2009	18618	Premiere Global Services	Conf. calls Nov	2200 · ACC...	-53.65
12/28/2009	18619	Business Card		2200 · ACC...	-1,145.22
12/28/2009	18620	SWRCB Fees	Annual fee-waste discharge requir...	2200 · ACC...	-1,452.00
12/28/2009	18621	The Gas Company	Main ofc	2200 · ACC...	-16.10
Total 1050 · GENERAL FUND					-250,021.55
TOTAL					-250,021.55

CACHUMA OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: January 25, 2010
TO: Members of the Board of Directors
FROM: Kate Rees, General Manager
RE: **RESOLUTIONS RELATING TO COMB FUND ACCOUNTS**

RECOMMENDATION:

It is recommended that the Board of Directors pass, approve and adopt Resolutions No. 498 and 499, as presented.

DISCUSSION:

The COMB Board has had a recent change in two of its Directors appointed from the Santa Ynez River Water Conservation District, ID#1 (ID#1) and Montecito Water District (MWD). Lee Bettencourt has replaced Matt Loudon from ID#1, and Doug Morgan has replaced Jan Abel from MWD. These resolutions are "housekeeping items" due to these changes in the appointments to the COMB Board.

Adoption of the resolutions will add Director Bettencourt and Director Morgan as a signatory on the COMB Renewal Fund and Trust Fund Accounts and on the COMB General Fund Account at Santa Barbara Bank & Trust.

Respectfully submitted,



Kate Rees
General Manager

KR.COMB\Admin\Board memos\012510_banking.org

ITEM # 5
PAGE 1

RESOLUTION NO. 498

A RESOLUTION OF THE CACHUMA OPERATION AND MAINTENANCE BOARD AUTHORIZING SIGNATORIES FOR THE CACHUMA PROJECT TRUST FUND AND THE CACHUMA MASTER CONTRACT RENEWAL FUND ACCOUNTS AT SANTA BARBARA BANK AND TRUST

WHEREAS, the Cachuma Operation and Maintenance Board (COMB) by Resolution No. 249 of January 27, 1997 assumed responsibility for managing the Cachuma Project Trust Fund and the Cachuma Master Contract Renewal Fund (Renewal Fund), and

WHEREAS, COMB has identified Santa Barbara Bank and Trust as the most favorable institution with which to establish these accounts; and

WHEREAS, the checks issued on the Renewal Fund and Cachuma Project Trust Fund require two (2) authorized signatures before the checks are honored by the Bank; and

WHEREAS, the Board of Directors reviews and approves the payment of claims for all checks issued on the Renewal Fund and Cachuma Project Trust Fund accounts at the Board's monthly meeting,

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Cachuma Operation and Maintenance Board that the following persons are authorized signatories on said account subject to those conditions as specified in Resolution No. 493 adopted by this Board on July 27, 2009.

President of the Board

Vice-President of the Board

Director

Director

Director

General Manager/Secretary

Administrative Manager

PASSED, APPROVED AND ADOPTED this 25th day of January 2010, by the following vote:

AYES:
NAYES:
ABSENT/ABSTAIN:

President of the Board

ATTEST:

Secretary

RESOLUTION NO. 499

A RESOLUTION OF THE CACHUMA OPERATION AND MAINTENANCE BOARD AUTHORIZING SIGNATORIES FOR GENERAL FUND ACCOUNT AT SANTA BARBARA BANK AND TRUST

WHEREAS, the Cachuma Operation and Maintenance Board maintains a separate checking account at Santa Barbara Bank and Trust for the payment of bills and claims presented to the Board herein called the General Fund, and

WHEREAS, the checks issued on the General Fund require two (2) authorized signatures before the checks are honored by the bank, and

WHEREAS, the Board of Directors reviews and approves the payment of claims for all checks issued on the General Fund at the Board's monthly meeting.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Cachuma Operation and Maintenance Board that the following persons are authorized signatories on said account subject to those conditions as specified in Resolution No. 491 adopted by this Board on July 27, 2009.

President of the Board

Vice-President of the Board

Director

Director

Director

General Manager/Secretary

Administrative Manager

PASSED, APPROVED AND ADOPTED this 25th day of January 2010, by the following vote:

AYES:
NAYES:
ABSENT/ABSTAIN:

President of the Board

ATTEST:

Secretary

CACHUMA OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: January 25, 2010
TO: Das Williams, President Of The Board
FROM: Kate Rees, General Manager
RE: **RECONSIDERATION OF COMMITTEE APPOINTMENTS FOR FISCAL YEAR
2009-2010**

RECOMMENDATION:

It is recommended that the President of the Board reconsider committee appointments for Fiscal Year 2009-2010 to the following committees: Capital Improvement, Management and Public Affairs, Operations, and Legal Affairs.

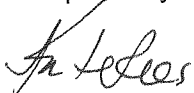
DISCUSSION:

The COMB Board has had a recent change in two of its Directors appointed from the Santa Ynez River Water Conservation District, ID#1 (ID#1) and Montecito Water District (MWD). Lee Bettencourt has replaced Matt Loudon from ID#1, and Doug Morgan has replaced Jan Abel from MWD. Either Ms Abel or Mr. Loudon served on one of more of the COMB Committees listed below as a committee member or an alternate member.

1. Capital Improvements Committee - Long term Capital Improvement Plan Projects;
2. Management & Public Affairs - Updating the Employee Handbook; Website maintenance; Publishing newspaper opinion pieces; Newsletters.
3. Operations Committee - SCC operations; SCC Right-of- Way encroachment issues.
4. Legal Affairs - Review, strategy, and policy considerations; Lawsuits, if any, Contractual reorganization issues.

The attached sheet shows the committee appointments made for FY 2009-2010. President Williams will recommend committee replacements at the January 25th Board meeting.

Respectfully submitted,



Kate Rees
General Manager

**COMMITTEE APPOINTMENTS
FY 2009-2010**

COMMITTEE NAME	COMMITTEE MEMBER	COMMITTEE MEMBER	ALTERNATE MEMBER
Capital Improvements	Jan Abel	Das Williams	Lauren Hanson
Finance	Lauren Hanson	Das Williams	Bob Lieberknecht
Management & Public Affairs	Bob Lieberknecht	Matt Loudon	Das Williams
Operations	Bob Lieberknecht	Lauren Hanson	Jan Abel
Legal Affairs	Jan Abel	Das Williams	Matt Loudon

**COMMITTEE APPOINTMENTS
FY 2009-2010
Mid-Year Appointments**

COMMITTEE NAME	COMMITTEE MEMBER	COMMITTEE MEMBER	ALTERNATE MEMBER
Capital Improvements		Das Williams	Lauren Hanson
Finance	Lauren Hanson	Das Williams	Bob Lieberknecht
Management & Public Affairs	Bob Lieberknecht		Das Williams
Operations	Bob Lieberknecht	Lauren Hanson	
Legal Affairs		Das Williams	

**CACHUMA OPERATION AND MAINTENANCE BOARD
METERED USE REPORT FOR DECEMBER 2009**

LATERAL/ STATION	NAME	ACRE FEET METERED	LATERAL/ STATION	NAME	ACRE FEET METERED
CARPINTERIA WATER DISTRICT			GOLETA WATER DISTRICT		
Boundary Meter		78.01	18+62	G. WEST #1	0.00
Less 2% system losses		(1.56)	18+62	G. WEST #2	10.90
			78+00	Corona Del Mar FILTER Plant	653.08
			122+20	STOW RANCH	0.00
				CAMINO REAL (Bishop)	0.00
				STATE WTR CREDIT	0.00
				Morehart Land (SWP)	0.00
				Raytheon (SWP)	0.00
				La Cumbre SWP Transfer	0.00
			TOTAL		663.98
			MONTECITO WATER DISTRICT		
			260+79	BARKER PASS	38.78
			386+65	MWD YARD	4.75
			487+07	VALLEY CLUB	0.00
			499+65	E. VALLEY-ROMERO PUMP	80.37
			599+27	TORO CANYON	0.00
			510+95	ORTEGA CONTROL	11.69
			510+95	MWD PUMP (SWD)	5.34
			526+43	ASEGRA RD	0.10
			555+80	CO. YARD	0.00
			583+00	LAMBERT RD	0.12
				STATE WTR CREDIT	0.00
				SWP CRED - CVWD	0.00
			TOTAL		141.15
			CITY OF SANTA BARBARA		
			CATER	INFLOW	1,042.28
			"	SO. FLOW	(312.46)
			Gibraltar	PENSTOCK	(122.46)
			Sheffield	SHEF.LIFT	79.82
				STANWOOD MTR TO SCC-credit	0.00
				STATE WTR CREDIT	0.00
				La Cumbre Mutual (SWP) transfer	(72.00)
			TOTAL		615.18
			S. Y. RIVER WTR CON DIST., ID#1		
			COUNTY PARK, ETC		2.49
			TOTAL		2.49
			BREAKDOWN OF DELIVERIES BY TYPE:		
			STATE WTR TO SOUTH COAST		72.00
			BISHOP RANCH DIVERSION		0.00
			METERED DIVERSION		1,499.26
			STATE WTR CRD		
					0.00
TOTAL		76.45			
Note: COMB meter reads were taken on 12/30/09 MWD - 9:26 - 11:00am					

09-10 ENTITLEMENT

CACHUMA OPERATION AND MAINTENANCE BOARD

WATER PRODUCTION AND WATER USE REPORT

Revised 1/13/10

FOR THE MONTH OF DECEMBER 2009 AND THE WATER YEAR TO DATE

(All in rounded Acre Feet)

	MONTH TOTAL					YTD TOTAL
WATER PRODUCTION:						
Cachuma Lake (Tec. Diversion)				2,506		6,483
Tecolote Tunnel Infiltration				213		338
Glen Anne Reservoir				0		0
Cachuma Lake (County Park)				5		14
State Water Diversion Credit				98		265
Gibraltar Diversion Credit				0		0
Bishop Ranch Diversion				0		0
Meter Reads				2,448		6,256
So. Coast Storage gain/(loss)				28		(34)
Total Production				2,725		6,835
Total Deliveries				2,574		6,488
Unaccounted-for				151		347
% Unaccounted-for				5.55%		5.08%
	GWD	SB CITY	MWD	CVWD	SYRWCD I.D. #1	TOTAL
WATER USE:						
M&I	543	615	133	49	2	1,343
Agricultural	121	0	8	27	0	156
TOTAL FOR MONTH	664	615	141	76	2	1,499
Same Mo/prev. yr	679	428	119	5	4	1,235
M&I Yr to date	2,108	2,249	699	285	13	5,355
Ag. Yr to date	567	0	77	256	0	900
TOTAL YTD	2,675	2,249	776	541	13	6,255
USAGE % YTD	21.6%	17.3%	20.5%	14.5%	0.7%	17.4%
Previous Year/YTD	2,961	1,015	489	405	18	4,888
Evaporation	2	6	1	1	2	12
Evaporation, YTD	29	54	11	10	10	114
Entitlement	9,322	8,277	2,651	2,813	2,651	25,714
Carryover	3,088	4,937	1,129	944	839	10,937
Carryover Balances Spilled YTD	0	0	0	0	0	0
Surplus^^	0	0	0	0	0	0
State Water Exchange^	90	61	61	40	(252)	0
Transfers*/Adjustment***	0	0	0	0	0	0
Passthrough H2O**	0	0	0	0	0	0
TOTAL AVAILABLE	12,500	13,275	3,841	3,797	3,238	36,651
REMAINING BALANCE	9,796	10,972	3,054	3,246	3,215	30,281

** City is operating under pass through mode declared November 2008.

State Water Deliveries for December to Lake Cachuma were MWD 0 AF; CVWD 0 AF

GWD 0 AF (Morehart 0 AF); City of S.B. 0 AF; and LaCumbre 72 AF; (Ratheon 0 AF).

^ Per SWP Exchange Agrmt GWD received 17 AF; MWD received 12;

City of SB received 12 AF; and CVWD received 8 AF from ID#1 in December 2009.

ITEM # 7a
PAGE 2

CACHUMA OPERATION AND MAINTENANCE BOARD
WATER STORAGE REPORT

MONTH: December 2009

GLEN ANNIE RESERVOIR

Capacity at 385' elevation:	518 Acre Feet
Capacity at sill of intake at 334' elevation:	21 Acre Feet
Stage of Reservoir Elevation	347.10 Feet
Water in Storage	88.54 Acre Feet

LAURO RESERVOIR

Capacity at 549' elevation:	600 Acre Feet
Capacity at sill of intake at 512' elevation:	84.39 Acre Feet
Stage of Reservoir Elevation	544.00 Feet
Water in Storage	490.33 Acre Feet

ORTEGA RESERVOIR

Capacity at 460' elevation:	65 Acre Feet
Capacity at outlet at elevation 440':	0 Acre Feet
Stage of Reservoir Elevation	445.70 Feet
Water in Storage	15.49 Acre Feet

CARPINTERIA RESERVOIR

Capacity at 384' elevation:	45 Acre Feet
Capacity at outlet elevation 362':	0 Acre Feet
Stage of Reservoir Elevation	373.80 Feet
Water in Storage	20.92 Acre Feet

TOTAL STORAGE IN RESERVOIRS

Change in Storage	526.74 Acre Feet
	-63.81 Acre Feet

CACHUMA RESERVOIR*

Capacity at 750' elevation:	186,636 Acre Feet
Capacity at sill of tunnel 660' elevation:	25,668 Acre Feet

Stage of Reservoir Elevation	730.6 Feet
------------------------------	------------

Water in Storage	134,946 AF
------------------	------------

Area	2,374
------	-------

Evaporation	208.0 AF
-------------	----------

Inflow	582.9 AF
--------	----------

Downstream Release WR8918	0 AF
---------------------------	------

Fish Release	365.4 AF
--------------	----------

Spill/Seismic Release	0 AF
------------------------------	------

State Project Water	72 AF
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Change in Storage	-830 AF
-------------------	---------

Tecolote Diversion	1,506.1 AF
--------------------	------------

Rainfall: Month: 3.00 Season: 5.31 Percent of Normal: 92%

* New capacity table adopted Dec. 1 as a result of the Bathymetric Study completed in Sept. 2008, results in 1110 AF reduction of storage.

COMB STATE WATER PROJECT ACCOUNTING - SOUTH COAST ONLY (Does not include SYRWCD, ID#1 or exchange water)

MONTH	DELVRD TO LAKE	CWND		Transf		MWD		Evap/Spill		Delvd to SC		S.B.		GWD		LGMWC		RSYS		MLC		
		Delvd to Lake	Stored	Delvd to SC	Delvd to MW	Delvd to Lake	Stored	Spill	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake
2008																						
Bal. Fwrd		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January	39	0	134.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February	0	0	39	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March	0	0	0	0	0	0	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
June	716	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July	627	0	253	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
August	994	0	218	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September	988	0	885	323	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October	87	0	647	416	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
November	153.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
December	89	17	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3693.6	117	2059	0	48	2145	0	0	0	0	0	0	0	0	723	0	723	0	0	0	0	0

COMB STATE WATER PROJECT ACCOUNTING - SOUTH COAST ONLY (Does not include SYRWCD, ID#1 or exchange water)

MONTH	DELVRD TO LAKE	CWND		Transf		MWD		Evap/Spill		Delvd to SC		S.B.		GWD		LGMWC		RSYS		MLC		
		Delvd to Lake	Stored	Delvd to SC	Delvd to MW	Delvd to Lake	Stored	Spill	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake	Stored	Delvd to SC	Delvd to Lake
2009																						
Bal. Fwrd		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
January	143	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
February	122	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
March	166	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
April	332	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May	715	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
June	460	0	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
July	134	0	363	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
August	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
September	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
October	95	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
November	98	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
December	72	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	2537	0	763	0	0	763	0	0	0	0	0	0	0	0	705	0	705	0	0	0	0	0

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SUMMARY OF WATER USED

CACHUMA PROJECT - CONTRACT #175R-1802

Contract Year: 10/1/09 to: 9/30/10

Contract Entity: Carpinteria Valley Water District
Last updated by C.O.M.B. 12/31/09

Month	Approved Schedule Current Year		Carryover Previous Year		TOTAL WATER USED			WATER USED CHARGED TO CARRYOVER BALANCES			WATER USED CHARGED TO CURRENT ENTITLEMENT		
	Current Year	2813	944	2813	M & I	Agr	Total	Evap	Div	Total	M & I	Agr	Total
Oct		132	123	255	6	255	261	135	126	0	0	0	
Nov		104	106	210	3	210	213	105	107	0	0	0	
Dec		49	27	76	1	76	77	50	27	0	0	0	
Jan		0	0	0									
Feb		0	0	0									
Mar		0	0	0									
Apr		0	0	0									
May		0	0	0									
Jun		0	0	0									
Jul		0	0	0									
Aug		0	0	0									
Sep		0	0	0									
Total		285	256	541	285	256	541						

CONVERSIONS

STORAGE WATER		CURRENT SCHEDULE	
M & I	Agr	M & I	Agr
0	0	0	0
0	0	0	0
0	0	0	0

SCHEDULE AND REVISIONS		SCHEDULE AND REVISIONS	
Total	M&I	AG	Total
944	491	678	2,813
Begin Bal			2,813
ID#1 Ex +24			24
ID#1 Ex +8			8
ID#1 Ex+8			8
Jan			0
Feb			0
Mar			0
Apr			0
May			0
Jun			0
Jul			0
Aug			0
Sep			0

REMAINING BALANCES			
Total	M&I	AG	Total
683	356	552	2837
470	251	445	2845
394	201	418	2853

SUMMARY OF WATER USED
CACHUMA PROJECT - CONTRACT #175R-1802

Contract Entity: Goleta Water District
 Last updated by C.O.M.B. 12/31/09
 Approved Schedule Current Year 9322
 Carryover Previous Year 3088
 Contract Year: 10/1/09 to: 9/30/10

Month	TOTAL WATER USED		WATER USED CHARGED TO CARRYOVER BALANCES				WATER USED CHARGED TO CURRENT ENTITLEMENT		
	M & I	Agr	Evap	Div	Total	M & I	Agr	M & I	Agr
Oct	744	227	19	971	990	759	231	0	0
Nov	821	219	8	1,040	1,048	828	221	0	0
Dec	543	121	2	664	666	545	121	0	0
Jan	0	0						0	0
Feb	0	0						0	0
Mar	0	0						0	0
Apr	0	0						0	0
May	0	0						0	0
Jun	0	0						0	0
Jul	0	0						0	0
Aug	0	0						0	0
Sep	0	0						0	0
Total	2,108	567			2,675				

STORAGE WATER		CONVERSIONS	
M & I	Agr	M & I	Agr
0	0	0	0
0	0	0	0
0	0	0	0

SCHEDULES AND REVISIONS			
	M&I	AG	Total
Begin Bal	2,464	1,160	3,624
ID#1 Ex+55	0	0	0
ID#1 Ex+18	0	0	0
ID#1 Ex+17	0	0	0
Month			
Oct	0	0	0
Nov	0	0	0
Dec	0	0	0
Jan	0	0	0
Feb	0	0	0
Mar	0	0	0
Apr	0	0	0
May	0	0	0
Jun	0	0	0
Jul	0	0	0
Aug	0	0	0
Sep	0	0	0
Total	2,464	1,160	3,624

REMAINING BALANCES			
	M&I	AG	Total
Month			
Oct	2098	1705	3803
Nov	1049	877	1926
Dec	383	332	715
Jan			
Feb			
Mar			
Apr			
May			
Jun			
Jul			
Aug			
Sep			
Total	2098	1705	3803

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TOTAL 9,795

SUMMARY OF WATER USED
CACHUMA PROJECT - CONTRACT #175R-1802

Revised 1/13/10

Contract Year: 10/1/09 to: 9/30/10

Contract Entity: Montecito Water District
 Last updated by C.O.M.B. 12/31/09

Approved Schedule Current Year 2651
 Carryover Previous Year 1129

Month	TOTAL WATER USED		WATER USED CHARGED TO CARRYOVER BALANCES			WATER USED CHARGED TO CURRENT ENTITLEMENT	
	M & I	Agr	Evap	Div	Total	M & I	Agr
Oct	178	165	343	7	350	182	168
Nov	252	40	292	3	295	254	40
Dec	133	8	141	1	142	134	8
Jan	0	0	0	0	0	0	0
Feb	0	0	0	0	0	0	0
Mar	0	0	0	0	0	0	0
Apr	0	0	0	0	0	0	0
May	0	0	0	0	0	0	0
Jun	0	0	0	0	0	0	0
Jul	0	0	0	0	0	0	0
Aug	0	0	0	0	0	0	0
Sep	0	0	0	0	0	0	0
Total	563	213	776				

STORAGE WATER

M & I	-168
Agr	168
M & I	-40
Agr	40
M & I	-8
Agr	8

CONVERSIONS

Month	Agr	M & I
Oct	0	0
Nov	0	0
Dec	0	0
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sep	0	0
Total	2651	1129

SCHEDULE AND REVISIONS

Begin Bal	1,129	1,269	0	2,386	265	2,651
ID#1 Ex+37	0	0	0	37	0	37
ID#1 Ex+12	0	0	0	12	0	12
ID#1 Ex+12	0	0	0	12	0	12
Jan	0	0	0	0	0	0
Feb	0	0	0	0	0	0
Mar	0	0	0	0	0	0
Apr	0	0	0	0	0	0
May	0	0	0	0	0	0
Jun	0	0	0	0	0	0
Jul	0	0	0	0	0	0
Aug	0	0	0	0	0	0
Sep	0	0	0	0	0	0
Total	1,129	1,269	0	2,386	265	2,651

REMAINING BALANCES

Month	M & I	Agr	M & I	Agr
Oct	779	919	2423	265
Nov	484	625	2435	265
Dec	342	483	2447	265
Jan	0	0	0	0
Feb	0	0	0	0
Mar	0	0	0	0
Apr	0	0	0	0
May	0	0	0	0
Jun	0	0	0	0
Jul	0	0	0	0
Aug	0	0	0	0
Sep	0	0	0	0
Total	779	919	2423	265
Oct	484	625	2435	265
Dec	342	483	2447	265
Jan	0	0	0	0
Feb	0	0	0	0
Mar	0	0	0	0
Apr	0	0	0	0
May	0	0	0	0
Jun	0	0	0	0
Jul	0	0	0	0
Aug	0	0	0	0
Sep	0	0	0	0
Total	779	919	2423	265

TOTAL 3,054

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SUMMARY OF WATER USED
CACHUMA PROJECT - CONTRACT #175R-1802

Contract Entity: City of Santa Barbara
 Last updated by C.O.M.B. 12/23/109
 Contract Year: 10/1/09 to: 9/30/10

Month	Approved Schedule Current Year		Carryover Previous Year	TOTAL WATER USED				WATER USE CHARGED TO CARRYOVER BALANCES				WATER USE CHARGED TO CURRENT ENTITLEMENT		
	8277	4937		M & I	Agr	total	Evap	Div	Total	M & I	Agr	M & I	Agr	Total
Oct	0	735	0	735	0	31	735	766	766	0	0	0	0	0
Nov	0	899	0	899	0	17	899	916	916	0	0	0	0	0
Dec	0	615	0	615	0	6	615	621	621	0	0	0	0	0
Jan	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Feb	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mar	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Apr	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jun	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jul	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Aug	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sep	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	8277	4937	0	2,249	0	2,249	0	4,937	4,937	0	8,277	8,277	0	8,277

CONVERSIONS

Month	STORAGE WATER	CURRENT SCHEDULE
	M & I	M & I
Oct	0	0
Nov	0	0
Dec	0	0
Jan	0	0
Feb	0	0
Mar	0	0
Apr	0	0
May	0	0
Jun	0	0
Jul	0	0
Aug	0	0
Sep	0	0

SCHEDULE AND REVISIONS

Month	Total	M&I	Agr
Begin Bal	4,937	4,937	0
ID#1 Ex+37	0	0	37
ID#1 Ex+12	0	0	12
ID#1 Ex+12	0	0	12
Jan	0	0	0
Feb	0	0	0
Mar	0	0	0
Apr	0	0	0
May	0	0	0
Jun	0	0	0
Jul	0	0	0
Aug	0	0	0
Sep	0	0	0
Total	4,937	8,277	8,277

REMAINING BALANCES

Month	Total	M&I	Agr
Oct	4171	4171	0
Nov	3256	3256	0
Dec	2635	2635	0
Jan	0	0	0
Feb	0	0	0
Mar	0	0	0
Apr	0	0	0
May	0	0	0
Jun	0	0	0
Jul	0	0	0
Aug	0	0	0
Sep	0	0	0
Total	4171	8314	8314

TOTAL 10,973

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SUMMARY OF WATER USED
CACHUMA PROJECT - CONTRACT #175R-1802

Contract Entity: Santa Ynez River Water Conservation District, ID#1
 Last updated by C.O.M.B. 12/31/09

Contract Year: 10/1/09 to: 9/30/10

Month	Approved Schedule		Storage Credit		TOTAL WATER USED			WATER USE CHARGED TO CARRYOVER BALANCES			WATER USE CHARGED TO CURRENT ENTITLEMENT		
	Current Year	Previous Year	Current Year	Previous Year	M&I	Agr	Total	Evap	Div	Total	M & I	Agr	Total
Oct	2651	839	0	0	6	0	6	5	6	11	11	0	0
Nov			5	0	5	0	5	3	5	9	9	0	0
Dec			2	0	2	0	2	2	2	4	4	0	0
Jan			0	0	0	0	0					0	0
Feb			0	0	0	0	0					0	0
Mar			0	0	0	0	0					0	0
Apr			0	0	0	0	0					0	0
May			0	0	0	0	0					0	0
Jun			0	0	0	0	0					0	0
Jul			0	0	0	0	0					0	0
Aug			0	0	0	0	0					0	0
Sep			0	0	0	0	0					0	0
Total	2651	839	14	0	14	0	14						

STORAGE WATER		CONVERSIONS	
M & I	Agr	M & I	Agr
0	0	0	0
0	0	0	0
0	0	0	0

CURRENT SCHEDULE		SCHEDULE AND REVISIONS	
M & I	Agr	M & I	Agr
0	0	881	1,770
0	0	(25)	(128)
0	0	(29)	(21)
0	0	(28)	(21)
Total	0	839	2,651

COUNTY PARKS		REMAINING BALANCES	
A.F. Used	Total	M & I	Agr
6.45	828	50	1642
5.28	819	41	1621
2.49	815	37	1600
Total	14.22	128	2499

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TOTAL 3,214

Operations Report – December 2009

The average flow from Lake Cachuma into the Tecolote Tunnel for December was 72 acre-feet per day. Lake elevation was 730.91 feet at the beginning of the month and 730.60 feet at the end. 49 acre-feet of State Water Project water was wheeled through Cachuma Project facilities and delivered to South Coast Member Units during the month.

Conditions at Ortega Reservoir have remained consistent over the month, with weekly monitoring of drain flow, piezometer elevations and site conditions.

Other activities conducted this month include:

- Jesusita Fire recovery efforts at Lauro Reservoir during December continued with debris clean up from the tree removal along the eastern and western slopes. A complete progress report for Jesusita Fire recovery efforts will be included in the board packet for the January board meeting.
- The process of converting hard copy encroachment files to electronic format continued in December with a large-scale scanning effort, currently 90% complete.
- Flood prevention measures repairing and cleaning storm drains to secure the South Portal access road for anticipated storm events took place during December.
- Progress continued on the 2nd Pipeline and Mission Creek projects. A complete status of the projects is included in the board packet for the January COMB board meeting.

Routine operation and maintenance activities conducted during the month included:

- Sampled water at North Portal Intake Tower
- Monitored conduit right-of-way and responded to Dig Alert reports
- Read piezometers and underdrains at Glen Anne, Lauro and Ortega Dams
- Read meters, conducted monthly dam inspections, and flushed venturi meters
- Weed abatement at Lauro Yard

Minutes of the
Operating Committee
of
Cachuma Operation & Maintenance Board
3301 Laurel Canyon Road, Santa Barbara, CA

Wednesday, January 13, 2010

1. Call to Order

Rebecca Bjork called the meeting to order at 8:39 a.m.

Managers Present

Rebecca Bjork
John McInnes
Chris Dahlstrom
Charles Hamilton
Tom Mosby
Kate Rees

Others Present

Das Williams
Lauren Hanson
Bill Hair
Janet Gingras
Ruth Snodgrass
Robert Dunlap
Tim Robinson

2. Public Comment

There were no comments from the public.

3. Discussion with COMB Board Ad Hoc Committee Regarding Operating Committee's Roles and Responsibilities

The COMB Ad Hoc Committee of Das Williams and Lauren Hanson joined the managers for this discussion.

There was considerable discussion on the topic of the roles and responsibilities of the COMB Operating Committee and how the committee should function. Kate Rees asked Charles Hamilton, CVWD to lead the discussion. He elaborated on how he had envisioned the COMB Operating Committee to function. All of the Member Unit managers offered suggestions on how this committee should function and what topics needed to be discussed. Some of the suggestions topics included:

1. Any item that has a potential financial and/or a liability impact to the agency.
2. Any concerns with COMB performing business effectively and controlling costs.
3. Personnel issues if needed.
4. Staffing restructure.
5. Vetting various items at the committee level before reaching the Board level.

The discussion included the consideration of the committee making recommendations to Kate and she could then present those recommendations to the Board. Requests for agenda items would be made to Rebecca Bjork or Kate Rees and approval of agenda items would be jointly handled by Rebecca and Kate.

There was also a discussion concerning the appropriateness of discussing the fisheries projects during the Ops Committee meeting. Chris Dahlstrom, ID#1 felt that COMB should not be involved in these projects but confine the discussion to COMB O & M projects. Bill Hair, COMB's general counsel stated for the record that he disagreed with that premise and that COMB would be the appropriate agency to manage the fisheries projects.

Director Hanson commented that it seemed that the managers want to be advisors and offer a vast amount of knowledge that they would like to share. She questioned whether they should form a managers committee instead of a COMB operating committee. She suggested that the opportunity is available to share and work together and offer creative suggestions.

Director Williams stated that a formal or informal structure to discuss items that might be of concern among the agencies is good. He felt that everyone should take a collective responsibility for bringing items to the agenda. He stated that if policy issues are to be discussed, he would like all conflicts among the managers to be made known to the Board. He also stated that the fisheries projects should be included in the discussions of this committee. His general concern is that he wanted this committee to make a difference.

There was discussion about maintaining the current formal COMB committee or forming a less formal managers meeting. Rebecca's main concern was that currently the committee can make a formal decision and vote on a recommendation. She felt that if this committee is reporting actions to the Board, those recommendations should come from a formal committee which is able to cast a vote. Bill Hair stated that any committee established by the Board is subject to all Brown Act rules. After a wide range discussion, there was no consensus except that the committee decided to retain the current structure of the COMB Operating Committee, formulate the agenda as discussed, and any item that would have a financial and/or liability impact would be included on the agenda. It was requested that Kate write up a summary of this discussion.

Director Hanson summarized the discussion by stating that if the committee does what they have agreed to do with respect to the agenda, and allow advance notice about the discussion topics, any issues or input the managers have should be addressed to Rebecca or Kate. If there is an item that is important to an individual who is unable to attend the meeting, that manager should give notice to Rebecca.

Approval of Minutes, December 2, 2009

Charles Hamilton move to approve the minutes, seconded by Chris Dahlstrom. After discussion the “notes” on Item 5a and Item 8 were to be stricken from the minutes.

Passed: Ayes: Rebecca Bjork, Charles Hamilton, Chris Dahlstrom
Nay: None
Abstain: Tom Mosby, John McInnes
Absent: None

4. General Manager’s Report

a. Operations Staff Restructuring and Recruitment for COMB Engineer

Kate Rees had included in the information packet her recommendations on COMB’s future staffing needs and the job description for the revised position of the Operations Supervisor along with a new Engineer position. Kate Rees was recommending that the Operations Supervisor position be restructured and the Operations Foreman position would either be left vacant or eliminated. Currently, COMB has no engineering expertise on staff and she is recommending that a Professional Engineer be hired.

Chris Dahlstrom requested that the CCRB staff be removed from the COMB Organizational Chart included in the information packet. Kate Rees said Janet Gingras would create two separate organizational charts – one for COMB and one for CCRB.

John McInnes asked about the budget impact due to the increase in salaries. Kate Rees stated that there was no impact to the 2009/2010 budget but there would be a slight increase to the 2010/2011 budget for the four South Coast Agencies. John McInnes suggested that we look for other opportunities to reduce the budget in other areas.

Rebecca Bjork requested that general salary levels be compared with salaries of local agencies. The committee agreed that the salary range for these positions seemed to be in line with local similar positions.

John McInnes moved that the motion was not in support of a budget increase and requested that another opportunity to reduce the budget be looked for in order to offset the increase in salaries. The motion also stated that the committee would support COMB in the need for these positions, seconded by Charles Hamilton.

Passed: Ayes: Rebecca Bjork, John McInnes, Charles Hamilton, Tom Mosby
Nay: None
Abstain: Chris Dahlstrom
Absent: None

b. County Parks Request for Matching Funds for Lake Cachuma Federal Grant

Kate Rees highlighted the request from County Parks to use completed projects constructed by COMB or CCRB for matching funds when applying for a Reclamation grant. There is no definite deadline posted for this application. One grant would be for the improvement of the Water Treatment Plant, another grant would be for the improvement of the Sewer Treatment Plant and Water Distribution System. Kate was requesting the views from each of the managers regarding the use of these matching funds.

Chris Dahlstrom reported that the ID#1 Board does not agree to let the County use the finished projects of CCRB or COMB as matching funds. Tom Mosby reported that the MWD staff is of the opinion that they also do not agree to using the CCRB/COMB completed projects as matching funds; however the MWD Board has not considered this decision. Rebecca Bjork reported that the City of Santa Barbara sees no negative impact to COMB on supporting the request. Charles Hamilton reported that CVWD would support the request. John McInnes stated that this is an opportunity to collaborate with the County on the issues between the agencies.

There was discussion on which agency, CCRB or COMB, had completed the projects being considered and which agency should respond to the County. Rebecca Bjork suggested developing an MOU addressing our areas of interest to work collaboratively with the county in the future on water supply and water quality issues.

c. Draft Ownership and Maintenance Agreement for Quiota Creek Crossing 6

The draft agreement was included in the packet which also included Bill Hair comments. It was mentioned that any other manager who wishes to provide comments should get those comments submitted to Tim Robinson as soon as possible.

d. Revised Notice of Completion for El Jaro Creek Cross Creek Ranch Fish Passage Project

The revised Notice of Completion was included in the packet. Tom Mosby felt that mentioning the BO in the notice of completion would be advantageous for receiving credit for the project.

e. Proposed Meadowlark Project

Tim Robinson reviewed the proposed project. The landowners had approached the Cachuma Project Biology Staff requesting assistance in removing abandoned culverts and relic bank erosion protection materials. Mary Larson of CDFG relayed that she had discretionary funds to fully fund the project. A grant proposal was submitted and the full cost of the project, less administrative and biological monitoring costs, was awarded. All landowners within the project area are supportive of the project and are willing to sign an Indemnification Agreement. Bill Hair asked how CEQA would be handled. Tim Robinson responded that DFG indicated that through their process, CEQA would not need to be performed by COMB.

At the Engineering Ad Hoc Committee site visit, Rebecca Bjork suggested that Tim Robinson contact the County to see if the grant on the Meadowlark project could be transferred to them and suggested that Flood Control carry out this project. Her opinion was that CCRB or COMB are not the proper agency's since this is more of a flood control issue. She also felt that the landowners should be approached to ensure that if there were any unforeseen costs that are not covered by the grant, the landowners would be willing to cover those costs.

Chris Dahlstrom stated that this project is within ID#1 service area. Their downstream alluvial wells are located close to this project. If the channel stream changes due to the removal of the debris and subsequently damaged their wells, ID#1 would have issues with this project. These wells are a significant water supply for ID#1.

The managers are of the opinion that COMB is not the proper agency to do this project. Bill Hair would like information provided in writing as to the reason CEQA is not required. It was requested that Tim Robinson find a different agency to do this project. He will contact the County to see if Flood Control would be able to do the project. If they are not able to do the project, he will contact Chris Dahlstrom to discuss the possibility of ID#1 completing the project.

5. COMB Capital improvement Program

a. 2nd Pipeline Project – Bond/Contribution Agreement/Indemnification Agreement Approval Schedule

The schedule was included in the information packet.

b. 2nd Pipeline Project Rebid

Kate Rees stated that the project will be re-bid with a new bid package and all amendments will be included. Nothing new will be added to the bid with the exception of one add-on which pertains to the coating of the South Portal wall.

c. Mission Creek Pipeline Project – Update on member Unit Review of Designs

Robert Dunlap reported that at the monthly CIP meeting they had received comments on the mission creek pipeline design from Bob McDonald, CVWD and from Mike Kanno, GWD. There were no other comments submitted from any other agency. Glen Hille, AECOM will provide written answers to the submitted comments.

6. COMB Operations

a. Operations Update

This was deferred to the February 3, 2010 meeting.

7. Items for Next Meeting Agenda

- a. Use of Unexpended Funds from FY 2008-09
- b. Preliminary FY 2010-11 Budget

8. Date of Next Meeting:

The date of the next regular meeting is February 3, at 8:30 a.m. at the COMB office.

9. Adjournment

The meeting was adjourned at 12:15 p.m.

Approved _____
Unapproved _____

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**Santa Barbara County Parks Department
Cachuma Lake Recreation Area**

**Summary of Aquatic Invasive Species Vessel Inspection Program
and Early Detection Monitoring Program: December 2009**

<u>VESSEL INSPECTIONS/Launch Data: Dec 2009</u>		
Inspection Data		
Total Vessels entering Park	253	
Total Vessels launched	248	
Total Vessels Quarantined	5	2%
Returning with Boat Launch Tag	213	86%
Arriving new: Inspected, washed	35	14%
Launched w/ 4-stroke engines	123	50%
Launched w/ 2-stroke engines	125	50%

Quarantine Data		
Total Vessels Quarantined	5	
Quarantined 7 days	4	
Quarantined 14 days	1	

Quarantine Reasons -- May be several for 1 boat		
Water in boat/compartments/drain	3	
Debris on hull or in vessel	2	
Plug installed		
Infected areas	1	
Out-of-state		
Other: Lack safety equipment	1	
Unspecified		

Demographic Data		
Quarantined from infected areas	1	
Quarantined from SB County	4	

Boat Launch Tags: Boats with Cachuma Lake Boat Launch Tags attached to boat and trailer. These boats have not been removed from trailer since last visit to lake and are not subject to inspection or decontamination. No mussel species have been located on any vessel entering Cachuma Lake as of August 31, 2009.

CACHUMA LAKE QUAGGA SURVEY:

Summary: No Dressenid Mussels Present.

Inspection site: Cachuma Lake Marina, Santa Barbara County, California

Inspection Date and Time : 2009.12.17; 13:30 – 16:30 PDT

Method: 11 PVC/Cement/Plastic Mesh Sampling Stations; 346 linear feet of line

Surveyors: Carrie Culver and student intern(UC Extension) , Melissa Kelly, (SBCO Parks),

Lake Elevation: 730.93 from maximum of 753 feet

Prepared by Liz Gaspar, Park Naturalist, Cachuma Lake Recreation Area

Zebra/Quagga Surface Survey Data

(Use Pencil Only)

Waterbody Cachuma Lake Reservoir

Date 12 / 17 / 09

Location Hwy 154, Santa Barbara County, SB County Parks Dept

Crew C.Culver, M. Kelly

GPS 34.578333/119.956389

(Decimal Degrees, WSG 84)

Secchi Depth Various

Wave Chop N A

Linear Feet of:

<p>Boat Ramp Bottom x </p> <p>(100ft at marina, 200ft at ramp only)</p>	<p>Shoreline x </p> <p>(100ft at marina, 200ft at ramp only)</p>
<p>Dock (200 ft) x </p>	<p>Concrete Structures (100 ft) x </p>
<p>Mooring Line (200 ft) x </p>	<p>Logs/Woody Debris (100 ft) x </p>
<p>Anchor/Dock Cable (100 ft) 346 </p>	<p>Other <u>See notes</u> </p>

% of Dock/Marina/Boat Ramp Searched N A

Zebra/Quagga Mussels Present? Y / N
No

Specimens Collected? Y / N
No

Exact GPS Location
 (if isolated occurrences):

Mussel Density (# of mussels):

Method
 (circle one):

1		 	Ruler / Petri
	Ruler Length (if < 12 inches)	_____	
	Substrate Type		
2		 	Ruler / Petri
	Ruler Length (if < 12 inches)	_____	
	Substrate Type		
3		 	Ruler / Petri
	Ruler Length (if < 12 inches)	_____	
	Substrate Type		

Corbicula Clams Present? Y / N Yes

Snails Present? Y / N Yes

Other Mussel/Clam Species Present? Y / N No

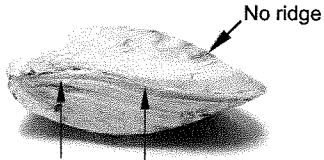
Specimens Collected? Y / N No **ITEM #** 7d

Quagga Mussel

Dreissena rostriformis bugensis



- Shell: D-shaped and triangular; thin, fragile; smooth or shallowly ridged; solid light to dark brown or dark concentric rings; paler near hinge
- Attaches to hard and soft surfaces



Byssal groove

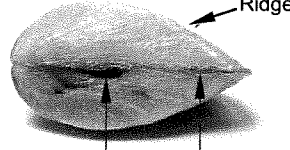
Asymmetrical; curved midventral line; shells do not join together tightly

Zebra Mussel

Dreissena polymorpha



- Shell: D-shaped and triangular; thin, fragile; smooth or shallowly ridged; solid light to dark brown or striped
- Attaches to hard surfaces



Byssal groove

Bilaterally symmetrical; join together in a midventral line

Asian Clam

Corbicula fluminea



- Shell: fan-shaped and symmetrical; thick, hard; deep ridges; solid light to dark brown; may have a white patch near hinge
- Burrows into sand or mud; never attaches to structures
- Dead shells often found along shoreline

Map of sampling location:

Place empty circles (○) in areas that were surveyed but no mussels were found. Place circles with plus sign (⊕) where mussels were found, and number 1, 2, or 3 to correspond to GPS coordinates.

Please see attached documents: Quagga Inspection Map 2009.12.17 and Cachuma Quaga Survey Stations 2009.12.17

Did weather conditions negatively affect sampling conditions? Y / N

Comments 11 sampling stations in the Cachuma Lake marina at various depth, inc 346 feet of line were surveyed.

Surface surveys are no longer collected due to the high light levels at water surface.

See attached files of sampling station details as noted above.

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SANTA BARBARA COUNTY PARKS DEPARTMENT
 610 Mission Canyon Road
 Santa Barbara, CA 93105-2911
 (805) 568-2461 • FAX (805) 568-2459
 www.sbparks.org

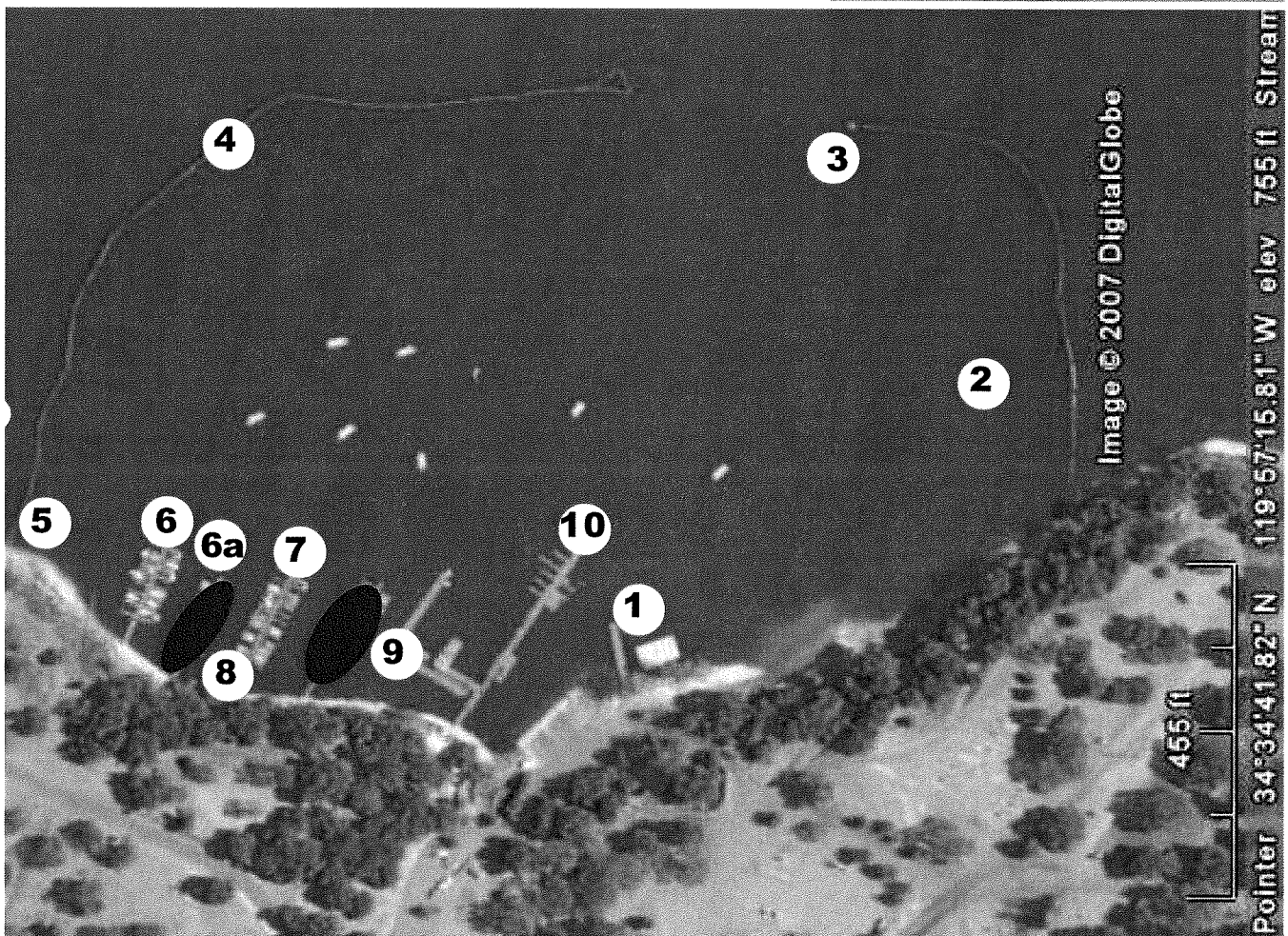
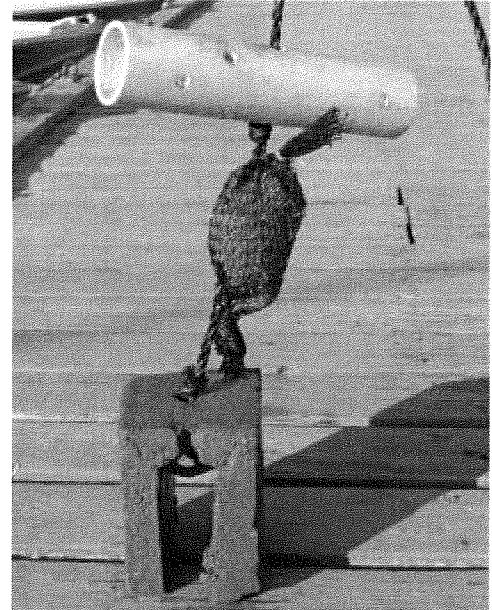


Cachuma Lake Marina Monthly Quagga Survey Map: Sampling stations and lines, boathouse, logs

For detailed findings, see monthly survey reports.

○ Denotes monitoring stations or sites

Sampling Station: Each sampler at Stations 1 - 10 is a 7 x 7 inch cinder block with a 10-inch PVC pipe suspended horizontally just above the cinder block. Line material is yellow plastic boating line. "Tuffies" (plastic webbing) were added to stations in August 2008. See station details for locations and depths. Station 6a is a horizontal line only, with 3 tuffies attached, suspended at a depth of approximately 1 foot.



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Cachuma Lake Marina Monthly Quagga Survey: Sampling Station Details

Inspection Date: 2009.12.17
 Inspection Time: 13:30 - 16:30
 Lake Elevation from max 753': 730.93

Surveyors: Carrie Culver UC Extention/Sea Grant and student Jason; Melissa Kelly SB County Parks

Station #	Location description	Secchi Depth @ 10 Feet & Temp Deg F	Lake Depth Feet	Anchor Depth Feet	PVC Depth Feet	Tuffy Depth Feet	No. of Knots	Note: All stations were inspected for invasive mussels. No samples were collected. Waiting for collecting permit from DFG.	Mussel is?	Stn #
Station 1	Boathouse, far end of E finger, on cleat @ 8' lake depth	1.6 m 56 F/13 C	8'	15' (8)	13' (8)	13' (8)	3	PVC, line, knots, cinder block checked. Block on lake bottom. Samples: 0. Organisms: Ample bryozoans on all substrates. 1 small crayfish Algae: Low	No	Stn 1
Station 2	S logboom on N end of 1st log	>0.5 @bottom 56 F	30'	15'	13'	13'	3	PVC, line, knots, cinder block checked. All substrates on lake bottom in silt. Samples: 0. Organisms: 1 Corbicula clam on block; bryozoan mainly on block and rope; 1 Chironomid midge	No	Stn 2
Station 3	Logboom platform at entrance, E side	1.7 m 57 F	125'	65'	63'	1 @ 34' 1 @ 64'	4	PVC, line, knots, cinder block checked. Downloaded temp/light data from 3 loggers at 10', 20', 30'. 20' logger not working. Samples: 0. Organisms: Individual jelly blogs on elec tape	No	Stn 3
Station 4	N logboom, 14th log from S end, attached to chain on NE side, far	1.6 m 57 F	135'	65'	63'	1 @ 45'; 1 @ 63'	4	PVC, line, knots, cinder block checked. Samples: 0. Organisms: Bryozoan and ample greenish jelly blobs (physella snail?) eggs on line Algae: Low	No	Stn 4
Station 5	N logboom 3rd log from shore, attached to shore end	1.6 m 57 F	20'	18.5'	17'	17'	5	PVC, line, knots, cinder block checked. Block on lake bottom in silt. Samples: 0. Organisms: Gammarid Amphipod and Chironomid midge on block; worms, midges, amphipods on	No	Stn 5

G:\CACHUMA\QUAGGA MUSSELS\Quagga Inspections\Cachuma Marina Quagga Surveys\MARINA SURVEY AND LAKE DATA\SURVEY STATIONS\Cachuma Quagga Survey Stations 2009.12.17.xls

Station #	Location description		Lake Depth Feet	Anchor Depth Feet	PVC Depth Feet	Tuffy Depth Feet	No. of Knots	Notes	Mussels?	Stn #
Station 6	Far N dock at E end; S side; 13th slip from shore	1.6 m 57 F	55'	42.5	42	42	12	PVC, line, knots, cinder block checked. Block on lake bottom. Samples: 0. Organisms: 1 small crayfish on block; 1 Physella snails & 5 Corbicula clams on block; bryozoan on	No	Stn 6
Station 6b (formerly 6a)	21' Line along length of slip; attaches by Stn 6		55'	0	NA	1	3	Line, knots, checked. Station is horizontal line only, with tuffies, no block or pvc. Samples: 0. Organisms: Ample jelly blobs on line. Need to add a pvc to horizontal line (hard substrate)	No	Stn 6b
Station 7	Middle dock at E end	1.5 m 57 F	55'	36'	34'	34'	9	PVC, line, knots, cinder block checked. Block and pvc on lake bottom in silt. Samples: 0. Organisms: Ample colonial jelly blobs and several solitary jelly blobs on line; low bryozoan on pvc;	No	Stn 7
Station 8	Middle dock at W end; slip 4	1.7 m 57 F	20'	19'	17.5'	17.5'	6?	PVC, line, knots, cinder block checked. Block and pvc on lake bottom Samples: 0. Organisms: 3 Corbicula clams stuck to bryozoan on pvc; 1 Planorbella snail and bryozoan on out	No	Stn 8
Station 9	Washing dock; corner adjacent to tool cabinet	1.65 m 56 F	38'	20.5'	19'	19'	7	PVC, line, knots, cinder block checked. Block and pvc on lake bottom. Samples: 0. Organisms: Bryozoan on pvc; 1 Physella snail and Bryozoan on line; block clear	No	Stn 9
Station 10	1st wood dock N of launch ramp; E end	1.65 m 57 F	40'	25'	24'	24'	2	PVC, line, knots, cinder block checked. Samples: 0. Organisms: Bryozoan on block and pvc; Bryozoan and colonial jelly blobs on line Algae: Moderate	No	Stn 10

G:\CACHUMA\QUAGGA MUSSELS\Quagga Inspections\Cachuma Marina Quagga Surveys\MARINA SURVEY AND LAKE DATA\Survey Stations\Cachuma Quagga Survey Stations 2009.12.17.xls

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CACHUMA OPERATION AND MAINTENANCE BOARD
MEMORANDUM

Date: January 20th, 2010
To: Members of the Operating Committee
From: Kate Rees, General Manager
RE: **Jesusita Fire Activity Progress Report**

Project Overall Status:

Phase One of the fire restoration activities at Lauro Reservoir concluded in December 2009 with the tree removal, erosion control installation and hydroseeding activities. Phase Two will begin in February 2010 with a comprehensive oak tree planting and restoration project, and the replacement of 8033' of perimeter fencing destroyed in the Jesusita Fire. California Disaster Assistance Act funding was approved by the State of California Office of Emergency Services to reimburse COMB for the amount of the insurance deductible- all other costs are covered by insurance.

Milestone Deliverables performance reporting

Milestone Deliverables	Due Date	% Completed	Deliverable Status
Phase One:			
• Removal of 95 burned pine trees	December 2009	100%	On Schedule
• Erosion Control Installation	December 2009	100%	On Schedule
• Hydroseeding of 23 acres	December 2009	100%	On Schedule
Phase Two:			
• Oak Tree Planting and Restoration Project, Year One	June 2010	10%	On Schedule: Project is in development and planning stages
• Fence replacement at Lauro Reservoir	June 2010	0%	On Schedule

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PAGE 1



Picture 1 – Jesusita Fire approaching Lauro Reservoir, May 6th 2009



Picture 2 – Post fire, eastern slope at Lauro Reservoir, May 27th, 2009



Picture 3 – Logging along eastern slope 100% complete, November 18th 2009



Picture 4 – Erosion control installation 100% complete, December 15th 2009

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Picture 5 – Hydromulching and seeding 100% complete, December 18th 2009

CACHUMA OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: January 25, 2010
TO: Board of Directors
FROM: Kate Rees, General Manager
RE: **STATUS OF CACHUMA LAKE RESOURCE MANAGEMENT PLAN AND EIS (RMP/EIS)**

No Change: County Parks continued to work with the Bureau of Reclamation in reviewing and providing feedback on a draft of the Resource Management Plan (RMP) for the Cachuma Recreation Area, which is necessary for a new long-term managing partner agreement to be negotiated between the County and the Bureau of Reclamation.

Reclamation received close to 600 pages of comments from the water purveyors in the area and have to respond to each comment submitted. Reclamation estimates that it is not likely the RMP and Environmental Impact Statement (EIS) for the project will be completed before the end of this year. Completion date is now anticipated for January 2010. A certified EIS is also necessary for the long term lease negotiations to proceed.

In the interim, the master lease agreement with Reclamation was extended for another two-year period (through January 2011) to provide adequate time for renegotiation of the long-term lease.

Respectfully submitted,



Kate Rees
General Manager

Kr.comb.admin/board memos/012510_Cachuma rmp-eis status.mmo

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CACHUMA OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: January 4th, 2010

TO: Ms. Kelley List
State Water Resources Control Board
1001 I Street, 16th Floor
Sacramento, CA 95814

FROM: Susannah Pitman, Cachuma Operation and Maintenance Board
Engineering Technician

RE: **Grant Agreement 08-613-550**
Assessment of Project Assessment and Evaluation Plan Status
for Component 1 (COMB South Coast Conduit Upper Reach
Reliability Project)

DISCUSSION:

The Draft Project Assessment and Evaluation Plan (PAEP) for Component 1 (COMB South Coast Conduit Upper Reach Reliability Project) was originally submitted to the State Water Resources Control Board on February 19th, 2009. Comments were received back on March 23rd 2009, and the revised PAEP submitted on April 6th 2009 to the SWRCB.

Project Status:

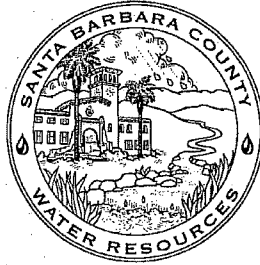
Tasks and Goals for COMB SCCURRP	Category	Status
Increase operational flexibility, reliability, and conveyance capacity to accommodate peak demand levels and allow maintenance of pipeline	Water Conservation, Reliability Enhancement, and Recycling.	Project not yet in operation- please see progress report #5 for complete update as of 12/2009. <i>*South Coast Conduit/Upper Reach Reliability Project Final EIS/EIR completed 2/2009</i> <i>*Final Project Designs, Plans and Specifications completed 6/2009.</i>


Thank you,

Susannah Pitman
Engineering Technician

cc: Matt Naftaly, Santa Barbara County Water Agency

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Santa Barbara County Public Works Department
Flood Control  Water Agency

January 6, 2010

Mr. Scott B. Couch, P.G.
IRWM Program Manager
State Water Resources Board
Division of Financial Assistance
P.O BOX 944212
Sacramento, CA 94211-2120

RE: Santa Barbara Countywide Integrated Regional Water Management Implementation
Grant No. 08-613-550 Corrective Action Letter

Dear Mr. Couch:

This letter is submitted to demonstrate the steps that we have and will take with respect to the administration of the Proposition 50 grant referenced above. Note that the actions discussed herein will be implemented for future IRWM related (Prop 84 and 1E) grants.

Background

In August of 2009, it was discovered by the State Water Resources Control Board (SWRCB) and Santa Barbara County Water Agency (SBWA) that the Casmalia Community Services District (CCSD), Component 4 of the above referenced Implementation Grant, had apparently submitted duplicate invoices and been reimbursed by two different grants for the same project costs. In summary, it appears that CCSD received reimbursement from both the SWRCB Proposition 50 grant, and from a Federal Community Development Block Grant administered by the Housing and Community Development Department of Santa Barbara County.

Subsequently, the duplicate reimbursement amount of \$131,371.44 was repaid to the SWRCB and the CCSD Component was indefinitely suspended from the grant. In addition, the SWRCB imposed additional invoicing requirements and requested a Corrective Action Letter from SBCWA proposing additional measures to prevent duplicate invoicing on future Proposition 50 invoices, and for the potential future acquisition of other grant funding (i.e. under Proposition SBxx1, Proposition 1E, Proposition 84). The Corrective Action Letter and supplementary measures are also to ensure that no incidents had occurred in the past. In addition, the SWRCB suspended all reimbursement to Santa Barbara County Region's projects and this suspension remains in effect at this time.

Corrective actions were proposed by Santa Barbara County in previously submitted letters dated September 27, 2009, November 3, 2009, and December 2, 2009. This letter summarizes corrective action measures already in place, those previously proposed and additional measures; the sum of which we believe will adequately address the concerns of the SWRCB in regard to this matter.

Corrective Actions Now In Place

The following actions have already been taken by the SBCWA:

- Audit: As required by the SWRCB, the Department of Finance will conduct an audit of the region's grant and grant participants. The SBCWA is now awaiting information regarding the timing and scope of the audit.
- Referral to Authorities: The matter of the CCSD billing two grants for the same activities has been referred to the Santa Barbara County Sheriff for investigation and the Santa Barbara County District Attorney has been notified of the referral. The Sheriff has indicated that they will conduct an investigation into the matter.
- Invoicing Procedures Review: On September 23, 2009, SBCWA met with the Prop 50 Grant Proponents to explain the invoicing irregularity, review the existing invoicing protocol and present new SWRCB invoicing requirements. Invoicing issues and the status of each Component will be discussed regularly at future meetings (see Proposed Corrective Actions below).
- Suspension of CSD Project: As agreed to by the SWRCB and SBCWA, the CSD project was suspended and will continue to remain in suspension until a revised project has been approved by the SWRCB and SBCWA provides a project oversight scenario that is acceptable to the SWRCB.
- Santa Barbara County Audit Procedures: As requested by the SWRCB, the Santa Barbara Auditor in their December 2, 2009 letter has provided an explanation of current internal audit procedures.

The following actions were required by the SWRCB, were implemented with submission of invoice #4, and will continue with all future invoices:

- Invoice Cover Sheet: These spreadsheets, included herein as **Exhibit 1**, will be completed by each component and upload to the Kennedy/Jenks (K/J) website with each invoice. They include a list of all invoices submitted for reimbursement along with a break down of match, mark-up and reimbursement from Prop 50 and all other sources.
- Progress Report Photos: All components will submit photos of the work accomplished during each billing period as part of their Component's progress report. If work completed does not include construction, a detailed description of that work will be provided.
- Project Description: Each component will submit a project description which will remain consistent unless a Project Revision Request has been approved by the SWRCB.
- Description of work completed: Each progress report will include a detailed description of all work completed including a break down of what work was completed by whom and justification for each line item shown on the invoice.
- Overall Grant Progress Report: Each invoice will include an overall grant progress report including a brief description of the status of each component within the grant. Several paragraphs summarizing the component's project descriptions will also be required.
- Sub Consultant Invoices: Each Component will submit all invoices for all consultants and sub consultants working on their project in any capacity.
- Invoices from External Funding Sources: Components will submit with their Prop 50 invoices copies of invoices submitted to any other funding source for reimbursement.
- Engineer Specifications: For each engineer working on a project, the Component will provide that engineers title and classification along with the work they performed and whether the work could have been completed by an engineer of a lesser classification.

In the event that any of the items above is missing from a Subgrantee's invoice documentation, that invoice will not be submitted to the SWRCB for payment.

Proposed Corrective Actions

The following actions are proposed in order to satisfy additional concerns raised by the SWRCB in recent communications:

- Status Report Agenda Item: At each Prop 50 cooperating partners meeting, there will be an agenda item entitled "Prop 50 Billing and Review Status". Each Component will be required to provide a detailed update on their project's status including discussion of items invoiced to the SWRCB in the most recent invoice period, the status of their projects including any anticipated schedule or scope changes, any anticipated changes or additions to funding sources, and a general accounting of project costs to date as it relates to that allocated under the grant.
- Letter of Notification: Included as **Exhibit 2** is a letter which will be sent to each Proponent's grant manager. The letter explains the irregularity that occurred with CCSD, reminds them of their responsibilities under the grant and subgrantee agreements, and requires them to review and modify their policies and procedures as needed to insure adequate internal controls to fulfill the grant's terms and conditions. In addition, this letter will require completion of the following:
 - A) Subgrantee Certification: Each Proponent will be required to complete the certification included as **Exhibit 3**. This certification reasserts existing grant requirements and requires additional financial statements and applicable audits to be submitted to the Water Agency for review.
 - B) Project Budget Sheet: The attached budget spreadsheet (**Exhibit 4**) requires an additional listing of all project funding sources and expenditures as well as notification if the project scope or funding has changed from that listed in the Grant Agreement.Items A and B above require completion and certification by a responsible official prior to reimbursement of the Component by the SBCWA.
- SBCWA review of all non-Prop 50/ Prop 84 funding source invoices: All Santa Barbara County Department Heads will be required to coordinate any Prop 50 and Prop 84 project invoicing with the SBCWA (See **Exhibit 5**). SBCWA will review invoices for all funding sources related to these projects to ensure that there is no duplication. In addition, County Departments will be required to complete and submit the items described in A and B, above.

This letter provides you with a complete and thorough summary of the actions implemented to date and those which will be implemented in proceeding with our Proposition 50 Project. Likewise, to the extent possible, these measures will be used to guard against this situation from occurring again in any future Proposition funding. I hope that this provides you with all the information you need to release Proposition 50 grant funding for the 13 other Project participants who have done nothing wrong. In addition, please consider that Casmalia's project of \$631,000 is only 2.5% of the total grant. I hope we have demonstrated our responsiveness to your concerns and requirements. Should you have any questions or need any further information, please contact Matt Naftaly at (805) 568-3542.

Sincerely,



Tom Fayram
Santa Barbara County Public Works
Deputy Director, Water Resources

C: Kelly List, SWRCB
Matt Naftaly, Santa Barbara County Water Agency
Michael Ledbetter, County Counsel

EXHIBIT 1
SANTA BARBARA COUNTYWIDE IRWM IMPLEMENTATION GRANT
 Project Name - Reporting Period

EXP TYPE/ LINE ITEM	VENDOR/CLIENT NAME	INV DATE	INV #	INVOICE AMT	OTHER LOAN/GRANT REIMBURSE AMT	PROP 50 AMT	PROP 50 MARK-UP	PROP 50 REIMBURSE AMT.	PROP 50 MATCH AMT.
Plan/Design	Consultant Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan/Design	Consultant Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan/Design	Consultant Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan/Design	Consultant Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	Supply Company			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	Supply Company			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	Supply Company			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Admin	Consultant Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	Contractor Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	Contractor Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	Contractor Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	Contractor Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	Contractor Name			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Prop 50 Reimb. Amt. \$ -
 Prop 50 Mark-Up Amt. \$ -
 Prop 50 Match Amt. \$ -

EXHIBIT 2

Dear Proponent:

The State Water Resources Control Board (SWRCB) approved a grant application for a Proposition 50 Integrated Regional Water Management Plan to provide funding for 14 component water enhancement projects throughout Santa Barbara County. The grant funding was effectuated through signing of State Contract #08-613-550. The SWRCB required that all grant agreements be entered into with a single eligible grant recipient, the Santa Barbara County Water Agency (the Agency). Your entity is participating in one of the 14 projects as a subgrantee and has signed a Subgrant Agreement.

The Proposition 50 funding has been placed on hold by the SWRCB due to a serious violation by one the Agency's subgrantees. The subgrantee submitted and received reimbursement from Prop 50 for expenditures that were already claimed through another funding source thus billing two agencies for the same costs. The SWRCB requested repayment of funds from the County after it was determined that the subgrantee violated the terms of the grant agreement and various portions of California law. Claiming the same invoices through two different funding sources is in direct violation of law.

The receipt of grant funds is a privilege for your entity and we consider this violation a serious matter. The Prop 50 Integrated Regional Water Management Subgrant Agreement that you signed includes crucial terms and conditions. As a subgrantee, your agency must follow the terms and conditions listed in the Subgrant Agreement and the grant agreement between SWRCB and the Agency (State Contract #08-613-550). Any violation of the terms of this contract will result in significant penalties for your entity and for the all the cooperating entities.

We require that you review and/or modify your policies and procedures to ensure that adequate internal controls exist to assure that the terms and conditions of your agency's Subgrant Agreement are met. Proposition 50 funds are subject to audit and under the grant agreement your records must be retained for a minimum of 35 years after final payment. The State auditors will perform an audit of these funds and any audit disallowance must be returned by you to the Agency.

We have enclosed a certification listing terms and conditions of your agency's Subgrant Agreement with the Agency. As a step towards receiving any additional disbursement of Proposition 50 funding, you are required to sign and return the certification to our office no later than February 1, 2010.

If you have any questions regarding the certification, please contact Theo Fallati at 805-568-2102. If you have any questions regarding the grant or subgrant agreement, please contact Matt Naftaly at 805-568-3442.

Sincerely,

Robert W. Geis, CPA

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EXHIBIT 3

Prop 50 Integrated Regional Water Management Plan
SUBGRANTEE CERTIFICATION

The subgrantee hereby warrants the following:

1. It will carry out and build the project component in accordance with Exhibit 1 of your subgrant agreement.
2. It will fulfill all assurances, declarations, representation and commitments made by it in support of its request for grant funds.
3. It will immediately provide notice to the Agency if it wishes to substantially alter the schedule, materials, methods or deliverables related to the project component in the grant agreement.
4. State funds received will only be applied to eligible project costs in accordance with applicable provisions of the law and project budget.
5. Invoices reimbursed through Proposition 50 funds will not be reimbursed through another funding source.
6. It will pay and provide all required grant matching funds or in-kind matching services for the project component and provide all necessary environmental review and obtain all required permits for the project component.
7. It will comply with all applicable laws, policies and regulations in accordance with the grantee representation provision of the grant agreement.
8. It shall return any audit disallowance to the agency for transmission to the State.
9. It has named the Agency as additional insured on all insurance policies which it was required to obtain under the subgrant agreement.
10. It will retain records for a minimum of 35 years after final payment.

We have submitted our most recent audited annual financial statements to the County Water Agency as required by the grant agreement.

If we are subject to an OMB A133 Single Audit, we have attached a copy of the latest such audit.

We have attached a schedule of all funding sources for this project and any modifications to the project that have been made.

We hereby certify that as the responsible officials of _____ District, we have conformed the terms and conditions of the subgrant agreement and will continue to conform to the terms and conditions of the subgrant agreement. We have also taken actions necessary to ensure that adequate internal controls exist to comply with the terms and conditions of the subgrant agreement and other applicable laws and regulations and to insure the accuracy of our requests for reimbursement from the grant funds.

CEO/CFO

Director/Trustee

DATE

DATE

EXHIBIT 4
Prop 50 Grant Project Total Sources and Uses

Work to be performed by grantee	TOTAL	Prop 50	Source A	Source B	Source C	Source D
ACCT Project XXXXXXX	BUDGET					
SOURCES						
Prop 50 Funding						
Source A						
Source B						
Source C						
Source D						
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES						
Other Professional Services						
Professional & Special Service						
Rents/Leases-Structure						
Capital Projects <\$100,000						
Contrib To Other Agencies						
Land & Land Improvements						
Structures&Struct Improvements						
Equipment						
Construction in Progress						
TOTAL EXPENDITURES	-	-	-	-	-	-

We hereby certify that the scope of the project and the funding sources have not materially changed from the approved subgrantee agreement.

 Responsible Official

Exhibit 5

Memorandum



Date: January 8, 2010

To: Each Department Head and Fiscal
Manager County of Santa Barbara

From: Robert W. Geis, CPA
Auditor-Controller

Subject: Prop 50, Prop 84 or other Santa Barbara Countywide Integrated
Regional Water Management (IRWM) Related Grant

CC: Matt Naftaly, Water Agency

If your department is involved or becomes involved in a project that is receiving Prop 50 or other IRWM grant funds and you have other funding sources in addition to the Prop 50 or other IRWM grant; you will have additional requirements placed upon your department associated with your project.

1. Your project must be coordinated through the County Water Agency.
2. In addition to your subgrantee agreement, you will be required to complete the attached certification.
3. You will be required to complete the attached project sources and uses spreadsheet that identifies all the funding sources associated with your project.

Your contact at the Water Agency is Matt Naftaly at extension 3442.

**PROPOSITION 84
Steering Committee Meeting**

**Monday, January 11, 2010
10:30 a.m. – 12:00 p.m.**

**City Council Chambers, City of Solvang
1644 Oak Street, Solvang, CA 93463**

**Conference Phone Number: 805.681.5400
Passcode: 032349**

Note: A conference line will be provided for remote participation but, if voting is required, only votes from those present can be counted.

AGENDA

10:30

**Welcome and Introductions
Approval of December 4, 2009 Meeting Minutes**

10:40

**Project Management Proposal
Project Manager, Scope of Work and Cost Allocation**

11:10

**Updated DWR Schedule and Funding
DWR Regional Coordinator Staff Change
Recommended Decision on Applying for 1st Round Funds**

11:50

**Cooperating Partner's Meeting, January 20, 2010
Schedule Next Meeting**

Adjourn

Draft Meeting Minutes
PROPOSITION 84 STEERING COMMITTEE MEETING
Friday, December 4, 2009
10:30 a.m. – 12:00 p.m.

Location: Central Coast Water Authority, 255 Industrial Way, Buellton, CA
Conference Phone Number: 681.5400
Passcode: 673273

Attendees

Matt Naftaly, Santa Barbara County Water Agency; Tom Fayram, Santa Barbara County Water Agency; Teresa Reyburn, City of Santa Maria; Steve Kahn, City of Santa Maria; Bruce Wales, Santa Ynez River Water Conservation District; Susan Segovia, City of Lompoc; Tom Conti, City of Santa Barbara; John Brady, CCWA; Hillary Hauser, Heal the Ocean; Matt Van der Linden, Goleta Water District; Kate Rees, COMB/CCRB; Jane Gray, Dudek

Attending by Phone

Kathy Caldwell, CH2MHill; Terri Stricklin, Casmalia CSD

Proceedings

The meeting began at 10:37 a.m. and was called to order by Matt Naftaly, who commenced with an introduction and then asked everyone else to introduce themselves. Thereafter, Mr. Naftaly announced that Santa Barbara had received final approval on the Region through the RAP, and he thanked everyone for their work, support and input towards the success. He then talked about the Prop 50 site visits that were conducted on December 1 and 2 with Kelley List, SWRCB, Scott Couch, SWRCB and Maria Pang, DWR. He said that he thought everything went well and that he thought Maria Pang had gone away with a favorable impression of the region. Mr. Kahn and Ms. Reyburn from the City of Santa Maria, a project that was toured by SWRCB and DWR, agreed with this impression. Ms. Reyburn stated that she had been very impressed by Ms. Pang's understanding of the Region, encouraged by her ability to recall Santa Barbara's answers given in the RAP interview and by statements she had made regarding the ability of the Santa Barbara region to cope with issues. While in Santa Barbara, Ms. List and Mr. Couch toured the following projects: Vandenberg Village, Lompoc Regional Wastewater Treatment Plant; City of Santa Maria, WWTP expansion; Goleta Water District, ASR Well Rehabilitation; and Carpinteria Valley Water District, Central Zone Pipeline and Demonstration ASR Well. Ms. Pang of DWR also toured the City of Santa Barbara's Lower Mission Creek project while Ms. List and Mr. Couch met with the County Auditor's office and the Water Agency to discuss corrective action of the Prop 50 invoicing irregularities. Both Mr. Naftaly and Mr. Fayram stated that there were still some of outstanding issues which needed to be resolved, specifically the State's desire for an audit of the Prop 50 Grant process at the present time instead of waiting for the grant to be completed. Both Mr. Naftaly and Mr. Fayram expressed concern about the cost that would be incurred and the length of time that this would take; likely in excess of \$100,000.00 and approximately 6 months time, throughout which the Prop 50 grant funds would be frozen. One of the measures that will be put into place in order to provide assurance to that SWRCB that all sources of project revenue were being reported and that there was no potential for double billing is that each agency funded under Prop 50 would need to provide a certificate of funding to certify that they were accurately reporting finances. Further, it was discussed and recommended that an outside, consulting auditor be hired by the Project

Proponents for Prop 50 and also used in the Prop 84 process to coordinate and audit all invoices prior to submitting them to the State to provide assurance that no irregularities were being perpetrated.

The meeting transitioned to discussions on Proposition 84. Mr. Fayram restated the position that the Water Agency did not have the capacity to take on Proposition 84, and that in going forward he felt that the cooperating partners would need to take on more of the funding. Mr. Kahn asked how the process was currently funded and Ms. Rees stated that costs of the administrative effort devoted to both the Prop 50 and Prop 84 processes were born by the Water Agency which contributed 50% of the funding and the Cooperating Partners who shared the remaining 50%. Individual agency shares of the 50% were dependent upon populations or service areas. In the actual application process, under Prop 50, only those agencies that put forward projects for competition had contributed to the costs associated with preparation of the grant application and process.

Mr. Fayram went on to indicate that the bulk of Mr. Naftaly's time was taken up with the various proposition processes and that an outside project manager would be needed to alleviate that burden. Mr. Fayram emphasized that there was not a structural change proposed, in other words, the County Water Agency would still be involved and would have to be involved in the administration of any type of grant allocation under the IRWWM grant funding scenarios, however, that the project management role needed to be consultant or an outside person hired on a contractual basis. The steering committee members broached the topic of project management from various angles and discussed several options. It was agreed upon by all that there was both a short term and a long term need for the Prop 84 process, the short term need was to fill the role of project manager and then the longer term need was to determine how the future of project management, on-going participation by the County and what the vision of an IRWWM program would look like in the years to come. Before departing the meeting, Ms. Reyburn of the City of Santa Maria made a motion to: *1) Hire a Project Manager for the IRWMP Proposition 84 process; and 2) Develop a contingency plan for project management in the event the Project Manager is unable to fulfill any or all duties with an individual that is already familiar with the IRWMP Prop 84 process to avoid delays; and 3) Each Project Proponent/Cooperating Partner that receives grant funds under the IRWMP process hire one contracted auditor to oversee the entire grant, (payments and revenue sources) to ensure the integrity of the financial management of each project and the grant contractual agreement.* This motion was approved unanimously by the Steering Committee members.

The discussion then turned to actual candidates for the position of Project Manager. The two people who were discussed were: Mr. Rob Almy and Ms. Kathy Caldwell. A conversation ensued regarding the merits, advantages and costs for both. While both individuals are highly regarded and extremely competent, it was agreed that the County Water Agency would talk to Rob Almy. This decision was made based on his knowledge of the process, his past and successful experience with the Partners and in securing funding under Proposition 50, his intimate knowledge and familiarity with the County's processes and procedures and his billing rate. It was agreed that the Steering Committee would need to bring the Project Management proposal to the larger Cooperating Partners group for discussion and voting, thus the next Project Selection Workshop scheduled for January 11, 2009 was postponed and instead a Steering Committee Meeting was organized for that day from 10:00-12:00, which would be followed by a Cooperating Partners meeting which would need to be scheduled in January.

The meeting adjourned at 12:11

**PROPOSITION 84
Cooperating Partners Meeting**

**Wednesday, January 20, 2010
2:30 p.m. – 3:30 p.m.**

Location: 2nd Floor Conference Room, Granada Garage, 1221 Anacapa Street, Santa Barbara, CA 93101; **Directions:** Exit off Anacapa Street (west side of Anacapa) through the glass doors labeled “Environmental Services” & take the elevator to the 2nd floor; exit to the right and into the conference room straight ahead

**Conference Phone Number: 805.681.5400
Passcode: 513982#**

AGENDA

2:30

Welcome and Introductions
Comment for Items not on the Agenda

2:40

Proposition 84, SBxxI & Prop IE Update – Timeline & Funding
DWR Regional Coordinator Staff Change

2:55

Prop 84 - Project Management
Project Manager, Scope of Work & Cost Allocation
Application for 1st Round Funding & IRWMP (Planning) Grant Funds
Update on the Prop 84 MOU

3:50

Project Selection Process Proposed Schedule

Adjourn

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CACHUMA RESERVOIR

DISPOSITION OF 2008 SURCHARGE WATER

(UNOFFICIAL)

DATE	DESCRIPTION	FISH RELEASE FROM SURCHARGE (acre feet)	SURCHARGE BALANCE (acre feet)	FISH RELEASE FROM PROJECT YIELD (acre feet)
3/9/2008	End of Spill		8,300	
3/31/08	March	759	7,541	
4/30/08	April	620	6,921	
5/31/08	May	746	6,175	
6/30/08	June	394	5,781	
7/31/08	July	1,235	4,546	
8/31/08	August	1,038	3,508	
9/30/08	September	308	3,200	584
10/31/08	October		3,200	737
11/30/08	November		3,200	597
12/31/08	December		3,200	310
1/31/09	January		3,200	340
2/28/09	February		3,200	329
3/31/09	March		3,200	377
4/30/2009	April		3,200	494
5/31/2009	May			1,014
6/30/2009	June			1,022
7/31/2009	July			1,269
8/31/2009	August			1,097
9/30/2009	September			1,104
10/31/2009	October			605
11/30/2009	November			373
12/31/2009	December			365
*** TOTAL		5,100	3,200	10,617
1/31/2010	January (projected)			360
2/28/2010	February (projected)			340

kr\comb\cachuma 2008 surcharge account 123109

CACHUMA OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: January 25, 2010
TO: Board of Directors
FROM: Kate Rees, General Manager
RE: **APPROVAL OF FUNDING FOR SCC UPPER REACH RELIABILITY PROJECT**

RECOMMENDATION:

1. Approve COMB Resolution No. 497 authorizing COMB to proceed with the issuance of \$11M in bonds to finance the construction of the SCC Upper Reach Reliability Project. All bond proceeds and obligations will be for the benefit of COMB, the City of Santa Barbara (City) and the Goleta Water District (GWD).
2. Approve, in substantially the same form, the Montecito Water District (MWD) Contribution Agreement whereby MWD commits to self-funding up to 13.1% of the total costs for the SCC Upper Reach Reliability Project.
3. Approve the Indemnification Agreement for the COMB bond whereby MWD, Carpinteria Valley Water District (CVWD), and Santa Ynez River Water Conservation District, ID No. 1 (ID No. 1) will not be held responsible or obligated in any way for the COMB bond contractual obligations.
4. Authorize the sale of the bonds, but not until after construction bids are received and an award of contract is approved by COMB and the Member Units.

DISCUSSION:

A special Managers and Attorneys meeting was held on January 6, 2010 to review the documents and agreements for the SCC Upper Reach Reliability Project (Second Pipeline Project). It included all five Member Units, COMB's management staff and general counsel, and COMB's bond counsel.

Staff is pleased to report that consensus was reached among all agencies, and all changes to the legal bond documents and agreements were approved as to form, with the understanding that all documents would be brought before those Member Unit Boards that needed to reexamine the documents for approval of COMB's bond issue. Since that time all documents in the form attached have been reviewed and approved by all Member Unit agencies.

The changes to the previous documents reflect more of a change in the approach to the approvals for funding and construction of the Second Pipeline Project. Notably, the approvals will occur in two phases. Phase one is for all Member Units to approve COMB's issuance of bonds in the amount of \$11M and the Bond Indemnification Agreement, and for the COMB Board to approve the Preliminary Official Statement, Joint Participation Agreements with GWD and the City, all related bond documents, the MWD Contribution Agreement, and the Bond Indemnification Agreement. The COMB Board will also authorize the sale of the bonds, but not until after bids are received and the lowest bid is determined to be responsive and acceptable. This approval and authorization is scheduled for the January 25, 2010 COMB Board meeting.

It was felt that the more responsible course of action would be to wait to rebid the project until after the financial documents were approved and the bond issuance authorized. Once the new bids are received, if the lowest qualified bid is determined to be responsive and acceptable, Phase 2 will be for COMB to approve a second resolution to approve the Second Pipeline Project, approve award the contract to the apparent low bidder, execute MWD's Contribution Agreement in final form, and approve a Project Indemnification Agreement with ID No.1. COMB's approval of the second resolution is tentatively scheduled for March 22, 2010. Because the construction contract will be more than \$1 million, award of the contract must also be approved by all Member Units prior to COMB's approval or ratified after COMB's approval. Phase 2 approvals are currently scheduled for Board meetings during March 2010. Sale of the bonds for the 2nd Pipeline Project will occur after COMB and all Member Units have approved the lowest bid and the construction contract. It is anticipated that the bonds will be sold in April 2010. A Notice to Proceed will be issued as soon as the bond proceeds and MWD's cash contribution are received by COMB.

Joint Participation Agreements (JPA)

The JPAs for the City and GWD have been reviewed and updated. Each is now consistent with all other documents and they authorize the City's and GWD's financing of the Second Pipeline Project through the issuance of a COMB bond.

MWD Contribution Agreement

There were only minor revisions made to this agreement and the revisions did not change the intent or contractual obligations of MWD regarding self-funding its share of the Second Pipeline Project. The MWD Contribution Agreement is to be approved in substantially the same form by the COMB and MWD Boards at this time. The execution of the Contribution Agreement will occur following COMB's and the Member Units' approval the project and award of the lowest qualified bid by the COMB Board at the COMB March 22nd Board meeting (date is tentative). MWD must also authorize execution of the Contribution Agreement.

Indemnification Agreement(s)

At the Manager Attorney meeting, a change in direction was agreed to by all Member Units and COMB regarding the Indemnification Agreement(s). The primary change was to have two Indemnification Agreements – one for the bond and one for the project. The Bond Indemnification Agreement will provide indemnification for all non-bonding agencies, namely MWD, ID No.1 and CVWD, from the bonding participants, which are COMB, the City, and GWD, for the issuance of an \$11M COMB Bond. This new indemnification agreement will replace three separate indemnification agreements for MWD, CVWD and ID No.1.

The Project Indemnification Agreement will be between COMB and ID No.1 to indemnify ID No. 1 from any liability associated with the acceptance of the lowest bid, award of the construction contract, and construction of the Second Pipeline Project. The liability concern is valid and a separate agreement is justified as this project will cost in excess of \$1M. It will provide construction claim protection.

COMB Resolution 497

The COMB resolution authorizes COMB to proceed with the issuance of bonds for the Second Pipeline Project. However, they will not be sold until the following conditions have been met:

- The approval of an acceptable and responsive bid by all financially participating Second Pipeline Project agencies.
- The execution of separate resolutions by all Boards, including COMB, authorizing the approval of Second Pipeline Project construction project and contract.
- Approval of the Project Indemnification Agreement with ID No.1.

Approval Documents

The documents to be considered for approval today are attached and consist of the following:

COMB's Resolution 497 approving the issuance of bonds for \$11M.

Preliminary Official Statement and all related legal bond documents.

Joint Participation Agreements with GWD and the City.

MWD Contribution Agreement, in substantially the same form, whereby MWD commits to self funding its proportionate share of the Second Pipeline construction costs.

Bond Indemnification Agreement indemnifying MWD, CVWD and ID No.1 from any financial contractual obligation associated with the issuance of the 2010A Revenue Bonds for the Second Pipeline Project.

Respectfully submitted,



Kate Rees
General Manager

RESOLUTION NO. 497

RESOLUTION OF THE CACHUMA OPERATION AND MAINTENANCE BOARD AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$11,000,000 AGGREGATE PRINCIPAL AMOUNT OF REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

A. The Cachuma Operation and Maintenance Board (“COMB”), which was created pursuant to the 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and between the Carpinteria County Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District, Improvement District No. 1 and the City of Santa Barbara (as such agreement may from time to time be amended or supplemented in accordance with its terms, the “Joint Powers Agreement”), has determined to undertake the acquisition and construction of the South Coast Conduit Upper Reach Reliability Project (the “Second Pipeline Project”).

B. COMB has determined that it is desirable to issue revenue bonds (“COMB Revenue Bonds”) to pay a portion of the costs of the Second Pipeline Project.

C. COMB proposes to enter into Joint Participation Agreements with the Goleta Water District (“Goleta WD”) and the City of Santa Barbara (the “City of Santa Barbara”) which obligate such members to pay a percentage share of principal of and interest on the COMB Revenue Bonds.

D. COMB proposes to enter into a Contribution Agreement with the Montecito Water District (“Montecito WD”) which obligates Montecito WD to self-fund a percentage share of Second Pipeline Project costs.

E. COMB is not proposing to enter into any financing agreement with the Santa Ynez River Water Conservation District-Improvement District No. 1 (“ID No. 1”) or the Carpinteria Valley Water District (“Carpinteria VWD”), no amounts with respect to the COMB Revenue Bonds will be payable by ID No. 1 or by Carpinteria VWD, no amounts with respect to the Second Pipeline Project will be payable by ID No. 1 and Carpinteria Valley WD is currently not obligated to pay any amount with respect to the Second Pipeline Project.

F. Goleta WD, the City of Santa Barbara, Carpinteria VWD, Montecito WD and ID No. 1 have each ratified the issuance of the COMB Revenue Bonds as required under Section 1.3 of the Joint Powers Agreement.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of COMB that:

1. The Indenture of Trust, in substantially the form attached hereto as Exhibit A and, upon execution as authorized below, made a part hereof as though set forth in full herein, be and the same is hereby approved. The President or Vice President of the Board and Secretary of the Board or the General Manager of COMB are hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be approved by the officer

executing the same, including changes requested by rating agencies or bond insurers, said execution being conclusive evidence of such approval.

2. The Contribution Agreement with respect to Montecito WD, in substantially the form attached hereto as Exhibit B and, upon execution as authorized below, made a part hereof as though set forth in full herein, be and the same is hereby approved. The President or Vice President of the Board and Secretary of the Board or the General Manager of COMB are hereby authorized and directed to execute and deliver such Contribution Agreement with such changes, insertions and omissions as may be approved by the officer executing the same, including changes requested by rating agencies or bond insurers, said execution being conclusive evidence of such approval.

3. The Joint Participation Agreement with respect to Goleta WD, in substantially the form attached hereto as Exhibit C and, upon execution as authorized below, made a part hereof as though set forth in full herein, be and the same is hereby approved. The President or Vice President of the Board and Secretary of the Board or the General Manager of COMB are hereby authorized and directed to execute and deliver such Joint Participation Agreement with such changes, insertions and omissions as may be approved by the officer executing the same, including changes requested by rating agencies or bond insurers, said execution being conclusive evidence of such approval.

4. The Joint Participation Agreement with respect to the City of Santa Barbara, in substantially the form attached hereto as Exhibit D and, upon execution as authorized below, made a part hereof as though set forth in full herein, be and the same is hereby approved. The President or Vice President of the Board and Secretary of the Board or the General Manager of COMB are hereby authorized and directed to execute and deliver such Joint Participation Agreement, with such changes, insertions and omissions as may be approved by the officer executing the same, including changes requested by rating agencies or bond insurers, said execution being conclusive evidence of such approval.

5. The Purchase Contract with Citigroup Global Markets Inc., in substantially the form attached hereto as Exhibit E and, upon execution as authorized below, made a part hereof as though set forth in full herein, be and the same is hereby approved. The General Manager of COMB is hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be approved by the officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the principal amount exceed \$11,000,000 nor shall the underwriting discount exceed 1.5% nor shall the net interest cost exceed 6% per annum.

6. The Continuing Disclosure Agreement with The Bank of New York Mellon Trust Company, N.A., in substantially the form attached hereto as Exhibit F and, upon execution as authorized below, made a part hereof as though set forth in full herein, be and the same is hereby approved. The President or Vice President and the Secretary of the Board or the General Manager of COMB is hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the officers executing the same, said execution being conclusive evidence of such approval.

7. The preparation and distribution of the Preliminary Official Statement, in substantially the form attached hereto as Exhibit G, be and the same is hereby approved. The General Manager of COMB is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official

Statement; provided, however, that such certificate shall not include a certification as to appendices relating to Goleta WD or the City of Santa Barbara. The President or Vice President of the Board or General Manager of COMB is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement which, upon execution as authorized below, is made a part hereof as though set forth in full herein, with such changes, insertions and omissions as the officer or officers executing said document may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The underwriter is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the Bonds.

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

9. The Board of Directors of COMB hereby authorizes the General Manager to select a municipal bond insurer to provide a reserve fund surety bond to be deposited into the reserve fund for the Bonds so long as the General Manager determines that obtaining the reserve fund surety bond will be cost effective to COMB. Bond Counsel is hereby directed to make all changes to the Indenture, the Joint Participation Agreements, the Purchase Contract, the Preliminary Official Statement and the Continuing Disclosure Agreement as are necessary to reflect the selection of a reserve fund surety bond provider and the reasonable comments thereof. The President or Vice President of the Board or the General Manager of COMB are hereby authorized to execute and deliver any customary agreement with the municipal bond insurer providing the reserve fund surety bond.

10. The Bank of New York Mellon Trust Company, N.A., Los Angeles, California is hereby appointed to act as Trustee under the Indenture of Trust.

11. The Indemnification Agreement, in substantially the form attached hereto as Exhibit H and, upon execution as authorized below, made a part hereof as though set forth in full herein, be and the same is hereby approved. The President or Vice President of the Board and Secretary of the Board are hereby authorized and directed to execute and attest such Indemnification Agreement with such changes, insertions and omissions as may be approved by the officer executing the same, including changes requested by rating agencies or bond insurers, said execution being conclusive evidence of such approval.

12. The General Manager, the President, the Vice President, the Secretary and any other proper officer of COMB, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments (including additional indemnification agreements) and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Contribution Agreement, the Joint Participation Agreements, the Purchase Contract, the Continuing Disclosure Agreement, the Indemnification Agreement and this resolution.

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

14. This resolution shall take effect immediately.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Cachuma Operation and Maintenance Board, at a Special Board Meeting held on the 25th day of January, 2010 by the following vote:

AYES:

NAYS:

ABSENT/ABSTAIN:

President of the Board

(SEAL)

ATTEST:

Secretary of the Board

INDENTURE OF TRUST

Dated as of March 1, 2010

by and between

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

and the

CACHUMA OPERATION AND MAINTENANCE BOARD

Relating to

\$ _____
Cachuma Operation and Maintenance Board
Revenue Bonds, Series 2010A

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into as of March 1, 2010, by and between the CACHUMA OPERATION AND MAINTENANCE BOARD, a public entity duly organized and existing under the Joint Exercise of Powers Agreement, and under the Constitution and laws of the State of California (“COMB”), and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States, as trustee hereunder (the “Trustee”);

W I T N E S S E T H:

WHEREAS, COMB has been created pursuant to a 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, as amended (the “Joint Exercise of Powers Agreement”) by certain public agencies, with the power, among others, to finance, develop, operate and maintain water supply facilities; and

WHEREAS, COMB has determined that it is in the best interest of the public in certain public agencies which are members of COMB to undertake the South Coast Conduit Upper Reach Reliability Project; and

WHEREAS, COMB has entered into Joint Participation Agreements with each of the Goleta Water District and the City of Santa Barbara; and

WHEREAS, COMB has entered into a Contribution Agreement with the Montecito Water District; and

WHEREAS, neither the Carpinteria Valley Water District nor the Santa Ynez River Water Conservation District-Improvement District No. 1 have executed a Joint Participation Agreement or a Contribution Agreement; and

WHEREAS, COMB is authorized pursuant to state law, including but not limited to, Section 6588(c) of the Government Code of the State of California (the “Government Code”) and pursuant to Section 3.2(g) of the Joint Exercise of Powers Agreement to incur indebtedness to finance such projects and is authorized pursuant to state law, including, but not limited to Section 6588(m) of the Government Code, to assign and pledge to the payment of amounts payable by the Financing Members to COMB pursuant to the Joint Participation Agreements; and

WHEREAS, COMB hereby finds pursuant to Section 6586 of the Government Code that the issuance of the bonds authorized pursuant to Section 2.01 hereof (the “Bonds”), to finance the Second Pipeline Project will have demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, COMB has authorized the execution and delivery of this Indenture; and

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

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

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

GRANTING CLAUSE FIRST

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

GRANTING CLAUSE SECOND

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

GRANTING CLAUSE THIRD

All of the rights, title, and interest of COMB in the Joint Participation Agreements, including all rights of COMB to receive payments thereunder and all rights of COMB thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Joint Participation Agreements) or otherwise to protect the interest of the Owners of the Bonds, subject to the terms hereof, and excepting therefrom any rights to indemnification or to receive notices thereunder.

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

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

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

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

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

Accountant. The term "Accountant" means any firm of independent certified public accountants selected by COMB in its sole discretion.

Acquisition Fund. The term "Acquisition Fund" means the Fund by that name established pursuant to Section 3.02.

Authorized Representative. The term "Authorized Representative" means with respect to COMB, its General Manager or any other person designated as an Authorized Representative of COMB by a Certificate of COMB signed by its General Manager and filed with the Trustee.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, A Professional Corporation, or another firm of nationally recognized attorneys experienced in the

issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Year. The term “Bond Year” means the period beginning on the date of issuance of the Bonds and ending on March 1, 2011, and each successive one year or, during the last period prior to maturity, shorter period thereafter until there are no Outstanding Bonds.

Bonds. The term “Bonds” means any bond or bonds issued by COMB and at any time Outstanding pursuant to this Indenture.

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

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

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

City of Santa Barbara. The term “City of Santa Barbara means the City of Santa Barbara, a municipal corporation duly organized and existing under and by virtue of the City Charter and the Constitution of the State.

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

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

COMB. The term “COMB” means the Cachuma Operation and Maintenance Board, a public body corporate and politic duly organized and existing under the Joint Exercise of Powers Agreement and under the Constitution and laws of the State, including in its capacity as successor to the Cachuma Project Authority.

Continuing Disclosure Agreement. The term “Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, dated April __, 2010 by and between COMB and the Trustee, as amended or supplemented from time to time in accordance with the terms thereof.

Contribution Agreement. The term “Contribution Agreement” means the Contribution Agreement, dated _____, 2010, by and between COMB and the Montecito Water District, as amended from time to time.

Contribution Fund. The term “Contribution Fund” means the fund by that name established pursuant to Section 3.05.

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

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

Cost of the Second Pipeline Project. The term “Cost of the Second Pipeline Project” means and shall be deemed to include, with respect to the Second Pipeline Project, together with any other proper item of cost not specifically mentioned herein, whether incurred prior to or after the date hereof, (a) costs of payment of, or reimbursement for, acquisition, design, construction, rehabilitation, installation, financing and refinancing of the Second Pipeline Project, including, but not limited to, administrative costs and capital expenditures relating to acquisition, construction, installation, and financing and refinancing payments, inspection costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee pursuant to this Indenture, financing documents, legal fees and charges, financial, accounting and other professional consultant fees, costs of rating agencies or credit ratings, fees for the printing, execution, transportation and safekeeping of the Bonds; (b) all other costs which COMB shall be required to pay under the terms of any contract or contracts for the acquisition, construction, rehabilitation and installation of the Second Pipeline Project, including, but not limited to the cost of insurance; (c) any sums required to reimburse COMB for advances made for any of the above items, or for any other costs incurred and for work done, which is properly chargeable to the Second Pipeline Project; and (d) Costs of Issuance and such other expenses not specified herein as may be necessary or incidental to the acquisition, construction, rehabilitation and installation of the Second Pipeline Project, the financing and refinancing thereof and the placing of the same in use and operation. Costs of the Second Pipeline Project as defined herein shall be deemed to include the cost and expenses incurred by any agent of COMB for any of the above mentioned items.

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

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

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

Financing Members. The term “Financing Members” means the Goleta Water District and the City of Santa Barbara. “Financing Members” shall not include the Carpinteria Valley Water

District, the Montecito Water District or the Santa Ynez River Water Conservation District-Improvement District No. 1.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of COMB; provided, however that in the event that COMB changes its Fiscal Year, the transitional period which is less than or greater than twelve months shall also be considered a Fiscal Year.

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

Indenture. The term “Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Information Services. The term “Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investors Service “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; Standard and Poor’s Corporation “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as COMB may designate in a written request delivered to the Trustee.

Interest Account. The term “Interest Account” means the account by that name in the Revenue Fund established pursuant to Section 5.01.

Interest Payment Date. The term “Interest Payment Date” means February 1 and August 1, of each year commencing August 1, 2010.

Joint Exercise of Powers Agreement. The term “Joint Exercise of Powers Agreement” means that certain 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and between Carpinteria County Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District-Improvement District No. 1 and the City of Santa Barbara, as amended from time to time.

Joint Participation Agreement. The term “Joint Participation Agreement” means that certain Joint Participation Agreement, dated as of August 1, 2009, by and between COMB and the City of Santa Barbara, as amended from time to time, and that certain Joint Participation Agreement, dated as of March 1, 2010, by and between COMB and the Goleta Water District, as amended from time to time. “Joint Participation Agreement” shall not mean the Contribution Agreement between COMB and the Montecito Water District relating to the Second Pipeline Project.

Letter of Representations. The term “Letter of Representations” means the letter of COMB and the Trustee delivered to and accepted by the Depository on or prior to delivery of the Bonds as book-entry bonds setting forth the basis on which the Depository serves as depository for such book-

entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from COMB and the Trustee delivered to and accepted by the Depository.

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

Minimum Rating. The term “Minimum Rating” means a rating of “A” or better by S&P.

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

Office. The term “Office” means with respect to the Trustee, the office of the Trustee at The Bank of New York Mellon Trust Company, N.A., 700 South Flower Street, Suite 500, Los Angeles, California 90017, Attention: Gonzalo Urey, Facsimile (213) 630-6215, or at such other or additional offices as may be specified in writing by the Trustee to COMB, except that, with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to COMB) selected by COMB. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of COMB shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.10; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

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

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

Permitted Investments. The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(A) for all purposes, including (i) as defeasance investments in refunding escrow accounts and (ii) for the purpose of investing (and receiving premium credit for) accrued and capitalized interest: (1) cash, or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America; and

(B) for all purposes other than: (i) defeasance investments in refunding escrow accounts and (ii) investing (and receiving credit for) accrued and capitalized interest: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHA's); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated "AAA" by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, certificates of deposit, federal funds and banker's acceptances with domestic commercial banks (including the Trustee or any of its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "A 1" or "A 1+" by S&P and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, "A 1+" by S&P and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated "AAAm" or "AAAM G" or better by S&P, including funds for which the Trustee and its affiliates provide investment advisory or other management services; (6) pre refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P or any successor thereto; and (7) the Local Agency Investment Fund.

Principal Account. The term "Principal Account" means the account by that name in the Revenue Fund established pursuant to Section 5.01.

Rating. The term "Rating" means any currently effective rating on the Bonds issued by S&P.

Rebate Fund. The term "Rebate Fund" means the fund by that name continued pursuant to Section 5.07.

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

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

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

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

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

Reserve Fund. The term “Reserve Fund” means the fund by that name established in Section 5.09 hereof.

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

Reserve Fund Requirement. The term “Reserve Fund Requirement” means: (a) initially \$_____ ; and thereafter (b) the lesser of \$_____ and the maximum annual principal of and interest on the Bonds in the current or any future Fiscal Year.

Revenue Fund. The term “Revenue Fund” means the fund by that name continued pursuant to Section 5.01(c).

Revenues. The term “Revenues” means:

- (a) all amounts received by COMB or the Trustee pursuant to or with respect to Section 4.01 of the Joint Participation Agreements; and
- (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

“Revenues” shall not include any amounts received by COMB pursuant to the Contribution Agreement.

S&P. The term “S&P” means Standard & Poor’s Corporation, or any successor thereto.

Second Pipeline Project. The term “Second Pipeline Project” means the Second Pipeline Project as defined in each of the Joint Participation Agreements and the Contribution Agreement.

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

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

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

Tax Certificate. The term "Tax Certificate" means the Tax Certificate dated April __, 2010, concerning certain matters pertaining to the use and investment of proceeds of the Bonds issued by COMB on the date of issuance of the Bonds, including any and all exhibits attached thereto.

Trustee. The term "Trustee" means The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, a national banking association organized and existing under the laws of the United States, or its successor, as Trustee hereunder as provided in Section 8.01.

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

Any such certificate or opinion made or given by an officer of COMB may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Accountant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of COMB) upon a certificate or opinion of or representation by an officer of COMB, unless such counsel or Accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of COMB, or the same counsel or Accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel or Accountants may certify to different matters, respectively.

Section 1.03. Interpretation.

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

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

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof,"

“hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. COMB hereby authorizes the issuance hereunder from time to time of the Bonds, which shall constitute special obligations of COMB, for the purpose of financing a portion of the cost of the Second Pipeline Project. The Bonds are hereby designated the “Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A.” The aggregate principal amount of Bonds initially issued and Outstanding under this Indenture shall equal \$_____. This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall mature on August 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i>Maturity Date</i> <i>(August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
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Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee sent on the Interest Payment Date by first class mail to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner’s option, be made by

wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date). Principal of and premium (if any) on any Bond shall be paid by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before July 15, 2010, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

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

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

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

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

Section 2.06. Form and Execution of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A hereto. The Bonds shall be executed in the name and on behalf of COMB with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The Bonds may carry a seal, and such seal may be in the form of a facsimile of COMB's

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

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

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

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the Bonds, COMB may provide that such Bonds shall be initially issued as book entry Bonds. If COMB shall elect to deliver any Bonds in book entry form, then COMB shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such Bonds in an authorized denomination corresponding to that total principal amount of the Bonds designated to mature on such date. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Registration Books in the name of the Nominee, as nominee of the Depository and ownership of the Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

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

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

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for book entry Bonds, or (ii) COMB determines that continuation of the book entry system is not in the best interest of the beneficial owners of the Bonds or COMB, then COMB will discontinue the book entry system with the Depository. If COMB determines to replace the Depository with another qualified securities depository, COMB shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If COMB fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond Registration Books in the name of the Nominee,

but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

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

(e) Transfer of Bonds to Substitute Depository.

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

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

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

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

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of COMB to the Trustee designating the Substitute Depository, a single new Bond, which COMB shall prepare or cause to be prepared, shall be issued for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of COMB. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of COMB to the Trustee, new Bonds, which COMB shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such written request of COMB, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from COMB.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds

indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the outstanding principal amount of such Bonds shall be controlling.

(iv) COMB and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or COMB; and COMB and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither COMB nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

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

Section 3.02. Application of Proceeds of the Bonds. The proceeds received from the sale of the Bonds shall be deposited in trust with the Trustee, who shall apply such proceeds as follows:

(a) The Trustee shall deposit the sum of \$_____ in the Costs of Issuance Fund.

(b) The Trustee shall deposit the sum of \$_____ in the Reserve Fund.

(c) The Trustee shall transfer the remaining proceeds to COMB for deposit by COMB into the Acquisition Fund to finance a portion of the cost of the Second Pipeline Project.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund". The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of requisitions of COMB stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. On the six month anniversary of the issuance of the Bonds, or upon the earlier Request of COMB, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to COMB for deposit in the Interest Account. Investment earnings on amounts on deposit in the Cost of Issuance Fund shall be applied in accordance with Section 5.06 hereof.

Section 3.04. Acquisition Fund. COMB shall establish, maintain and hold in trust a separate fund designated as the "Acquisition Fund". The moneys in the Acquisition Fund shall be held by COMB in trust and applied to the payment of the costs of acquisition and construction of the Second Pipeline Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Administrative Manager of COMB, the General Manager of COMB shall cause to be filed with the Administrative Manager of COMB a Requisition of COMB in the form set forth in Exhibit B hereto. Upon receipt of each such Requisition, the Administrative Manager of COMB will pay the amount set forth in such Requisition as directed by the terms thereof. The Administrative Manager of COMB need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the Second Pipeline Project shall have been constructed and acquired, in accordance with the Indenture, a statement of COMB stating the fact and date of such acquisition, construction and acceptance and stating that all of such cost of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Administrative Manager of COMB. Upon the receipt of such statement, the Administrative Manager of COMB shall transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less the amount of any such retention which amount shall be certified to the Administrative Manager of COMB by COMB) to the Trustee, which shall transfer such amounts to the Reserve Fund until the amount therein equals the Reserve Fund Requirement in the event that the amount of deposit in the Reserve Fund is less than the Reserve Fund Requirement. Thereafter, the Trustee shall transfer to the Goleta Water District and the City of Santa Barbara, 52.96% and 47.04%, respectively, of such remaining amounts or, if so directed in writing by either the Goleta Water District or the City of Santa Barbara, apply such remaining amounts for the redemption of Bonds pursuant to Section 4.01(c) hereof; provided, however, that COMB shall receive an opinion of Bond Counsel addressed to COMB, the Goleta Water District and the City of Santa Barbara to the effect that the transfer of any such remaining amounts to the Goleta Water District or the City of Santa Barbara, as the case may be, shall not materially adversely affect the exclusion of interest on the Outstanding Bonds from gross income for federal income tax purposes.

Section 3.05. Contribution Fund. COMB shall establish, maintain and hold in trust a separate fund designated as the "Contribution Fund." The moneys in the Contribution Fund shall be held by COMB in trust and applied to the payment of the costs of acquisition and construction of the Second Pipeline Project and of expenses incidental thereto.

Before any payment is made from the Contribution Fund by the Administrative Manager of COMB, the General Manager of COMB shall cause to be filed with the Administrative Manager of COMB a Requisition of COMB in the form set forth in Exhibit B hereto. Upon receipt of each such Requisition, the Administrative Manager of COMB will pay the amount set forth in such Requisition as directed by the terms thereof. The Administrative Manager of COMB need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the Second Pipeline Project shall have been constructed and acquired, in accordance with the Indenture, a statement of COMB stating the fact and date of such acquisition, construction and acceptance and stating that all of such cost of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Contribution Fund is to be maintained in

the full amount of such claims until such dispute is resolved), shall be delivered to the Administrative Manager of COMB. Upon the receipt of such statement, the Administrative Manager of COMB shall transfer any remaining balance in the Contribution Fund to the Montecito Water District (but less the amount of any such retention which amount shall be certified to the Administrative Manager of COMB by COMB). Interest earnings on amounts in Contribution Fund will be disbursed to the Montecito Water District in accordance with Section 6.01 of the Contribution Agreement.

Section 3.06. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by COMB, the Financing Members or the Trustee with respect to or in connection with the Joint Participation Agreements. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

Section 3.07. Execution of Contracts. COMB shall not execute any contract pursuant to which it is obligated to pay any cost for a component of the Second Pipeline Project until the party to the Contribution Agreement has deposited with COMB its share of the cost of such contract as provided in Section 3.01 of the Contribution Agreement.

Section 3.08. Proposition 50 Grant and Other Moneys. COMB shall deposit all moneys received from the State from the Proposition 50 grant or any other grant with respect to the Second Pipeline Project and all moneys received from any other party (other than the City of Santa Barbara, the Goleta Water District or the Montecito Water District) in the Acquisition Fund and the Contribution Fund in accordance with the percentages set forth in Exhibit A to Exhibit B hereto. Upon deposit of such moneys in such funds, such moneys shall be applied in accordance with Sections 3.04 and 3.05 hereof, respectively.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) The Bonds with stated maturities on or after August 1, 20__, shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed by COMB and by lot within each maturity in integral multiples of \$5,000, on or after August 1, 20__, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The Bonds with stated maturities on August 1, 20__ are subject to mandatory sinking fund redemption prior to such stated maturity, as a whole or in part on each August 1 on and after August 1, 20__ in integral multiples of \$5,000 solely from Revenues, at a redemption price of the principal amount thereof (together with accrued interest evidenced to the date fixed for redemption), without premium, in accordance with the following schedule.

Redemption Date
(August 1)

Principal
Amount

\$

20__*

* Final Maturity.

In the event of the partial redemption of the Bonds pursuant to subsection (a) above, COMB shall provide the Trustee with a revised schedule of mandatory redemption payments.

(c) Upon completion of the acquisition and construction of the Second Pipeline Project in accordance with Section 3.04, and in the event that moneys remaining in the Acquisition Fund are not transferred to the Goleta Water District or the City of Santa Barbara pursuant to Section 3.04 hereof, the Bonds shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed in writing by the Goleta Water District or the City of Santa Barbara pursuant to Section 3.04, from amounts deposited in the Acquisition Fund, upon the terms and conditions of and as provided for in Sections 3.04, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Section 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds for redemption in accordance with Section 4.01 hereof. The Trustee shall promptly notify COMB in writing of the numbers of the Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. COMB shall notify the Trustee of a redemption of Bonds thirty five (35) days prior to the proposed Redemption Date. Notice of redemption shall be mailed by first class mail not less than twenty (20) days before any Redemption Date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the Bonds to be redeemed, provided that such notice may be cancelled by COMB upon written request delivered to the Trustee not less than five (5) days prior to such Redemption Date. Each notice of redemption shall state the redemption date, the place or places of redemption, whether less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds to be redeemed, 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 shall also state that on the redemption date there will become due and payable on each of said Bonds or parts thereof designated for redemption the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be surrendered. Neither the failure to receive any notice nor any defect therein shall affect the validity of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of COMB, for and on behalf of COMB.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, COMB shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of COMB, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same series, interest rate and maturity.

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

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

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Fund.

(a) All of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture (except the Rebate Fund and the Contribution Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of this Indenture subject only to the provisions of this Indenture permitting the terms and conditions set forth herein. Said pledge shall constitute a lien on and security interest in such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against COMB, irrespective of whether such parties have notice hereof.

(b) COMB, for good and valuable consideration in hand received, does hereby irrevocably assign and transfer to the Trustee without recourse, for the benefit of the Owners of the Bonds as set forth herein, all of its rights, title, and interest in all amounts payable by the Financing Members pursuant to Section 4.01 of the Joint Participation Agreements, including all rights of COMB thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Joint Participation Agreements, or otherwise to protect the interest of the Owners of the Bonds). Such assignment shall be subject to and limited by the terms of this Indenture.

(c) There is hereby created and established and shall be maintained by the Trustee a fund designated as the Revenue Fund. Except as directed in Section 5.06 and 5.09, all

Revenues shall be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. The Trustee shall also create an Interest Account and a Principal Account within the Revenue Fund.

Section 5.02. Allocation of Revenues. The Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the third Business Day preceding each date on which the interest on the Bonds shall become due and payable hereunder, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) Not later than the third Business Day preceding each date on which the principal of the Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date.

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

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of COMB, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Request of COMB, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Section 5.05. Application of Redemption Fund. There is hereby created and established and shall be maintained by the Trustee a fund designated as the Redemption Fund. All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and accrued interest on the Bonds to be redeemed on any Redemption Date pursuant to Section 4.01(a) or (b); provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of COMB, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be

directed pursuant to a Request of COMB, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments; provided, however, that any Permitted Investments deposited in the Reserve Fund shall have a term to maturity not greater than five years. Such investments shall be directed by COMB pursuant to a Request of COMB filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from COMB, the Trustee shall invest any such moneys in Permitted Investments described in clause (B)(5) of the definition thereof; provided that so long as the Trustee is The Bank of New York Mellon Trust Company, N.A., the Trustee shall invest such money in the money market fund set forth in the letter of authorization and direction executed by COMB and delivered to the Trustee. If no specific money market fund has been specified by COMB, the Trustee shall make a request to COMB for investment directions. Such moneys shall be held in cash, uninvested, until specific investment directions are provided by COMB to the Trustee. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in this Indenture and provided that earnings on the Acquisition Fund shall be deposited in such fund and the earnings on the Contribution Fund shall be deposited in such fund and applied in accordance with Section 3.05. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund and the Contribution Fund) held by it hereunder upon the Request of COMB. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06.

COMB has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant COMB the right to receive brokerage confirmations of security transactions as they occur, COMB specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish COMB periodic cash transaction statements which include detail for all investment transactions made by the Trustee under this Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under this Indenture.

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

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

Section 5.07. Rebate Fund.

(a) There is hereby created and established and shall be maintained by the Trustee a fund designated the Rebate Fund. All amounts at any time on deposit in the Rebate Fund

shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148(f) of the Code and the Treasury Regulations promulgated thereunder. Such amounts shall be free and clear of any lien under this Indenture and shall be governed by this Section and Section 6.06 of this Indenture and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of COMB, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by COMB with the Rebate Requirement.

(b) Within 45 days of the end of each Bond Year (as such term is defined in the Tax Certificate), (1) COMB shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Bond Year, and (2) upon COMB's written direction, the Trustee shall deposit to the Rebate Fund from amounts on deposit in the Revenue Fund, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated. The Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section. COMB shall not be required to calculate the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (1) to the extent such proceeds satisfy the expenditure exceptions of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by COMB under Section 148(f)(4)(C)(vii) of the Code to pay a 1 1/2% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund." In such event, and with respect to such amounts, COMB shall provide written direction to the Trustee that the Trustee shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c) Any funds remaining in the Rebate Fund after redemption of all of the Bonds and payment of any amounts described in paragraph (2) of subsection (d) of this Section, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, shall be withdrawn by the Trustee and remitted to COMB.

(d) Upon COMB's written direction, but subject to the exceptions contained in subsection (b) of this Section to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Bond Year, and (ii) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Bonds, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income

attributable to the rebatable arbitrage determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(e) In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, COMB shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from COMB equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(f) Each payment required to be made pursuant to subsection (d) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by COMB.

(g) In the event that immediately following the calculation required by subsection (b) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, upon written instructions from COMB, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Revenue Fund.

(h) COMB shall retain records of all determinations made hereunder for a period that complies with the recordkeeping requirements described in the Tax Certificate.

(i) Notwithstanding anything in this Indenture to the contrary, the Rebate Requirement shall survive the payment in full or the defeasance of the Bonds.

Section 5.08. Application of Funds and Accounts When No Bonds are Outstanding. On the date on which all Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund and the Contribution Fund) established with the Trustee pursuant to this Indenture shall be withdrawn by the Trustee and paid to COMB for distribution in accordance with the Joint Participation Agreements.

Section 5.09. Reserve Fund. There is hereby created and established a fund designated the Reserve Fund which the Trustee shall maintain and hold in trust separate and apart from other funds held by it. The Trustee shall retain in the Reserve Fund an amount equal to the Reserve Fund Requirement, and shall apply moneys in the Reserve Fund in accordance with this Section 5.09; provided, however, that COMB may provide for the Reserve Fund by: (i) a surety bond; (ii) an insurance policy issued by a municipal bond insurance company; (iii) a letter of credit; or (iv) any other security device, in each case with ratings approved by each rating agency then rating the Bonds.

If one Business Day prior to any Interest Payment Date the money in the Interest Account or the Principal Account is insufficient to make the payments required by this Indenture on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund to the Interest Account or the Principal Account, as the case may be, the amount of such insufficiency.

In the event that the Trustee has transferred money from the Reserve Fund to the Interest Account or Principal Account in accordance with this Section 5.09, upon receipt of the moneys from

COMB to increase the balance in the Reserve Fund to the Reserve Fund Requirement, the Trustee shall deposit such money in the Reserve Fund. Any deficiency in the Reserve Fund due to a draw thereon shall be replenished within one year of such deficiency in twelve equal monthly installments.

If the amount available and contained in the Reserve Fund exceeds an amount equal to the Reserve Fund Requirement, the Trustee shall (a) annually on August 1 withdraw the amount of such excess from the Reserve Fund and shall deposit such amount in the Interest Account, or (b) on the date Bonds are redeemed pursuant to Section 4.01(a) or (b) hereof or are defeased in accordance with the provisions of Section 10.03 hereof shall transfer such amount in accordance with the written directions of COMB. For these determinations the Trustee shall make a valuation of the Reserve Fund on or before August 1 in each year or on or prior to the date of such transfer, as the case may be. Except for such withdrawals, all moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying principal of and interest on the Bonds in the event that no other moneys of COMB are applied thereto.

Any money in the Reserve Fund in excess of the Reserve Fund Requirement after COMB deposits with the Trustee an alternate security as permitted by Section 5.10 may be deposited into the Redemption Fund, transferred to COMB for deposit into the Acquisition Fund or otherwise applied in accordance with a written direction of COMB upon delivery of such alternate security to the Trustee.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. COMB shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 6.02. Extension of Payment of Bonds. COMB shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full for the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of COMB to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 6.03. Against Encumbrances. COMB shall not create, or permit the creation of, any pledge, lien, charge or other encumbrances upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, COMB expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Joint Exercise of Powers Agreement, and reserves the right to issue other obligations for such purposes.

Section 6.04. Power to Issue Bonds and Make Pledge and Assignment. COMB is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of COMB in accordance with their terms, and COMB and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues and all funds and accounts established by it pursuant to this Indenture. Such books of record and account shall be available for inspection by COMB and the Financing Members upon reasonable prior notice during business hours and under reasonable circumstances.

Section 6.06. Tax Covenants. Notwithstanding any other provision of this Indenture of Trust, absent an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the Bonds will not be adversely affected for federal income tax purposes, COMB covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. COMB will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. COMB will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guaranty. COMB will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. COMB will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(e) Hedge Bonds. COMB will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless COMB takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. COMB will take no action, or omit to take any action, inconsistent with its expectations stated in any Tax Certificate executed by COMB in connection with the issuance of the Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.07. Payments Under Joint Participation Agreements and Contribution Agreement. COMB shall promptly collect all amounts due from the Financing Members pursuant to Section 4.01 of the Joint Participation Agreements, subject to the provisions of Article VIII, shall enforce, and take all steps, actions and proceedings which COMB or the Trustee determines to be reasonably necessary for the enforcement of all of the obligations of the Financing Members thereunder. COMB shall promptly collect all amounts due to COMB pursuant to the Contribution Agreement and deposit such amounts in the Contribution Fund and shall enforce and take all steps, actions and proceedings which COMB determines to be reasonably necessary for the enforcement of all of the obligations of the Montecito Water District thereunder.

COMB shall not enter into any amendments to the Joint Participation Agreements except as permitted in the Joint Participation Agreements and except as may be approved by the Trustee. The Trustee shall give written consent only if (a) such amendment, modification or termination will not materially adversely affect the interests of the Bond Owners, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

Section 6.08. Waiver of Laws. COMB shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by COMB to the extent permitted by law.

Section 6.09. Further Assurances. COMB will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

Section 6.10. Continuing Disclosure. COMB hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of COMB to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee at the written request of any Participating Underwriter or the Owners of at least 50% aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee has been indemnified to its satisfaction from and against any loss, cost, liability or expense, including, without limitation fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee, or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause COMB to comply with its obligations under this Section 6.10. For purposes of this Section 6.10, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by COMB in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by COMB in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by COMB in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to COMB by the Trustee or by the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of COMB the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by COMB within such sixty (60) day period and diligently pursued in good faith until the default is corrected such default shall not be an Event of Default hereunder.

(d) COMB shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of COMB seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of COMB or of the whole or any substantial part of its property.

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall, in each case, upon notice in writing to COMB and the Financing Members, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Nothing contained in this Indenture shall permit or require the Trustee or COMB to accelerate payments due under any Joint Participation Agreement if the Financing Member which is a party to such Joint Participation Agreement is not in default of its obligation thereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, COMB or one or more Financing Members shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with

interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture (other than amounts held in the Rebate Fund) shall be applied by the Trustee as follows and in the following order:

(i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture; and

(ii) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, in the following order of priority:

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to COMB.

Section 7.04. Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or this Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in

aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Joint Participation Agreements, the Joint Exercise of Powers Agreement or any other applicable law with respect to such Bonds, unless (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Joint Participation Agreements, the Joint Exercise of Powers Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Absolute Obligation of COMB. Nothing in this Section 7.07 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of COMB, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied covenants or duties shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) COMB may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing. The Trustee may be removed at any time for any breach of the trust set forth herein.

(c) The Trustee may at any time resign by giving written notice of such resignation to COMB and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, COMB shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to COMB and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of COMB or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, COMB shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, COMB shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If COMB fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of COMB.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, national banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under subsection (e) of Section 8.01 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statement of COMB, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds, the Joint Participation Agreements, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Default or Event of Default hereunder or under the Joint Participation Agreements or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder, under the Joint Participation Agreements unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by COMB or the Owners of not less than 25% of the Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by COMB or a Financing Member of any of the terms, conditions, covenants or agreements herein, or under a Joint Participation Agreement, of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of Owners pursuant to this Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not herein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to COMB, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Trustee’s Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically

prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of COMB, and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If COMB elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method), and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions, notwithstanding the fact that such instructions conflict or are inconsistent with a subsequent written instruction. COMB agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in their respective possession and shall be subject at all reasonable times to the inspection of COMB, each Financing Member and any Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. COMB shall pay to the Trustee from time to time all reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture.

COMB shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or bad faith on its part, arising out of or in connection with the execution of this Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of COMB under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the Bonds and this Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of COMB and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which COMB and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by COMB and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to S&P and the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) This Indenture and the rights and obligations of COMB, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which COMB and the Trustee may enter into without the consent of any Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of COMB in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon COMB;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as COMB may deem necessary or desirable;

(3) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar

federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute;

(4) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code; or

(5) to effect a Reserve Fund substitution in accordance with Section 5.09 hereof.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of COMB, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by COMB and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his or her Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of COMB and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by COMB and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The Bonds may be paid by COMB in any of the following ways, provided that COMB also pays or causes to be paid any other sums payable hereunder by COMB.

(a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all of the Bonds then Outstanding.

If COMB shall also pay or cause to be paid all other sums payable hereunder by COMB, then and in that case, at the election of COMB (evidenced by a Certificate of COMB, filed with the Trustee, signifying the intention of COMB to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of COMB under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Request of COMB, the Trustee shall execute and deliver to COMB all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to COMB.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Outstanding Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of COMB in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

COMB may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which COMB may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or

held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest and premium, if any, thereon to the redemption date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Accountant filed with COMB and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date (with premium, if any), as the case may be, on the Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Request of COMB) to apply such money to the payment of such principal, interest and premium, if any, with respect to such Bonds; and (ii) COMB shall have delivered to the Trustee an opinion of Bond Counsel addressed to COMB and the Trustee to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Accountant's opinion referred to above).

Section 10.04. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to COMB free from the trusts created by this Indenture upon receipt of an indemnification agreement acceptable to COMB and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to COMB as aforesaid, the Trustee shall at the written direction of COMB (at the cost of COMB) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to COMB of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of COMB Limited to Revenues. Notwithstanding anything in this Indenture or the Bonds, COMB shall not be required to advance any moneys derived from any source other than the Revenues and other moneys pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for

any other purpose of this Indenture. Nevertheless, COMB may, but shall not be required to, advance for any of the purposes hereof any funds of COMB which may be made available to it for such purposes; provided, however, that COMB shall not apply any amounts received by COMB pursuant to the Contribution Agreement to the payment of the principal of or interest on the Bonds or for any other purpose under this Indenture.

The Bonds are not a debt of the members of COMB, the State of California or any of its political subdivisions (other than COMB) and neither the members of COMB, said State nor any of its political subdivisions (other than COMB) is liable herein. No Financing Members shall have any liability or obligation with respect to amounts payable under any Joint Participation Agreement except with respect to payments to be made pursuant to Section 4.01 of the Joint Participation Agreement executed by such Financing Member.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either COMB or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of COMB or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than COMB, the Trustee, the Financing Members and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of COMB, the Trustee, the Financing Members and the Owners of the Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to COMB of any Bonds, the Trustee shall destroy such Bonds as may be allowed by law, and deliver a certificate of such destruction to COMB.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. COMB hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon COMB or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by telex or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to COMB, 3301 Laurel Canyon Road, Santa Barbara, California 93105, Attention: General Manager (or such other address as may have been filed in writing by COMB with the Trustee), or to the Trustee at its Office by first class mail. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and COMB if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The Ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or COMB in accordance therewith or reliance thereon.

Section 11.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of COMB, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, COMB or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, COMB or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request COMB shall certify to the Trustee those Bonds that are disqualified pursuant to this Section 11.09, and the Trustee may conclusively rely on such certification.

Section 11.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or

portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of COMB or a Financing Member shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by this Indenture.

Section 11.13. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as COMB and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor COMB shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Bondholders and that neither COMB nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THIS INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

IN WITNESS WHEREOF, the Cachuma Operation and Maintenance Board has caused this Indenture to be signed in its name by its President and attested by its Secretary, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

CACHUMA OPERATION AND MAINTENANCE BOARD

By: _____
Its: President of the Board

Attest:

Secretary of the Board

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

By: _____
Its: Authorized Officer

EXHIBIT A
[FORM OF BOND]

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CACHUMA OPERATION AND MAINTENANCE BOARD
REVENUE BONDS, SERIES 2010A

INTEREST RATE MATURITY DATE ORIGINAL ISSUE DATE CUSIP
_____ % August 1, _____ April ____, 2010

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The CACHUMA OPERATION AND MAINTENANCE BOARD, a joint exercise of powers agency duly organized and existing under the laws of the State of California ("COMB"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date, or (ii) this Bond is authenticated on or before July 15, 2010, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on February 1 and August 1 in each year, commencing August 1, 2010, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium (if any) are payable by check or draft of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest hereon is payable by check or draft of the Trustee sent on the Interest Payment Date by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the members of COMB, the State of California, or any of its political subdivisions (other than COMB), and neither the members of COMB, said State nor any of its political subdivisions (other than COMB), is liable hereon. Notwithstanding anything in the Indenture (as defined below) or herein, COMB shall not be required to advance any moneys derived from any source other than the Revenues (as such term is defined in the Indenture) and other moneys pledged under the Indenture of Trust, dated as of March 1, 2010 (the "Indenture"), by and between COMB and the Trustee for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture.

COMB has entered into a Joint Participation Agreement, dated as of March 1, 2010, with the City of Santa Barbara and Joint Participation Agreement, dated as of March 1, 2010, with the Goleta Water District (together, the "Joint Participation Agreements"). The City of Santa Barbara and the Goleta Water District are collectively referred to herein as "Financing Members." The Carpinteria Valley Water District, the Montecito Water District and the Santa Ynez River Water Conservation District-Improvement District No. 1 are not Financing Members and have not executed Joint Participation Agreements. No amounts with respect to this Bond are payable by the Carpinteria Valley Water District, the Montecito Water District or the Santa Ynez River Water Conservation District Improvement District No. 1.

The obligation of each Financing Member to make payments in accordance with the Joint Participation Agreement is a limited obligation of such Financing Member as set forth in the Joint Participation Agreement and no Financing Members shall have any liability or obligation in connection therewith except with respect to payments to be made pursuant to a Joint Participation Agreement executed by such Financing Member. The Bonds do not constitute an indebtedness of COMB in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of COMB designated as the "Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A" (the "Bonds"), of an aggregate principal amount of _____ (\$_____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of the Joint Exercise of Powers Agreement and the laws of the State of California and pursuant to the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of COMB) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the Owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of COMB hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds have been issued by COMB to finance the South Coast Conduit Upper Reach Reliability Project, as more fully described in the Indenture and the Joint Participation Agreements.

This Bond and the interest, premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of COMB, and are payable from, and are secured by a pledge and lien on the Revenues, including all amounts received by COMB or the Trustee, and any other amounts on deposit in certain funds and accounts created under the Indenture, including but not limited to the Reserve Fund. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance

with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The Indenture and the rights and obligations of COMB and the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture and the rights and obligations of COMB, of the Trustee and the Owners of the Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which COMB and the Trustee may enter into without the consent of any Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding Bonds.

The Bonds with stated maturities on or after August 1, 20__, shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed by COMB and by lot within each maturity in integral multiples of \$5,000, on or after August 1, 20__, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, with out premium.

The Bonds with stated maturities on August 1, 20__ are subject to mandatory sinking fund redemption prior to such stated maturity, as a whole or in part on each August 1 on and after August 1, 20__ in integral multiples of \$5,000 solely from Revenues, at a redemption price of the principal amount thereof (together with accrued interest evidenced to the date fixed for redemption), without premium, in accordance with the schedule set forth in the Indenture.

Upon completion of the acquisition and construction of the Second Pipeline Project in accordance with the Indenture, and in the event that moneys remaining in the Acquisition Fund are not transferred to the Goleta Water District or the City of Santa Barbara pursuant to the Indenture, the Bonds shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed in writing by the Goleta Water District or the City of Santa Barbara pursuant to the Indenture, from amounts deposited in the Acquisition Fund upon the terms and conditions of and as provided for in the Indenture, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than twenty (20) days prior to the redemption date to the respective Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the

Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

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

Bonds may be exchanged at said Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project - Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and between the Carpinteria County Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District-Improvement District No. 1 and the City of Santa Barbara, as amended (the "Joint Exercise of Powers Agreement"), and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of COMB, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Cachuma Operation and Maintenance Board has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President and attested to by the manual or facsimile signature of its Secretary, all as of this ___ day of _____, 2010.

CACHUMA OPERATION AND MAINTENANCE BOARD

By: _____
Its: President of the Board

Attest:

Secretary of the Board

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BONDS)

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

Dated: _____, 2010

The Bank of New York Mellon Trust Company, N.A.,
as Trustee

By: _____
Its: Authorized Signatory

(FORM OF ASSIGNMENT)

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

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

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney, to transfer the same on the registration books of the Trustee
with full power of substitution in the premises.

Dated: _____

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

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT B

\$ _____
CACHUMA OPERATION AND MAINTENANCE BOARD
REVENUE BONDS, SERIES 2010A

REQUISITION NO. _ FOR
DISBURSEMENT FROM ACQUISITION FUND AND CONTRIBUTION FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of Cachuma Operation and Maintenance Board, a public entity duly organized and existing under that certain 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and between Carpinteria County Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District-Improvement District No. 1 and the City of Santa Barbara, and under the Constitution and laws of the State of California under the Constitution and laws of the State of California (“COMB”), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Sections 3.04 and 3.05 of that certain Indenture of Trust, dated as of March 1, 2010, by and between COMB and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”), the undersigned hereby requests the Administrative Manager of COMB to disburse this date the following amounts from the Acquisition Fund and the Contribution Fund established under the Indenture, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by COMB and is a proper charge against the Acquisition Fund and the Contribution Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final;

(v) that there has not been filed with or served upon COMB notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

Dated: _____

CACHUMA OPERATION AND MAINTENANCE
BOARD

By: _____
General Manager

EXHIBIT B

ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount from Acquisition Fund</i>		<i>Amount Paid from Contributed Funds</i>	<i>Total</i>
			Goleta Water District 46.03%*	City of Santa Barbara 40.88%*	Montecito Water District 13.09%**	

* Percentage may vary in accordance with Section 3.01 of the Joint Participation Agreements.

** Percentage may vary in accordance with Section 3.01 of the Contribution Agreement.

JOINT PARTICIPATION AGREEMENT

by and between

GOLETA WATER DISTRICT

and

CACHUMA OPERATION AND MAINTENANCE BOARD

Dated as of March 1, 2010

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JOINT PARTICIPATION AGREEMENT

This JOINT PARTICIPATION AGREEMENT, made and entered into as of March 1, 20010, by and between GOLETA WATER DISTRICT, a county water district duly organized and existing under and by virtue of the laws of the State of California (the "District"), and CACHUMA OPERATION AND MAINTENANCE BOARD, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California ("COMB").

W I T N E S S E T H:

WHEREAS, COMB proposes to finance the acquisition and construction of the South Coast Conduit Upper Reach Reliability Project (the "Second Pipeline Project") the Cachuma Project;

WHEREAS, pursuant to Division 2 of Title 2 of the Government Code of the State of California, including but not limited to Sections 6540 et seq. (the "JPA Statute"), COMB is authorized to finance the acquisition and construction of the Second Pipeline Project;

WHEREAS, the District and COMB have duly authorized the execution of this Joint Participation Agreement to assure a source of revenue to pay for the cost of the Second Pipeline Project and to include the District's allocable share thereof in the water rate charged to the District in connection with the Cachuma Project; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Joint Participation Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Joint Participation Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

Cachuma Project. The term "Cachuma Project" means the water project constructed by the United States of America on the Santa Ynez River, including the Tecolote Tunnel and the transmission system to and along the south coast of Santa Barbara County known as the South Coast Conduit.

Cachuma Water Supply Agreement. The term “Cachuma Water Supply Agreement” means the Contract for the Furnishing of Water to the Goleta Water District, dated September 12, 1949, by and between the Santa Barbara County Water Agency and the District, as originally executed and as renewed by the Renewal Master Contract on April 14, 1996, and as both may from time to time be amended or supplemented in accordance therewith.

COMB. The term “COMB” means the Cachuma Operation and Maintenance Board, a joint exercise of powers agency, duly organized and existing under and by virtue of the laws of the State of California and the Joint Powers Agreement.

COMB Bonds. The term “COMB Bonds” means the \$ _____ principal amount of Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A, outstanding from time to time.

Contribution Agreement. The term “Contribution Agreement” means the Contribution Agreement, dated _____, 2010, by and between COMB and the Montecito Water District, as amended from time to time.

Construction Agreement. The term “Construction Agreement” means the Agreement for Construction and Operation of Goleta Sanitary District/Goleta Water District Wastewater Reclamation Project, by and between the District and the Goleta Sanitary District, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

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

Event of Default. The term “Event of Default” means an event described in Section 7.01.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Indemnification Agreement. The term “Indemnification Agreement” means the Cachuma Operation and Maintenance Board 2010 Revenue Bond Indemnification Agreement, dated as of _____, 2010, by and among COMB, the City of Santa Barbara, the District, the Montecito Water District, the Santa Ynez River Water Conservation District, Improvement District Number One and the Carpinteria Valley Water District.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of March 1, 2010, by and between COMB and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

Joint Participation Agreement. The term “Joint Participation Agreement” means this Joint Participation Agreement, by and between the District and COMB, dated as of March 1, 2010, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Joint Powers Agreement. The term “Joint Powers Agreement” means the 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and

between the Carpinteria County Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District, Improvement District Number One and the City of Santa Barbara, as such agreement may from time to time be amended or supplemented in accordance with its terms.

Law. The term “Law” means the County Water District Law (being Division 13 of the Water Code of the State of California, as amended), Division 2 of Title 2 of the Government Code of the State of California as amended, including but not limited to Section 6540 et seq., and all laws amendatory thereof or supplemental thereto.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means (1) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of this Joint Participation Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (2) costs spent or incurred in the purchase of water, including but not limited to water purchased under the Water Supply Agreement and the Cachuma Water Supply Agreement; and (3) all operation, maintenance and repair costs of the Sanitary District Facilities payable by the District under Section 6.5 of the Construction Agreement; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges, and other moneys derived by the District from the ownership or operation of the Water System after the date of execution of this Joint Participation Agreement, including, without limiting the generality of the foregoing:

(i) all income, rents, rates, fees, charges or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System;

(ii) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District; and

(iii) the earnings on and income derived from the investment of amounts described in clauses (i) and (ii) above and from District reserves;

but excluding in all cases:

(y) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; and

(z) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations heretofore or hereafter issued.

Second Pipeline Project. The term “Second Pipeline Project” shall be means that project as fully defined and shown in the plans, specifications and bid documents titled Technical Specifications for the Upper Reach Reliability Project prepared by AECOM, dated June 30, 2009, and consists generally of South Coast Conduit pipeline improvements, the replacement or rehabilitation of certain infrastructure facilities, and related work and/or activities required by regulatory permits, environmental compliance documents, mitigation and monitoring plans, or land use easements. Project repairs and improvements specifically affect that portion of the South Coast Conduit between the South Portal of the Tecolote Tunnel and the Corona Del Mar Water Treatment Plant.

Second Pipeline Project Payment Date. The term “Second Pipeline Project Payment Date” means the date three business days prior to January 1 and July 1 of each year commencing three business days prior to July 1, 2010.

Second Pipeline Project Payments. The term “Second Pipeline Project Payments” means the payments scheduled to be paid by the District under and pursuant hereto, including but not limited to the amounts attributable to principal and interest set forth in Exhibit A hereto.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

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

Water Supply Agreement. The term “Water Supply Agreement” means the Water Supply Agreement, dated as of August 1, 1991, by and between the Central Coast Water Authority and the District, as amended and supplemented to the date hereof and as such agreement may from time to time be amended or supplemented in accordance with its terms.

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES; OPINIONS OF COUNSEL

Section 2.01. Representations by the District. The District makes the following representations:

(a) The District is a county water district duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Joint Participation Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Joint Participation Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Joint Participation Agreement.

(d) The obligation of the District to make Second Pipeline Project Payments under this Joint Participation Agreement is a cost of water and an operation and maintenance expense of the District and the obligation to make Second Pipeline Project Payments hereunder will commence and continue to exist and be honored by the District whether or not water is furnished to it from the Second Pipeline Project at all times or at all (which provision may be characterized as an obligation to pay all costs on a take-or-pay basis whether or not water is delivered or provided and whether or not the Second Pipeline Project is completed or operable).

Section 2.02. Representations and Warranties by COMB. COMB makes the following representations and warranties:

(a) COMB is a joint exercise of powers agency duly organized and in good standing under the laws of the State of California and under this Joint Powers Agreement, has full legal right, power and authority to enter into this Joint Participation Agreement and to carry out and consummate all transactions contemplated by this Joint Participation Agreement and by proper action has duly authorized the execution and delivery and due performance of this Joint Participation Agreement.

(b) The execution and delivery of this Joint Participation Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which COMB is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of COMB.

ARTICLE III

SECOND PIPELINE PROJECT PAYMENTS

Section 3.01. Second Pipeline Project Payments. The District shall, subject to its rights of prepayment provided in Article VI, pay COMB payments of interest and principal in the amounts and on the Second Pipeline Project Payment Dates as set forth in Exhibit A hereto. Such amounts represent the District's 52.96% share of costs with respect to the COMB Bonds. Each Second Pipeline Project Payment shall be paid to COMB in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have

been fully paid and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Second Pipeline Project Payments if paid in accordance with their terms.

The obligation of the District to make the Second Pipeline Project Payments is absolute and unconditional, and until such time as the Second Pipeline Project Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VIII), the District will not discontinue or suspend any Second Pipeline Project Payments required to be made by it under this section when due, whether or not the Second Pipeline Project, the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Notwithstanding the foregoing, the payments of principal and interest set forth in Exhibit A hereto may be increased or decreased by not more than 10% in each year in the event that: (i) the board of directors of COMB approves a reallocation of capital costs with respect to the Second Pipeline Project; and (ii) such reallocation is approved by the governing body of each member unit of COMB executing a joint participation agreement with respect to the COMB Bonds. In the event that the conditions set forth above have been met, COMB will promptly append a revised Exhibit A to this Joint Participation Agreement to reflect such reallocation of principal and interest and will promptly provide each revised Exhibit A to the Trustee.

Section 3.02. Proposition 50 Grant and Other Moneys. COMB agrees to deposit and apply all moneys received from the State of California from the Proposition 50 grant or any other grant with respect to the Second Pipeline Project and all moneys received from any other party (other than the City of Santa Barbara, the District or the Montecito Water District) as provided in Section 3.08 of the Indenture.

ARTICLE IV

SECURITY

Section 4.01. Payment From Revenues. The District shall make payments under this Joint Participation Agreement solely from Revenues prior to any payments other than Operation and Maintenance Costs. Payments under this Joint Participation Agreement shall be made by the District as they become due and payable without preference or priority over any other Operation and Maintenance Costs. The District shall not be obligated to make any payments allocable to any other member of COMB with respect to the Second Pipeline Project, each member's payment obligation being several and not joint.

Section 4.02. Rates and Charges. The District agrees to set rates and charges for Water Service sufficient in each Fiscal Year to yield sufficient Revenues to pay all Operating and Maintenance Expense, including the Second Pipeline Project Payments, due in such Fiscal Year.

ARTICLE V
COVENANTS

Section 5.01. Compliance with Joint Participation Agreement and Ancillary Agreements. The District will punctually pay the Second Pipeline Project Payments in strict conformity with the terms hereof, and will faithfully observe and perform all agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Joint Participation Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either, or deemed insolvency, or bankruptcy or liquidation of COMB or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

COMB will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and it is expressly understood and agreed by the parties to this Joint Participation Agreement that, subject to Section 9.06 hereunder, each of the agreements, conditions, covenants and terms contained in this Joint Participation Agreement is an essential and material term of the financing of the Second Pipeline Project by COMB pursuant to, and in accordance with, and as authorized under the JPA Statute.

Section 5.02. Against Encumbrances. The District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from Revenues, provided that such payments shall be subordinate in all respects to the obligation of the District to pay Operation and Maintenance Costs, including Second Pipeline Project Payments.

Section 5.03. Tax Covenants. The District hereby covenants that, notwithstanding any other provision of this Joint Participation Agreement, it will make no use of the proceeds of the COMB Bonds or of any other amounts, regardless of the source, or of any property or take any action, or refrain from taking any action, that would cause the COMB Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”).

The District will not use or permit the use of the Second Pipeline Project or any portion thereof by any person other than a governmental unit as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the Second Pipeline Project Payments constituting interest under Section 103 of the Code.

The District will not make any use of the proceeds of the COMB Bonds or any other funds of the District, or take or omit to take any other action, that would cause the obligation provided herein to be “federally guaranteed” within the meaning of Section 149(b) of the Code or “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any Second Pipeline Project Payments are unpaid, the District, with respect to such proceeds and such other funds, will comply with all requirements of such Sections and all regulations of the United States Department of

the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended, to the extent such requirements are, at the time, applicable and in effect.

Section 5.04. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto COMB of the rights and benefits provided to it herein. The District agrees to provide such annual operating information to COMB as to allow COMB to comply with its continuing disclosure obligation under the Continuing Disclosure Agreement.

Section 5.05. Review of Second Pipeline Project Plans and Specifications. COMB agrees to give the District the opportunity to review and comment, in a timely manner, on all plans and specifications relating to the Second Pipeline Project in advance of consideration of such plans and specifications by the Board of Directors of COMB, and the District shall have the same rights to comment, object to or provide approval, in a timely manner, of such plans as is provided to any other member units of COMB pursuant to their respective Joint Participation Agreement or Contribution Agreement.

ARTICLE VI

PREPAYMENT OF SECOND PIPELINE PROJECT PAYMENTS

Section 6.01. Prepayment. The District may prepay the Second Pipeline Project Payments as a whole or in part on any date, in the order of payment date as directed by the District, on and after August 1, 20__, at a prepayment price of par plus accrued interest thereon to the date of prepayment, without premium.

Section 6.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall give written notice to COMB and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF COMB

Section 7.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say:

(a) if default shall be made by the District in the due and punctual payment of any Second Pipeline Project Payment when and as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the other agreements or covenants required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by COMB; or

(c) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of

America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property;

COMB shall have the right:

(i) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his duties under the Law and this Joint Participation Agreement and covenants required to be performed by it or him contained herein;

(ii) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of COMB; or

(iii) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, COMB shall have no security interest in or mortgage on the Water System and default hereunder by the District shall not result in the loss of all or any part of the Water System.

Section 7.02. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Second Pipeline Project Payments to COMB at the respective due dates or upon prepayment, or shall affect or impair the right of COMB, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by COMB shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by COMB to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon COMB by the JPA Statute or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by COMB.

Section 7.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to COMB is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the JPA Statute or any other law.

ARTICLE VIII

DISCHARGE OF OBLIGATIONS

Section 8.01. Discharge of Obligations. When:

(a) all or any portion of the Second Pipeline Project Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Second Pipeline Project Payments shall have been filed with the Trustee;

(b) there shall have been deposited with the Trustee at or prior to the date or dates specified for prepayment, in trust for the benefit of COMB or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Second Pipeline Project Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clause (A) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal and interest of such Second Pipeline Project Payments to such prepayment date or dates as the case may be;

(c) provision shall have been made for paying all fees and expenses of the Trustee; and

(d) principal amount of the COMB Bonds equal to the principal component of the Second Pipeline Project Payments to be discharged hereunder has been deemed no longer outstanding under the Indenture due to application of funds or Permitted Investments received under clause (a) or (b) above;

then and in that event, the right, title and interest of COMB herein and the obligations of the District hereunder shall, with respect to all or such portion of the Second Pipeline Project Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Second Pipeline Project Payments). In such event, upon request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Second Pipeline Project Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the Second Pipeline Project Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Second Pipeline Project Payments and shall be applied by the Trustee to the payment of the Second Pipeline Project Payments of the District.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Liability of District Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the Second Pipeline Project Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Second Pipeline Project Payments is a special obligation of the District payable solely from such Revenues and other funds described herein, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 9.02. Benefits of Joint Participation Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, COMB or the Trustee any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or COMB shall be for the sole and exclusive benefit of COMB, the District and the Trustee.

Section 9.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or COMB is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or COMB, and all agreements and covenants required hereby to be performed by or on behalf of the District or COMB shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 9.04. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Second Pipeline Project Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 9.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Joint Participation Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 9.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or COMB shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and COMB hereby declare that they would have executed this Joint Participation Agreement, and each and every

other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.07. Assignment. This Joint Participation Agreement and any rights hereunder may be assigned by COMB to the Trustee, as a whole or in part, without the necessity of obtaining the prior consent of the District. Except as set forth in the first sentence of this section, neither the District nor COMB shall assign any rights or obligations hereunder to any other party without the express written approval of the other party prior to such assignment.

Section 9.08. Net Contract. This Joint Participation Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Second Pipeline Project Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 9.09. California Law. THIS JOINT PARTICIPATION AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 9.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District:	4699 Hollister Avenue Goleta, CA 93110 Attention: General Manager
If to COMB:	3301 Laurel Canyon Road Santa Barbara, CA 93105 - 2017
If to the Trustee:	700 South Flower Street, Suite 500 Los Angeles, California 90017

Section 9.11. Effective Date. This Joint Participation Agreement shall become effective upon its execution and delivery, and shall terminate when the Second Pipeline Project Payments shall have been fully paid (or provision for the payment thereof shall have been made in accordance with Article VIII).

Section 9.12. Execution in Counterparts. This Joint Participation Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 9.13. Amendments Permitted. This Joint Participation Agreement and the rights and obligations of COMB and the District of the may be modified or amended at any time by an amendment hereto which shall become binding with the written consent of the Trustee.

Section 9.14. Limitation on Indemnification. Notwithstanding anything in the Indemnification Agreement to the contrary, insofar as each of the District and the City of Santa Barbara prepare and is responsible for an appendix to the COMB official statement relating to the COMB Bonds or other disclosure documents with respect to the COMB Bonds concerning the system and operations of the District and the City of Santa Barbara, the District shall not indemnify or hold harmless the City of Santa Barbara with respect to, or to the extent of, any claim which shall arise from or concern, statements or information or omissions of information concerning the City of Santa Barbara in or from the official statement, any offering material or disclosure document with respect to the COMB Bonds, and if the City of Santa Barbara is guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act of 1933, as amended, the City of Santa Barbara shall not be entitled to indemnification or contribution from the District if the District was not guilty of such fraudulent misrepresentation within the meaning of Section 11(f) of the 1933 Act.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Joint Participation Agreement by their officers thereunto duly authorized as of the day and year first written above.

GOLETA WATER DISTRICT

President of the Board of Directors

Attest:

Secretary of the Board of Directors

CACHUMA OPERATION AND MAINTENANCE BOARD

By _____
Chair of the Board of Directors

Attest:

Secretary of the Board of Directors

EXHIBIT A

SECOND PIPELINE PROJECT PAYMENT SCHEDULE

<i>Payment Date which is 3 Business Days Prior to</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Payment</i>
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JOINT PARTICIPATION AGREEMENT

by and between

CITY OF SANTA BARBARA

and

CACHUMA OPERATION AND MAINTENANCE BOARD

Dated as of August 1, 2009

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JOINT PARTICIPATION AGREEMENT

This JOINT PARTICIPATION AGREEMENT, made and entered into as of August 1, 2009, by and between CITY OF SANTA BARBARA, a municipal corporation duly organized and existing under and by virtue of the City Charter and the Constitution of the State of California (the "City"), and CACHUMA OPERATION AND MAINTENANCE BOARD, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California ("COMB").

WITNESSETH:

WHEREAS, COMB proposes to finance the acquisition and construction of the South Coast Conduit Upper Reach Reliability Project (the "Second Pipeline Project") of the Cachuma Project;

WHEREAS, pursuant to Division 2 of Title 2 of the Government Code of the State of California, including but not limited to Sections 6540 et seq. (the "JPA Statute"), COMB is authorized to finance the acquisition and construction of the Second Pipeline Project;

WHEREAS, the City and COMB have duly authorized the execution of this Joint Participation Agreement to assure a source of revenue to pay for a portion of the costs of the Second Pipeline Project and to include the City's allocable share thereof in the water rate charged to the City in connection with the Cachuma Project; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Joint Participation Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Joint Participation Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

Bonds. The term "Bonds" means all bonds, notes or similar obligations (but not including Contracts) of the City authorized and issued by the City under and pursuant to applicable laws of the State, the principal of and interest on which are payable from Net Revenues on a parity with the obligation of the City to make payments under this Joint Participation Agreement, including, but not limited to, the obligations listed under the heading "Bonds" in Exhibit B hereto and Bonds issued

after the date of execution of this Joint Participation Agreement in accordance with Section 5.02 hereof.

Cachuma Project. The term “Cachuma Project” means the water project constructed by the United States of America on the Santa Ynez River, including the Tecolote Tunnel and the transmission system to and along the south coast of Santa Barbara County known as the South Coast Conduit.

Cachuma Water Supply Agreement. The term “Cachuma Water Supply Agreement” means the Contract for the Furnishing of Water to the City of Santa Barbara, dated September 12, 1949, by and between the Santa Barbara County Water Agency and the City, as originally executed and as renewed by the Renewal Master Contract on April 14, 1996, and as both may from time to time be amended or supplemented in accordance therewith.

City. The term “City” shall have the meaning assigned thereto in the preamble hereto.

COMB. The term “COMB” means the Cachuma Operation and Maintenance Board, a joint exercise of powers agency, duly organized and existing under and by virtue of the laws of the State of California and the Joint Powers Agreement.

COMB Bonds. The term “COMB Bonds” means the \$_____ principal amount of Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A, outstanding from time to time.

Contracts. The term “Contracts” means all contracts of the City authorized and executed by the City under and pursuant to the applicable laws of the State, the payments under which are payable from Net Revenues on a parity with the obligation of the City to make payments under this Joint Participation Agreement, including, but not limited to, the Water Supply Agreement and the contracts listed under the heading “Contracts” in Exhibit B hereto and Contracts issued after the date of execution of this Joint Participation Agreement in accordance with Section 5.02 hereof, excluding contracts entered into for operation and maintenance of the Water System.

Contribution Agreement. The term “Contribution Agreement” means the Contribution Agreement, dated _____, 2010, by and between COMB and the Montecito Water District, as amended from time to time.

Event of Default. The term “Event of Default” means an event described in Section 7.01.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

Indemnification Agreement. The term “Indemnification Agreement” means the Cachuma Operation and Maintenance Board 2010 Revenue Bond Indemnification Agreement, dated as of _____, 2010, by and among COMB, the City, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District, Improvement District Number One and the Carpinteria Valley Water District.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of March 1, 2010, by and between COMB and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

Joint Participation Agreement. The term “Joint Participation Agreement” means this Joint Participation Agreement, by and between the City and COMB, dated as of August 1, 2009, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Joint Powers Agreement. The term “Joint Powers Agreement” means the 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and between the Carpinteria County Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District, Improvement District Number One and the City of Santa Barbara, as such agreement may from time to time be amended or supplemented in accordance with its terms.

Law. The term “Law” means the City charter and Division 2 of Title 2 of the Government Code of the State of California as amended, including but not limited to Section 6540 et seq., and all laws amendatory thereof or supplemental thereto.

Net Revenues. The term “Net Revenues” means, for any Fiscal Year, the Revenues of the Water System for such Fiscal Year less the Maintenance and Operation Costs of the Water System for such Fiscal Year and less charges for the payment of principal and interest on any debt service attributable to Senior Obligations; Net Revenues shall be applied on a pro rata basis in any Fiscal Year in which there are insufficient Net Revenues with which to make principal and interest payments due with respect to the Bonds and the City’s payment obligations under the Bonds and Contracts.

Operation and Maintenance Costs of the Water System. The term “Operation and Maintenance Costs of the Water System” means the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Water System, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, salaries and wages of employees, payments to employee retirement systems (to the extent paid from Revenues), overhead, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, but excluding in all cases: (i) depreciation, replacement and obsolescence charges or reserves therefor; (ii) amortization of intangibles or other bookkeeping entries of a similar nature; (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Water System which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation; (iv) charges for the payment of principal and interest on any general obligation bond heretofore or hereafter issued for Water System purposes; and (v) charges for the payment of principal and interest on any debt service on account of any obligation on a parity with or subordinate to the Second Pipeline Project Payments.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, including, without limiting the generality of the foregoing: (i) all income, rents, rates, fees, charges (including standby and capacity charges), or other moneys derived by the City from the water services, facilities, and

commodities or byproducts sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System (including reclaimed water services or sales), but including, without limitation, investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Water System by or pursuant to law, earnings on any debt service reserve fund, but only to the extent that such earnings may be utilized for the payment of debt service; (ii) the proceeds derived by the City directly or indirectly from the lease or licensing of any part of the Water System; (iii) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Water System; (iv) amounts received under contracts or agreements with governmental or private entities and designated for capital costs; and (v) grants received from the United States of America or from the State of California; provided, however, that Revenues shall not include: (a) in all cases, customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (b) the proceeds of borrowings. Notwithstanding the foregoing, there shall be deducted from Revenues any amounts transferred into a rate stabilization fund, and there shall be added to Revenues any amounts transferred out of such rate stabilization fund to pay Operation and Maintenance Costs of the Water System.

Second Pipeline Project. The term "Second Pipeline Project" means that project as fully defined and shown in the plans, specifications and bid documents titled Technical Specifications for the Upper Reach Reliability Project prepared by AECOM, dated June 30, 2009, and consists generally of South Coast Conduit pipeline improvements, the replacement or rehabilitation of certain infrastructure facilities, and related work and/or activities required by regulatory permits, environmental compliance documents, mitigation and monitoring plans, or land use easements. Project repairs and improvements specifically affect that portion of the South Coast Conduit between the South Portal of the Tecolote Tunnel and the Corona Del Mar Water Treatment Plant.

Second Pipeline Project Payment Date. The term "Second Pipeline Project Payment Date" means the date three business days prior to January 1 and July 1 of each year commencing three business days prior to July 1, 2010.

Second Pipeline Project Payments. The term "Second Pipeline Project Payments" means the payments scheduled to be paid by the City under and pursuant hereto, including but not limited to the amounts attributable to principal and interest set forth in Exhibit A hereto.

Senior Obligations. The term "Senior Obligations" means any obligations the payment of principal of and interest with respect to which are prior in right to the obligation of the City to make payments under this Joint Participation Agreement, including, but not limited to, the obligations listed under the heading "Senior Obligations" in Exhibit B hereto.

Trustee. The term "Trustee" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

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

Water Supply Agreement. The term "Water Supply Agreement" means the Water Supply Agreement, dated as of September 3, 1991, by and between the Central Coast Water Authority and the City, as amended and supplemented to the date hereof and as such agreement may from time to time be amended or supplemented in accordance with its terms.

Water System. The term “Water System” means any and all facilities, properties and improvements at any time owned, controlled or operated by the City as part of the City of Santa Barbara Water Revenue Fund for the collection, treatment, distribution, administration or reclamation of water.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the City. The City makes the following representations:

(a) The City is a charter city duly organized and existing under and pursuant to the City Charter and the Constitution of the State of California.

(b) The City has full legal right, power and authority to enter into this Joint Participation Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Joint Participation Agreement, and the City has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the City has duly authorized the execution, delivery and due performance of this Joint Participation Agreement.

(d) The obligation of the City to make Second Pipeline Project Payments under this Joint Participation Agreement is payable from, and prior to any payment other than Operation and Maintenance Expenses of the Water System and Senior Obligations (which may be paid prior to Second Pipeline Project Payments) and Bonds and Contracts (which may be paid on a parity with Second Pipeline Project Payments), from Net Revenues, and the obligation to make Second Pipeline Project Payments hereunder will commence and continue to exist and be honored by the City whether or not the Second Pipeline Project is completed, operable, operated or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of operation of the Second Pipeline Project or of water contracted for in whole or in part for any reason whatsoever. The City may not hereafter create any obligations payable from Net Revenues the payments of which are senior or prior in right to the payment by the City of Second Pipeline Project Payments.

Section 2.02. Representations and Warranties by COMB. COMB makes the following representations and warranties:

(a) COMB is a joint exercise of powers agency duly organized and in good standing under the laws of the State of California and under the Joint Powers Agreement, has full legal right, power and authority to enter into this Joint Participation Agreement and to carry out and consummate all transactions contemplated by this Joint Participation Agreement and by proper action has duly authorized the execution and delivery and due performance of this Joint Participation Agreement.

(b) The execution and delivery of this Joint Participation Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which COMB is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of

time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of COMB.

ARTICLE III

SECOND PIPELINE PROJECT PAYMENTS

Section 3.01. Second Pipeline Project Payments. The City shall, subject to its rights of prepayment provided in Article VI, pay COMB payments of interest and principal in the amounts and on the Second Pipeline Project Payment Dates as set forth in Exhibit A hereto. Such amounts represent the City's 47.04% share of costs with respect to the COMB Bonds. Each Second Pipeline Project Payment shall be paid to COMB in lawful money of the United States of America. In the event the City fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the City until such amount shall have been fully paid and the City agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Second Pipeline Project Payments if paid in accordance with their terms.

The obligation of the City to make the Second Pipeline Project Payments is absolute and unconditional, and until such time as the Second Pipeline Project Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VIII), the City will not discontinue or suspend any Second Pipeline Project Payments required to be made by it under this section when due, whether or not the Second Pipeline Project, the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Notwithstanding the foregoing, the payments of principal and interest set forth in Exhibit A hereto may be increased or decreased by not more than 10% in each year in the event that: (i) the board of directors of COMB approves a reallocation of capital costs with respect to the Second Pipeline Project; and (ii) such reallocation is approved by the governing body of each member unit of COMB executing a joint participation agreement with respect to the COMB Bonds. In the event that the conditions set forth above have been met, COMB will promptly append a revised Exhibit A to this Joint Participation Agreement to reflect such reallocation of principal and interest and will promptly provide each revised Exhibit A to the Trustee.

Section 3.02. Proposition 50 Grant and Other Moneys. COMB agrees to deposit and apply all moneys received from the State of California from the Proposition 50 grant or any other grant with respect to the Second Pipeline Project and all moneys received from any other party (other than the City, the Goleta Water District or the Montecito Water District) as provided in Section 3.08 of the Indenture.

ARTICLE IV

PAYMENT FROM NET REVENUES

Section 4.01. Payment From Net Revenues. The City shall make payments under this Joint Participation Agreement solely from Net Revenues on a parity with payments with respect to Bonds and Contracts. The City shall not be obligated to make any payments allocable to any other member of COMB with respect to the Second Pipeline Project, each member's payment obligation being several and not joint.

ARTICLE V

COVENANTS

Section 5.01. Compliance with Joint Participation Agreement. The City will punctually pay the Second Pipeline Project Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Joint Participation Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either, or deemed insolvency, or bankruptcy or liquidation of COMB or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

COMB will faithfully observe and perform all the agreements, conditions, covenants and terms contained in this Joint Participation Agreement required to be observed and performed by it, and it is expressly understood and agreed by the parties to this Joint Participation Agreement that, subject to Section 9.06 hereunder, each of the agreements, conditions, covenants and terms contained in this Joint Participation Agreement is an essential and material term of the financing of the Second Pipeline Project by COMB pursuant to, and in accordance with, and as authorized under the JPA Statute.

Section 5.02. Against Encumbrances. The City may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from Net Revenues on parity with the Second Pipeline Project Payments and payments with respect to Bonds and Contracts in accordance with the terms for additional debt set forth in the Contracts and the agreements securing the Bonds. The City may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from Net Revenues subordinate to the obligation of the City to pay the Second Pipeline Project Payments.

Section 5.03. Tax Covenants. The City hereby covenants that, notwithstanding any other provision of this Joint Participation Agreement, it will make no use of the proceeds of the COMB Bonds or of any other amounts, regardless of the source, or of any property or take any action, or refrain from taking any action, that would cause the COMB Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

The City will not use or permit the use of the Second Pipeline Project or any portion thereof by any person other than a governmental unit as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the Second Pipeline Project Payments constituting interest under Section 103 of the Code.

The City will not make any use of the proceeds of the COMB Bonds or any other funds of the City, or take or omit to take any other action, that would cause the obligation provided herein to be "federally guaranteed" within the meaning of Section 149(b) of the Code or "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Second Pipeline Project Payments are unpaid, the City, with respect to such proceeds and such other funds, will comply with all requirements of such Sections and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended, to the extent such requirements are, at the time, applicable and in effect.

Section 5.04. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto COMB of the rights and benefits provided to it herein. The City agrees to provide such annual operating information to COMB as to allow COMB to comply with its continuing disclosure obligation under the Continuing Disclosure Agreement.

Section 5.05. Incorporation of Certain Covenants. The City shall comply with the additional covenants of the City set forth in Exhibit C hereto.

Section 5.06. Review of Second Pipeline Project Plans and Specifications. COMB agrees to give the City the opportunity to review and comment, in a timely manner, on all plans and specifications relating to the Second Pipeline Project in advance of consideration of such plans and specifications by the Board of Directors of COMB, and the City shall have the same rights to comment, object to or provide approval, in a timely manner, of such plans as is provided to any other member units of COMB pursuant to their respective Joint Participation Agreement or Contribution Agreement.

ARTICLE VI

PREPAYMENT OF SECOND PIPELINE PROJECT PAYMENTS

Section 6.01. Prepayment. The City may prepay the Second Pipeline Project Payments as a whole or in part on any date, in the order of payment date as directed by the City, on and after _____, 20__, at a prepayment price of par plus accrued interest thereon to the date of prepayment, without premium.

Section 6.02. Method of Prepayment. Before making any prepayment pursuant to Section 6.01, the City shall give written notice to COMB and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF COMB

Section 7.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say:

(a) if default shall be made by the City in the due and punctual payment of any Second Pipeline Project Payment when and as the same shall become due and payable and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by COMB;

(b) if default shall be made by the City in the performance of any of the other agreements or covenants required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by COMB;

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(d) if the City shall fail to make the due and punctual payment of the interest with respect to any Bond or Contract when and as the same shall become due and payable;

COMB shall have the right:

(i) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(ii) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of COMB; or

(iii) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, COMB shall have no security interest in or mortgage on the Water System and default hereunder by the City shall not result in the loss of all or any part of the Water System.

Section 7.02. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Second Pipeline Project Payments to COMB at the respective due dates or upon prepayment, or shall affect

or impair the right of COMB, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by COMB shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by COMB to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon COMB by the JPA Statute or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by COMB.

Section 7.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to COMB is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the JPA Statute or any other law.

ARTICLE VIII

DISCHARGE OF OBLIGATIONS

Section 8.01. Discharge of Obligations. When:

(a) all or any portion of the Second Pipeline Project Payments shall have become due and payable in accordance herewith or a written notice of the City to prepay all or any portion of the Second Pipeline Project Payments shall have been filed with the Trustee;

(b) there shall have been deposited with the Trustee at or prior to the date (or dates) specified for prepayment, in trust for the benefit of COMB or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Second Pipeline Project Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clause (A) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal and interest of such Second Pipeline Project Payments to such prepayment date or dates as the case may be;

(c) provision shall have been made for paying all fees and expenses of the Trustee; and

(d) principal amount of the COMB Bonds equal to the principal component of the Second Pipeline Project Payments to be discharged hereunder has been deemed no longer outstanding under the Indenture due to application of funds or Permitted Investments received under clause (a) or (b) above;

then and in that event, the right, title and interest of COMB herein and the obligations of the City hereunder shall, with respect to all or such portion of the Second Pipeline Project Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of such Second Pipeline Project Payments). In

such event, upon request of the City, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the City, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Second Pipeline Project Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the Second Pipeline Project Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Second Pipeline Project Payments and shall be applied by the Trustee to the payment of the Second Pipeline Project Payments of the City.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Liability of City Limited. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Second Pipeline Project Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Second Pipeline Project Payments is a special obligation of the City payable solely from such Net Revenues and other funds described herein, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 9.02. Benefits of Joint Participation Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City, COMB or the Trustee any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the City or COMB shall be for the sole and exclusive benefit of COMB, the City and the Trustee.

Section 9.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the City or COMB is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City or COMB, and all agreements and covenants required hereby to be performed by or on behalf of the City or COMB shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 9.04. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Second Pipeline Project Payments, but nothing contained herein shall relieve any director, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 9.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to

“Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this Joint Participation Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 9.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or COMB shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The City and COMB hereby declare that they would have executed this Joint Participation Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.07. Assignment. This Joint Participation Agreement and any rights hereunder may be assigned by COMB to the Trustee, as a whole or in part, without the necessity of obtaining the prior consent of the City. Except as set forth in the first sentence of this section, neither the City nor COMB shall assign any rights or obligations hereunder to any other party without the express written approval of the other party prior to such assignment.

Section 9.08. Net Contract. This Joint Participation Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Second Pipeline Project Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 9.09. California Law. THIS JOINT PARTICIPATION AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 9.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:	P.O. Box 1990 Santa Barbara, CA 93101 Attn: Public Works Director
If to COMB:	3301 Laurel Canyon Road Santa Barbara, CA 93105 - 2017
If to the Trustee:	700 South Flower Street, Suite 500 Los Angeles, California 90017

Section 9.11. Effective Date. This Joint Participation Agreement shall become effective upon its execution and delivery, and shall terminate when the Second Pipeline Project Payments shall have been fully paid (or provision for the payment thereof shall have been made in accordance with Article VIII).

Section 9.12. Execution in Counterparts. This Joint Participation Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 9.13. Amendments Permitted. This Joint Participation Agreement and the rights and obligations of COMB and the City may be modified or amended at any time by an amendment hereto which shall become binding with the written consent of the Trustee.

Section 9.14. Limitation on Indemnification. Notwithstanding anything in the Indemnification Agreement to the contrary, insofar as each of the City of Santa Barbara and Goleta Water District prepare and is responsible for an appendix to the COMB official statement relating to the COMB Bonds or other disclosure documents with respect to the COMB Bonds concerning the system and operations of the City of Santa Barbara and Goleta Water District, the City shall not indemnify or hold harmless the Goleta Water District with respect to, or to the extent of, any claim which shall arise from or concern, statements or information or omissions of information concerning the Goleta Water District in or from the official statement, any offering material or disclosure document with respect to the COMB Bonds, and if the Goleta Water District is guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act of 1933, as amended, the Goleta Water District shall not be entitled to indemnification or contribution from the City if the City was not guilty of such fraudulent misrepresentation within the meaning of Section 11(f) of the 1933 Act.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Joint Participation Agreement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF SANTA BARBARA

City Administrator

Attest:

City Clerk

Approved as to form
City Attorney

By _____

Approved as to Insurance
Risk Manager

By _____

CACHUMA OPERATION AND MAINTENANCE
BOARD

By _____
Chair of the Board of Directors

Attest:

Secretary of the Board of Directors

EXHIBIT A

SECOND PIPELINE PROJECT PAYMENT SCHEDULE

<i>Payment Date which is 3 Business Days Prior to</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Payment</i>
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EXHIBIT B

SENIOR OBLIGATIONS, EXISTING BONDS AND EXISTING CONTRACTS

Senior Obligations

State Department of Water Resources Loan (the “1991 DWR Loan”) by and between the City and the State Department of Water Resources, the proceeds of which were used to finance capital improvements to the City’s water distribution system, outstanding in the aggregate principal amount of \$1,149,104 as of June 30, 2008. The 1991 DWR Loan accrues interest at the rate of 3.1% per annum and payments with respect to the 1991 DWR Loan are due in 20 annual installments of \$342,477 each on April 30 of each year, with a final payment due on April 30, 2012.

State Department of Water Resources Loan (the “2002 DWR Loan”) by and between the City and the State Department of Water Resources, the proceeds of which were used to finance certain improvements to the Cater Water Treatment Plant, outstanding in the aggregate principal amount of \$15,751,217 as of June 30, 2008. Payments with respect to the 2002 DWR Loan are due in annual installments of a maximum of \$1,144,246 each, with a final payment due in July 2025.

State Department of Water Resources Loan (the “2003 DWR Loan”) by and between the City and the State Department of Water Resources, the proceeds of which were used to finance the construction of a project at the Sheffield Reservoir designed to enable the City to meet safe drinking water standards, outstanding in the aggregate principal amount of \$18,852,202 as of June 30, 2008. Payments with respect to the 2003 DWR Loan are due in annual installments of a maximum of \$1,311,870 each, with a final payment due in January 2027.

Bonds

The City’s Water Revenue Bonds, Refunding Series 1994A issued under that certain Indenture, dated as of January 1, 1994, by and between the City and Wells Fargo Bank, National Association (as successor to First Interstate Bank of California), as trustee.

Contracts

The Water Supply Agreement.

The Amended and Restated Installment Purchase Agreement, dated as of March 1, 1992, by and between the City and the City of Santa Barbara Public Facilities Corporation with respect to the 2002 Refunding Water Certificates of Participation in an aggregate principal amount of \$15,535,000.

EXHIBIT C

ADDITIONAL COVENANTS OF THE CITY

The following additional covenants of the City are incorporated into the Joint Participation Agreement:

(a) Amount of Rates and Charges. The City will fix, prescribe and collect rates and charges for the Water System which will be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty five percent (125%) of the Second Pipeline Project Payments for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this paragraph.

(b) Against Sale or Other Disposition of Property. The City will not sell, lease or otherwise dispose of the Water System or any part thereof, except as provided in Section 18 of the Water Supply Agreement, unless the City determines that such sale, lease or other disposition will not materially adversely affect the City's ability to comply with paragraph (a) of this Exhibit D. The City will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Net Revenues for the payment of the obligations imposed under the Joint Participation Agreement or which would otherwise impair the rights of COMB with respect to the Net Revenues or the operation of the Water System.

(c) Against Competitive Facilities. To the extent permitted by existing law and within the scope of its powers, the City will not acquire, construct, maintain or operate and will not permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the boundaries of the City any water system competitive with the Water System.

(d) Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the City is a party thereto.

(e) Insurance.

(i) The City shall procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System. In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the net proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of

such net proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If the net proceeds are insufficient to pay in full the cost of reconstruction, repair or replacement of the damaged or destroyed portion of the Water System, then the City shall complete the work and pay any costs in excess of the amount of the net proceeds from Net Revenues.

(ii) The City will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of COMB, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained in accordance with this paragraph (e) of Exhibit D shall, to extent reasonably obtainable, provide that COMB and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

(f) Accounting Records and Financial Statements.

(i) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by COMB and the Trustee at reasonable hours and under reasonable conditions.

(ii) The City will prepare and file with COMB annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2009) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with the report of an independent certified public accountant thereon. The City will promptly furnish a copy of such report of an independent certified public accountant to COMB and to the Trustee.

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

(h) Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Joint Participation Agreement and for the better assuring and confirming unto COMB and the Trustee of the rights and benefits provided to them under the Joint Participation Agreement.

\$ _____
CACHUMA OPERATION AND MAINTENANCE BOARD
REVENUE BONDS, SERIES 2010A

PURCHASE CONTRACT

April _____, 2010

Board of Directors of
Cachuma Operation and Maintenance Board
3301 Laurel Canyon Road
Santa Barbara, California 93105

Dear Directors:

Citigroup Global Markets, Inc., acting not as fiduciary or agent for you, but on behalf of itself (the "Underwriter"), offers to enter into this Purchase Contract with the Cachuma Operation and Maintenance Board ("COMB"), which upon acceptance by you will be binding upon COMB and the Underwriter. This offer is made subject to COMB's acceptance by the execution of this Purchase Contract and its delivery to the Underwriter at or before 11:59 p.m., California time, on the date set forth hereinabove, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to COMB at any time prior to the acceptance hereof by it. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Official Statement hereinafter identified.

1. Purchase, Sale and Delivery of the Bonds.

(a) Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase for offering to the public, and COMB agrees to sell and issue to the Underwriter its Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A in the aggregate principal amount of \$_____ (the "Bonds"), pursuant to the terms of the Indenture of Trust dated as of March 1, 2010 (the "Indenture") between The Bank of New York Mellon Trust Company, N.A. (the "Trustee") and COMB. The Underwriter shall have no obligation under this Purchase Contract to purchase less than all of the \$_____ aggregate principal amount of Bonds. COMB has authorized the issuance of the Bonds and the execution and delivery of the Indenture by a resolution adopted by its Board of Directors on January 25, 2010 (the "Resolution").

The purchase price for the Bonds shall be the principal amount thereof [less the Underwriter's discount of \$_____ [plus/less] a net reoffering

[premium/discount] of \$ _____]. The Bonds will be dated the date of initial delivery and will mature on the dates and in the amounts and will bear interest at the rates set forth in Appendix A hereto. The Bonds shall be substantially in the form described in, shall be executed and secured under the provisions of, and shall be payable and subject to redemption as provided in, the Indenture and the Official Statement relating to the Bonds (the "Official Statement").

Each of the Goleta Water District ("Goleta") and the City of Santa Barbara ("Santa Barbara," and together with Goleta, the "Project Members") have entered into one or more agreements (each individually a "Joint Participation Agreement" and collectively the "Joint Participation Agreements") with COMB pursuant to which the Project Member is obligated to make certain payments to COMB with respect to the financing of certain additions, betterments, extensions or improvements to the water project constructed by the United States of America on the Santa Ynez River and operated by COMB (the "Project"). Such payments, when received by or on behalf of COMB, will constitute Revenues pledged to secure the payment of the principal of and interest on the Bonds.

The Bonds are being issued (i) to finance the Project, (ii) to fund a deposit to a debt service reserve fund and (iii) to pay the costs of issuing the Bonds.

COMB does not have the power to levy or collect any form of taxes. Its obligation to make payments with respect to the Bonds is a special obligation which is payable solely from the Revenues and other amounts pledged therefor under the Indenture.

The obligation of each such Project Member to make payments pursuant to its respective Joint Participation Agreement is a special obligation of each Project Member payable, in the case of Goleta, solely from its water system revenues, or in the case of Santa Barbara, solely from its water system net revenues.

(b) By official action of its Board of Directors, COMB has approved the Preliminary Official Statement relating to the Bonds dated March _____, 2010 (the "Preliminary Official Statement"); and it hereby approves the Official Statement, consisting of the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto, with the approval of COMB's Bond Counsel and the Underwriter, from time to time prior to the Closing (hereinafter defined). COMB deems the form of the Official Statement attached hereto (with the exception of the information therein concerning the Project Members contained in Appendices C and D) to be final for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") except for information permitted to be omitted therefrom by Rule 15c2-12. The Underwriter's obligations hereunder shall be subject to the receipt, on the date hereof, of a certificate dated the date hereof from each of the Project Members that the information therein concerning such Project Member contained in Appendices C or D, as the case may be, is final for purposes of Rule 15c2-12.

It is a condition of the offer of the Underwriter made hereby that COMB deliver to the Underwriter within seven business days of the date hereof a sufficient quantity of copies of the Official Statement to enable the Underwriter to comply with the Underwriter's obligations under Rule 15c2-12 (such quantity to be specified by the Underwriter as promptly as practicable after COMB's execution of this Purchase Contract).

COMB hereby ratifies any prior use of and authorizes the future use by the Underwriter, in connection with the offering and sale of the Bonds, of the Preliminary Official Statement, the Official Statement, the Joint Powers Agreement (as hereinafter defined), the Indenture, the Joint Participation Agreements, this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by COMB to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

(c) Except as COMB and the Underwriter may otherwise agree, at 8:00 a.m., California time, on April _____, 2010 or at such other time or on such earlier or later business day as shall have been mutually agreed upon by COMB and the Underwriter, COMB will deliver or cause to be delivered to the Underwriter (i) the Bonds in book-entry form through the facilities of The Depository Trust Company, duly executed, and (ii) the closing documents hereinafter mentioned, at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, in Santa Barbara, California or another place to be mutually agreed upon by COMB and the Underwriter. The Underwriter will accept such delivery of the Bonds and pay the purchase price of such Bonds set forth in Section 1 hereof. This payment for and delivery of the Bonds, together with the execution and delivery of the aforementioned documents is herein called the "Closing."

The Underwriter agrees to make a bona fide public offering of all the Bonds at the prices or yields set forth on the inside cover page of the Official Statement. Subsequent to the initial public offering, the Underwriter may change such prices or yields as it deems necessary in connection with the marketing of the Bonds (including dealers depositing the Certificates into investment trusts) and others at prices lower (or at yields higher) than the initial offering prices (or yields) set forth in the Official Statement; provided, however, that the Underwriter shall not change the interest rates set forth in Appendix A hereto. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Certificates at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

2. Representations, Warranties and Agreements of COMB. COMB represents and warrants to and agrees with the Underwriter that:

(a) COMB is a joint exercise of powers agency duly organized and validly existing under the Constitution and laws of the State of California and pursuant to the provisions of that certain 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and between the Carpinteria Valley Water District, the Montecito Water District, the Santa Ynez River Water Conservation District No. 1, Goleta, and Santa Barbara (the “Joint Powers Agreement”) as amended from time to time and has, and at the date of Closing will have, full legal right, power and authority (i) to enter into this Purchase Contract, the Indenture and the Joint Participation Agreements and (ii) to carry out, give effect to and consummate the transactions contemplated by this Purchase Contract, the Resolution, the Indenture, the Joint Participation Agreements, the Joint Powers Agreement, the Disclosure Agreement (as hereinafter defined), the Tax Certificate (as hereinafter defined) and the Official Statement (collectively, the “COMB Documents”).

(b) COMB has, or prior to the date of Closing, will have, duly and validly adopted the Resolution and approved and authorized the issuance of the Bonds, and the execution and delivery by appropriate officials of COMB of the COMB Documents and any other applicable agreements as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of said documents; and at the date of the Closing, the COMB Documents, and any other applicable agreements will constitute the valid, legal and binding obligations of COMB (assuming due authorization, execution and delivery by such other parties thereto, where necessary), enforceable in accordance with their respective terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors’ rights in general and to the application of equitable principles if equitable remedies are sought.

(c) COMB is not, and at the date of the Closing will not be, in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which COMB is a party or is otherwise subject or bound and which would materially impair the ability of COMB to perform its obligations under the COMB Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or an event of default; and the adoption of the Resolution, and the issuance of the Bonds, and the execution and delivery of the COMB Documents, any other applicable agreements and the other instruments contemplated by any of such documents to which COMB is a party, and compliance with the provisions of each thereof, and the execution and delivery of the Official Statement, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative

decree or order or any loan agreement, bond, note, resolution, indenture, contract, agreement or other instrument to which COMB is a party or is otherwise subject or bound and which would materially impair the ability of COMB to perform its obligations under the COMB Documents, nor will any such adoption, execution, delivery, or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of COMB under the terms of any such law, administrative rule or regulation, court or administrative decree or order, loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument, except as provided by the Indenture.

(d) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by COMB of its obligations hereunder and under the COMB Documents, have been obtained and are in full force and effect.

(e) The Bonds, the COMB Documents, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement.

(f) The Official Statement (with the exception of the information therein under the heading "FACTORS AFFECTING PROJECT MEMBERS GENERALLY" and in Appendices C and D, as to which no view is expressed) does not, as of the date hereof, and will not as of the date of the Closing, contain any untrue or misleading statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) During the period commencing on the date hereof and ending 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), if any event shall occur as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, COMB shall forthwith notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires an amendment or supplement to the Official Statement, COMB will at its expense amend or supplement the Official Statement in a form and manner jointly approved by COMB and the Underwriter.

(h) To the best knowledge of COMB, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or threatened, in any way affecting the existence of COMB or the titles of its directors or officers to their respective offices, or seeking to restrain or to enjoin the issuance, 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 validity or enforceability of the Bonds, the COMB Documents, any other applicable agreements, or any action of COMB contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of COMB or its authority with respect to the Bonds, the COMB Documents, any other applicable agreements, or any action of COMB contemplated by any of said documents, or which would adversely affect the exclusion of interest paid on the Bonds from gross income for purposes of federal income taxation, or which if determined adversely to COMB would affect COMB's ability to apply the Revenues toward the payment of the principal of and interest on the Bonds as the same become due; nor to the knowledge of COMB, is there any basis therefor.

(i) Except as disclosed in the Official Statement, no legislation has been enacted that in any way adversely affects the issuance or delivery of the Bonds, or the execution and delivery of the Joint Participation Agreements, or the creation, organization or existence of COMB or the title to office of any officer thereof, or the power of COMB to carry out its obligations under the Joint Participation Agreements.

(j) Except as otherwise disclosed in the Official Statement, COMB is currently in compliance in all material respects with all continuing disclosure undertakings that it has entered into pursuant to Rule 15c2-12. COMB will enter into a Continuing Disclosure Agreement with the Trustee, dated the date of Closing (the "Disclosure Agreement") for the benefit of the holders of the Bonds and in order to assist the Underwriter in complying with the provisions of Rule 15c2-12. A form of the Continuing Disclosure Certificate is set forth as Appendix E to the Official Statement.

(k) COMB will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (1) to qualify the Bonds for offer and sale under the Blue Sky or other securities, laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (2) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that COMB will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

(l) Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over COMB required for the execution, delivery and sale of the Bonds or the consummation by COMB of the other transactions contemplated by the Official Statement and this Purchase Contract.

(m) Any certificate signed by any director or officer of COMB authorized to do so shall be deemed a representation and warranty by COMB to the Underwriter as to the statements made therein.

3. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by COMB of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) The representations, warranties and covenants of COMB contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) At the time of the Closing (i) the COMB Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, and (ii) there shall be in full force and effect such resolutions of COMB (the "COMB's Resolution") as, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), shall be necessary in connection with the transactions contemplated by COMB.

(c) The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to COMB if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form or notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the

Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or an official ruling, regulation or other statement or action on behalf of the United States Treasury Department, the Internal Revenue Service or other Federal or State authority materially adversely affecting the federal or State tax status of COMB, or the interest on bonds or notes or obligations of the general character of the Bonds, or materially affecting the approving opinion of Bond Counsel in substantially the form appended to the Official Statement; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction over the subject matter, shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the marketability of the Bonds; or

(vi) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of hostilities or a national or international calamity or crises, financial or otherwise, including but not limited to, bombings or terrorism (whether alleged or proven) relating to the effective operation of government or financial community, the effect of such outbreak, calamity or crisis on the financial markets of the United

States, being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market or deliver the Certificates; or

(vii) any rating of the Bonds or other obligations of COMB reflecting the creditworthiness of COMB shall have been placed on credit watch, downgraded, suspended, withdrawn, or have had any action taken with respect thereto by a national rating service, which downgrading, suspension or withdrawal, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(viii) the commencement of any action, suit or proceeding described in Paragraph 2(h) hereof which, in the judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(ix) there shall be in force a general suspension of trading on the New York Stock Exchange or a general banking moratorium declared by federal, State of New York or State of California officials authorized to do so; or

(x) the occurrence of an event causing a disruption in securities clearance or settlement services, including, but not limited to, those of DTC; or

(xi) any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of COMB, its property, income, securities (or interest thereon), the validity or enforceability of the Bonds.

(d) At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(i) An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form appended as Appendix A to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter to the effect that the foregoing opinion addressed to COMB may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(ii) A supplemental opinion of Bond Counsel addressed to the Underwriter and, in form and substance acceptable to the Underwriter and Underwriter's Counsel (as hereinafter defined), and dated the date of the Closing substantially to the following effect:

(A) this Purchase Contract has been duly authorized, executed and delivered by COMB and (assuming due authorization, execution and delivery by and validity against the Underwriter) is a valid and binding agreement of COMB subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases, and to legal remedies against public agencies in the State of California; and

(B) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "FACTORS AFFECTING PROJECT MEMBERS GENERALLY—Constitutional Limitations on Appropriations and Charges," "TAX MATTERS" and in Appendix A and Appendix B thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture, the Joint Powers Agreement and Bond Counsel's opinion concerning federal tax matters relating to the Bonds are accurate in all material respects; provided that Bond Counsel need not express any opinion with respect to any financial or statistical information contained therein or information concerning The Depository Trust Company or the book-entry only system;

(iii) An opinion of Nordman, Cormany, Hair & Compton, Counsel to COMB, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to Bond Counsel, the Underwriter and Underwriter's Counsel substantially to the following effect:

(A) COMB is a joint exercise of powers agency duly organized and validly existing under the Constitution and laws of the State of California and pursuant to the provisions of the Joint Powers Agreement with full legal right, power and authority to enter into and perform all of its obligations under the COMB Documents.

(B) COMB has duly and validly adopted the Resolution.

(C) COMB has duly authorized, executed and delivered the COMB Documents and any other applicable documents and instruments as may be necessary to carry out, give effect to and consummate the transactions contemplated by each of said documents and, assuming due authorization, execution and delivery thereof by each of the respective other parties thereto (where necessary), the COMB Documents constitute legal, valid

and binding agreements of COMB enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights in general and the application of equitable principles if equitable remedies are sought.

(D) To the best of our knowledge, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened against COMB in any way affecting the existence of COMB or the titles of its directors or officers to their respective offices, or seeking to restrain or to enjoin the issuance, 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 validity or enforceability of the Bonds, the Resolution, any of the COMB Documents, or any other applicable agreements or any action of COMB contemplated by any of such documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of COMB or its authority with respect to the Bonds, the Resolution, any of the COMB Documents, or any other applicable agreements, or which would adversely affect the exclusion of interest paid on the Bonds from gross income for purposes of federal income taxation, or which if determined adversely to COMB would affect COMB's ability to apply the Revenues toward the payment of the principal of and interest on the Bonds as the same become due; nor to our knowledge is there any basis therefor.

(E) To the best of our knowledge, except as disclosed in the Official Statement, COMB is not in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which COMB is a party or is otherwise subject or bound and which would materially impair the ability of COMB to perform its obligations under any of the COMB Documents.

(F) To the best of our knowledge, the adoption of the Resolutions and the issuance of the Bonds, and the execution and delivery of the COMB Documents, any other applicable agreements and the other instruments contemplated by any of such documents to which COMB is a party or by the Official Statement, and compliance with the provisions of each of such documents,

will not materially conflict with or constitute a material breach of or material default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which COMB is a party or is otherwise subject or bound.

(G) To the best of our knowledge, all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by COMB of its obligations under the Resolution, the COMB Documents, and any other applicable agreements, have been obtained and are in full force and effect.

(H) The statements contained in the Official Statement under the captions "The Cachuma Operation and Maintenance Board," "Factors Affecting Project Members Generally," and "Litigation," to the best of our knowledge, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iv) An opinion of DeLay & Laredo, Counsel to Goleta, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to Bond Counsel, the Underwriter and the Underwriter's Counsel substantially to the following effect:

(A) The Joint Participation Agreement has been duly authorized, executed, and delivered by Goleta, and, assuming the due authorization, execution and delivery thereof by the other parties thereto, the Joint Participation Agreement constitutes a legal, valid and binding obligation of Goleta enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equitable principles if equitable remedies are sought.

(B) Based on information made available to us in our role as general counsel to Goleta and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Official Statement under the caption entitled "FACTORS

AFFECTING PROJECT MEMBERS GENERALLY” and in Appendix D thereto (and excluding any financial and data therein), nothing has come to our attention which would lead us to believe that the statements contained under said caption and in said Appendix (excluding the financial and statistical data therein) (1) contain any untrue statement of a material fact or (2) omit to state a material fact (a) which is required to be stated therein or (b) the absence of which makes the statements therein misleading in any material respect, in light of the circumstances in which they were made.

(C) Based on information made available to us in our role as general counsel to Goleta, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Official Statement in Appendix D, nothing has come to our attention which would lead us to believe that the Joint Participation Agreement does not conform in all material respects to the description thereof contained in said Appendix.

(D) The representations of Goleta as set forth in paragraphs I, J and K of the form of the certificate set forth in (ix) below, and subject to the limitations set forth therein, are true and accurate to the best of our knowledge at and as of the date hereof as though made on such date.

(v) An opinion of the office of the City Attorney, counsel to Santa Barbara, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to Bond Counsel, the Underwriter and the Underwriter’s Counsel substantially to the following effect:

(A) The Joint Participation Agreement has been duly authorized, executed, and delivered by Santa Barbara, and, assuming the due authorization, execution and delivery thereof by the other parties thereto, the Joint Participation Agreement constitutes a legal, valid and binding obligation of Santa Barbara enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equitable principles if equitable remedies are sought.

(B) Based on information made available to us in our role as general counsel to Santa Barbara and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness, or fairness of the

statements contained in the Official Statement under the caption entitled "FACTORS AFFECTING PROJECT MEMBERS GENERALLY" and in Appendix C thereto (and excluding any financial and data therein), nothing has come to our attention which would lead us to believe that the statements contained under said caption and in said Appendix (excluding the financial and statistical data therein) (1) contain any untrue statement of a material fact or (2) omit to state a material fact (a) which is required to be stated therein or (b) the absence of which makes the statements therein misleading in any material respect, in light of the circumstances in which they were made.

(C) Based on information made available to us in our role as general counsel to Santa Barbara, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Official Statement in Appendix C, nothing has come to our attention which would lead us to believe that the Joint Participation Agreement does not conform in all material respects to the description thereof contained in said Appendix.

(D) The representations of Santa Barbara as set forth in paragraphs I, J, and K of the form of the certificate set forth in (x) below, and subject to the limitations set forth therein, are true and accurate to the best of our knowledge at and as of the date hereof as though made on such date.

(vi) An opinion of Ballard Spahr LLP, Salt Lake City, Utah counsel to the Underwriter ("Underwriter's Counsel"), dated the date of Closing and addressed to the Underwriter to the effect that:

(A) Such counsel is of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(B) While such counsel has not verified and is not passing upon and does not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has participated in conferences with representatives of and counsel for COMB, Goleta and Santa Barbara and Bond Counsel and representatives of the Underwriter at which the contents of the Official Statement were discussed and revised. Based on such counsel's representation of the Underwriter in connection with the issuance of the Bonds, no facts came to the attention of the attorneys in such firm rendering legal

services in connection with such representation which caused such counsel to believe that the Official Statement contained as of its date or as of the date of Closing contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief is expressed as to (i) the expressions of opinion, the assumptions, the projections, the financial statements, or other financial, numerical, economic, demographic or statistical data contained in the Official Statement and (ii) the information with respect to DTC and its book-entry system); and

(C) The Disclosure Agreement complies with the provisions of Rule 15c2-12.

(vii) An opinion of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriter and COMB, to the effect that:

(A) the Trustee is a national banking association, duly organized and validly existing under and by virtue of the laws of the United States of America, having full power and authority to enter into, accept and administer the trust and duties created under the Indenture;

(B) the Indenture has been duly authorized, executed and delivered by the Trustee and the Indenture constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Indenture or the consummation of the transactions contemplated by the Indenture;

(D) to its best knowledge after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee, or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers

of the Trustee or its authority to enter into and perform its obligations under the Indenture; and

(E) the execution and delivery of the Indenture and compliance with the provisions on the Trustee's part contained therein will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment decree, resolution or other instrument to which the Trustee is a party or is otherwise subject;

(viii) a certificate of COMB, dated the date of the Closing, signed on behalf of COMB by the General Manager of COMB to the effect that:

(A) The representations and warranties of COMB contained in this Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; and

(B) no event affecting COMB has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein with respect to COMB, in the light of the circumstances under which they were made, not misleading in any material respect, except the certificate need not include representations relating to The Depository Trust Company or the book-entry only system;

(ix) a certificate of Goleta, dated the date of Closing and signed by the [General Manager] of Goleta that contains such matters in form and substance satisfactory to Bond Counsel, the Underwriter and Underwriter's Counsel substantially to the following effect:

(A) Goleta is a county water district duly organized and validly existing under the Construction and laws of the State of California and has full legal right, power and authority to enter into and carry out, give effect to and consummate the Joint Participation Agreement.

(B) The Joint Participation Agreement has been duly authorized, executed and delivered by Goleta, and assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes a legal, valid and binding obligation of Goleta, enforceable in accordance with its terms.

(C) Goleta is not in breach of or default under any law or administrative rule or regulation of the State of California, the

United States of America, or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which it is a party or is otherwise subject or bound and which would materially impair its ability to perform its obligations under the Joint Participation Agreement.

(D) The execution and delivery of the Joint Participation Agreement, any other agreements and other instruments contemplated by any of such documents to which Goleta is a party, and compliance with the provisions of each thereof, do not and will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which Goleta is a party or is otherwise subject or bound.

(E) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction (and before which Goleta would be an appropriate party) which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by Goleta of its obligations under the Joint Participation Agreement and any applicable agreements, have been obtained and are in full force and effect.

(F) The description of the Joint Participation Agreement in the Official Statement is accurate insofar as it pertains to Goleta.

(G) The material contained in the Official Statement under the captions "FACTORS AFFECTING PROJECT MEMBERS GENERALLY" and in Appendix D relating to Goleta do not contain any untrue statement of a material fact or omit to state a material fact circumstances under which they were made, not misleading.

(H) Except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or threatened in any way affecting the existence of Goleta or the titles of its directors or officers to their respective

offices, the enforceability of the Joint Participation Agreement against Goleta, the powers of Goleta or its authority with respect to the Joint Participation Agreement, any other applicable agreements, or any action of Goleta contemplated by any of said documents, or which if determined adversely to Goleta would have a material and adverse effect upon its ability to pay the amounts required to be paid by it pursuant to the Agreement; nor to the knowledge of Goleta is there any basis therefor.

(I) To the actual knowledge of Goleta, without having made any inquiry with respect thereto, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or threatened seeking to restrain or to enjoin the issuance of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Joint Participation Agreement, or in any way contesting the completeness or accuracy of the Official Statement or which (a) relates to the transactions described in the Official Statement and (b) would adversely affect the exclusion of interest paid on the Bonds from gross income for purposes of federal income taxation.

(J) Except as disclosed in the Official Statement, no legislation has been enacted in the State of California that in any way adversely affects the execution and delivery of the Joint Participation Agreement, or the creation, organization or existence of Goleta or the title to office of any officer thereof, or the power of Goleta to carry out its obligations under the Joint Participation Agreement or, to the actual knowledge of Goleta, without having made any inquiry with respect thereto, the issuance or delivery of the Bonds.

(x) a certificate of Santa Barbara, dated the date of Closing and signed by the [City Administrator] of Santa Barbara that contains such matters in form and substance satisfactory to Bond Counsel, the Underwriter and Underwriter's Counsel substantially to the following effect:

(A) Santa Barbara is a charter city duly organized and validly existing under the Construction of the State of California and has full legal right, power and authority to enter into and carry out, give effect to and consummate the Joint Participation Agreement.

(B) The Joint Participation Agreement has been duly authorized, executed and delivered by Santa Barbara, and

assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes a legal, valid and binding obligation of Santa Barbara, enforceable in accordance with its terms.

(C) Santa Barbara is not in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which it is a party or is otherwise subject or bound and which would materially impair its ability to perform its obligations under the Joint Participation Agreement.

(D) The execution and delivery of the Joint Participation Agreement, any other agreements and other instruments contemplated by any of such documents to which Santa Barbara is a party, and compliance with the provisions of each thereof, do not and will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which Santa Barbara is a party or is otherwise subject or bound.

(E) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction (and before which Santa Barbara would be an appropriate party) which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by Santa Barbara of its obligations under the Joint Participation Agreement and any applicable agreements, have been obtained and are in full force and effect.

(F) The description of the Joint Participation Agreement in the Official Statement is accurate insofar as it pertains to Santa Barbara.

(G) The material contained in the Official Statement under the captions "FACTORS AFFECTING PROJECT MEMBERS GENERALLY" and in Appendix C relating to Santa Barbara do not contain any untrue statement of a material fact or

omit to state a material fact circumstances under which they were made, not misleading.

(H) Except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or threatened in any way affecting the existence of Santa Barbara or the titles of its directors or officers to their respective offices, the enforceability of the Joint Participation Agreement against Santa Barbara, the powers of Santa Barbara or its authority with respect to the Joint Participation Agreement, any other applicable agreements, or any action of Santa Barbara contemplated by any of said documents, or which if determined adversely to Santa Barbara would have a material and adverse effect upon its ability to pay the amounts required to be paid by it pursuant to the Agreement; nor to the knowledge of Santa Barbara is there any basis therefor.

(I) To the actual knowledge of Santa Barbara, without having made any inquiry with respect thereto, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or threatened seeking to restrain or to enjoin the issuance of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Joint Participation Agreement, or in any way contesting the completeness or accuracy of the Official Statement or which (a) relates to the transactions described in the Official Statement and (b) would adversely affect the exclusion of interest paid on the Bonds from gross income for purposes of federal income taxation.

(J) Except as disclosed in the Official Statement, no legislation has been enacted in the State of California that in any way adversely affects the execution and delivery of the Joint Participation Agreement, or the creation, organization or existence of Santa Barbara or the title to office of any officer thereof, or the power of Santa Barbara to carry out its obligations under the Joint Participation Agreement or, to the actual knowledge of Santa Barbara, without having made any inquiry with respect thereto, the issuance or delivery of the Bonds.

(xi) A certificate of the Trustee dated the date of Closing, addressed to COMB and the Underwriter, in form and substance acceptable to Bond Counsel, the Underwriter and Underwriter's Counsel, to the following effect that:

(A) the Trustee is duly organized, validly existing as a national banking association and in good standing, having the full power and authority to enter into and perform its duties under the Indenture;

(B) the Trustee is duly authorized to enter into the Indenture;

(C) the Trustee has duly executed and delivered the Indenture and authenticated and delivered the Bonds by duly authorized officers; and

(D) there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental authority, public board or body pending against the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee, or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligations under the Indenture as Trustee;

(xii) An original executed copy of each of the COMB Documents;

(xiii) A copy of COMB's Resolution;

(xiv) Evidence that the Bonds have been rated "A+" by Standard & Poor's Ratings Group;

(xv) An executed certificate of COMB relating to certain federal income tax matters (the "Tax Certificate") in the form acceptable to Bond Counsel, the Underwriter and Underwriter's Counsel;

(xvi) A copy of the executed Information Return for Tax-Exempt Governmental Obligations, Form 8038-G relating to the Bonds;

(xvii) preliminary and final California Debt and Investment Advisory Commission filings;

(xviii) One copy of the executed Letter of Representation to The Depository Trust Company from COMB;

(xix) One Specimen Bond; and

(xx) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter's Counsel and Bond Counsel may reasonably request to evidence (A) compliance by COMB

with legal requirements, (B) the truth and accuracy, as of the time of Closing, of COMB's representations herein contained, (C) the accuracy, as of the time of Closing, of the information contained in the Official Statement and (D) the due performance or satisfaction by COMB at or prior to such time of all acts and agreements, including its performance under the COMB Documents, then to be performed and of all conditions then to be satisfied by COMB. All of the opinions, letters, certificates, instruments and documents shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, in the reasonable judgment of the Underwriter, they are satisfactory in form and substance as set forth in this Purchase Contract.

If COMB shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor COMB shall be under any further obligation hereunder.

4. Expenses. The Underwriter shall be under no obligation to pay and COMB shall pay or cause to be paid the expenses incident to the performance of the obligations of COMB hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the COMB Documents and the cost of preparing, issuing, and delivering the Bonds, (b) the fees and disbursements of any counsel, financial advisors, accountants, or other experts or consultants retained by COMB; (c) the fees and disbursements of Bond Counsel and General Counsel of COMB; (d) the cost of printing the Official Statement and any supplements and amendments thereto, including the requisite number of copies thereof for distribution by the Underwriter, (e) charges of rating agencies for any rating with respect to the Bonds; (f) CUSIP Service Bureau fees and charges; (g) Trustee's fees; and (h) expenses (included in the expense component of the Underwriter's spread) incurred on behalf of COMB's officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, and lodging of those officers or employees.

The Underwriter shall pay and COMB shall be under no obligation to pay all expenses incurred by them in connection with the public offering and distribution of the Bonds, including but not limited to the payment of fees and disbursements of Underwriter's Counsel and "blue sky" expenses, if any.

5. Notices. Any notice or other communication to be given to COMB under this Purchase Contract may be given by delivering the same in writing at COMB's address set forth above, Attention: General Manager; and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing, to Citigroup Global Markets Inc., 1850 Maple Glen Road, Sacramento, California 95864, Attention: David G. Houston, Managing Director.

6. Parties in Interest. This Purchase Contract is made solely for the benefit of COMB and the Underwriter (including successors of the Underwriter) and no other

person, shall acquire or have any right hereunder or by virtue hereof; and neither can assign its rights or obligations hereunder without the prior written approval of the other.

7. Survival of Representations and Warranties. The representations and warranties of COMB set forth in or made pursuant to this Purchase Contract, shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of COMB and regardless of delivery of and payment for the Bonds.

8. Execution in Counterpart. This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

9. GOVERNING LAW. THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

10. Effective. This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by COMB and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

By: _____
Managing Director

Accepted:

CACHUMA OPERATION AND
MAINTENANCE BOARD

By: _____
General Manager

APPENDIX A
\$ _____
CACHUMA OPERATION AND MAINTENANCE BOARD
REVENUE BONDS, SERIES 2010A

Maturity Date Principal Amount Interest Rate

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by the CACHUMA OPERATION AND MAINTENANCE BOARD ("COMB") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in connection with the issuance by COMB of its \$ _____ Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated as of March 1, 2010, by and between COMB and the Trustee. COMB and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by COMB and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. The definitions set forth in the Indenture apply to any capitalized term used in this Disclosure Agreement, unless such terms are otherwise defined in this Section below:

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

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

"Disclosure Representative" shall mean the General Manager of COMB or his or her designee, or such other officer or employee as COMB shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by COMB and which has filed with the Trustee a written acceptance of such designation.

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

"Holders" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

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

"Participating Underwriter" shall mean Citigroup Global Markets Inc., the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

“State” shall mean the State of California.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) COMB shall, or shall cause the Dissemination Agent to, not later than nine months after the end of COMB’s fiscal year (presently June 30 of the subsequent year following the end of the COMB’s fiscal year), commencing with the report for the Fiscal Year ending June 30, 2010, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of Goleta Water District and the City of Santa Barbara may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the fiscal year for either of Goleta Water District or the City of Santa Barbara changes, COMB shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, COMB shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact COMB and the Dissemination Agent to determine if COMB is in compliance with subsection (a).

(c) If the Trustee is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection 3(a), the Trustee shall send a notice to EMMA in the manner prescribed by the Municipal Securities Rulemaking Board.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the means by which the Annual Report is filed electronically with EMMA; and

(ii) file a report with COMB and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to EMMA.

SECTION 4. Content of Annual Reports. COMB’s Annual Report shall contain or incorporate by reference: (i) the charts described under the captions “Historic Water Connections and Sales Revenues,” “Historic Water Deliveries and Sources of Water Delivered,” “Largest Customers” and “Historic Operating Results” in each of the following appendices: Appendix C and

Appendix D; and (ii) the audited financial statements prepared in accordance with generally accepted accounting principles in effect from time to time for each of Goleta Water District and the City of Santa Barbara and described in each of the following appendices: Appendix C and Appendix D.

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events adversely affecting the Tax-exempt status of the Bonds;
8. unscheduled draws on credit enhancements reflecting financial difficulties;
9. unscheduled draws on the any bond insurance reflecting financial difficulties;
10. substitution of the provider of the any bond insurance, or any failure by any insurer to perform on the any bond insurance policy; and
11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that COMB promptly notify the Dissemination Agent with a copy to the Trustee whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by a responsible officer at the corporate trust office of the Trustee with regular responsibility for providing trustee services for the Bonds.

(c) Whenever COMB obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, COMB shall as soon as possible determine if such event would be material under federal securities laws.

(d) If COMB has determined that knowledge of the occurrence of a Listed Event would be material under federal securities laws, COMB shall promptly notify the Trustee and the Dissemination Agent in writing, with instructions to the Trustee (or the Dissemination Agent, if applicable) to file such notice with EMMA. Such notice shall instruct the Trustee (or the Dissemination Agent, if applicable) to file the notice of the occurrence of such Listed Event pursuant to subsection (f).

(e) If in response to a request under subsection (b), COMB determines that the Listed Event would not be material under federal securities laws, COMB shall so notify the Trustee in writing and, if applicable, instruct the Trustee (or the Dissemination Agent, as applicable) not to report the occurrence pursuant to subsection (f).

(f) If the Trustee (or the Dissemination Agent, if applicable) has been instructed by COMB to report the occurrence of a Listed Event, the Trustee (or the Dissemination Agent, if applicable) shall file a notice of such occurrence with EMMA. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections 5(a)(1), 5(a)(4) or 5(a)(5) shall be given by the Trustee (or the Dissemination Agent, if applicable) unless COMB gives the Trustee (or the Dissemination Agent, if applicable) affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections 5(a)(4) and 5(a)(5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

(g) The Dissemination Agent may reasonably rely upon the determination of COMB as to the materiality of an event (including a Listed Event).

SECTION 6. Termination of Reporting Obligation. The obligations of COMB, Trustee and Dissemination Agent under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, COMB shall give or cause to be given notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. COMB may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by COMB pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty (30) days written notice to COMB. If at any time there is not any other designated Dissemination Agent appointed by COMB, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Trustee shall be the Dissemination Agent and undertake or assume its obligations hereunder.

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, COMB, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by COMB, provided, neither the Trustee or the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of COMB, or type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

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

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

SECTION 10. Default. In the event of a failure of COMB or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee shall at the written request of any Participating Underwriter or the Holders of at least 50% aggregate principal amount of Outstanding Bonds and upon receipt of indemnification as provided in the Indenture, or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause COMB, the Dissemination Agent or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of COMB, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to the Trustee under this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Trustee and the Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and COMB agrees to indemnify and save the Trustee and Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of COMB under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Trustee may conclusively rely upon the Annual Report provided to it by COMB as constituting the Annual Report required of COMB in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Trustee shall have no duty to prepare the Annual Report nor shall the Trustee be responsible for filing any Annual Report not provided to it by COMB in a timely manner in a form suitable for filing with EMMA. In accepting the appointment under this Agreement, the Trustee is not acting in a fiduciary capacity to the Holders or Beneficial Owners of the Certificates, COMB, the Participating Underwriter or any other party or person. No provision of this Disclosure Agreement shall require the Trustee to risk or advance or expend its own funds or incur any financial liability. The Trustee shall be entitled to compensation for its services as Trustee and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under the Certificates and this Agreement in accordance with its written fee schedule provided to COMB, as such fee schedule may be amended from time to time in writing. Any company succeeding to all or substantially all of the Trustee's corporate trust business shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To COMB: Cachuma Operation and Maintenance Board
3301 Laurel Canyon Road
Santa Barbara, California 93105
Attention: Administrative Manager
Fax: (805) 569-5825
Telephone: (805) 687-4011

To the Trustee: The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017
Attention: Gonzalo Urey
Fax: (213) 630-6215
Telephone: (213) 630-6237

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of COMB, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: March __, 2010

CACHUMA OPERATION AND MAINTENANCE BOARD

By: _____
General Manager

The Bank of New York Mellon Trust Company, N.A.,
as Trustee

By: _____
Authorized Officer

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2010

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: See the caption "RATINGS" herein.

\$_[_____]*

**Cachuma Operation and Maintenance Board
Revenue Bonds, Series 2010A**

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

The Bonds described herein are special obligations of the Cachuma Operation and Maintenance Board which are being sold to finance the acquisition and construction of certain improvements to the Cachuma Project, to provide for a debt service reserve fund and to pay certain costs of issuing the Bonds.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees; and the Bonds will not be transferable or exchangeable except for transfer to another nominee of The Depository Trust Company or as otherwise described herein. Interest on the Bonds, which is payable on August 1, 2010 and semiannually on each February 1 and August 1 thereafter, and the principal thereof are payable by the Trustee to Cede & Co.; and such interest and principal payments are to be disbursed to the beneficial owners of the Bonds through their nominees.

The Bonds are subject to optional and mandatory redemption as more fully described herein.

The Bonds are special limited obligations of COMB payable solely from Revenues (consisting of Second Pipeline Project Payments received by COMB pursuant to the Joint Participation Agreements by and between COMB and each of the Goleta Water District and the City of Santa Barbara (each being a Financing Member) and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture). The Montecito Water District has entered into a Contribution Agreement with COMB and is obligated to self-fund its share of the costs of improvements to the Cachuma Project pursuant thereto, but the Montecito Water District is not a Financing Member and the Montecito Water District is not obligated to make any payments with respect to the Bonds. The Carpinteria Valley Water District and the Santa Ynez River Water Conservation District-Improvement District No. 1 are not Financing Members and have not entered into a Joint Participation Agreement or a Contribution Agreement with COMB and no amounts with respect to the Bonds are payable by the Carpinteria Valley Water District or the Santa Ynez River Water Conservation District-Improvement District No. 1.

THE OBLIGATION OF EACH FINANCING MEMBER TO MAKE THE SECOND PIPELINE PROJECT PAYMENTS IS A SPECIAL OBLIGATION OF EACH FINANCING MEMBER PAYABLE, IN THE CASE OF THE GOLETA WATER DISTRICT, SOLELY FROM WATER SYSTEM REVENUES, OR, IN THE CASE OF THE CITY OF SANTA BARBARA, SOLELY FROM WATER SYSTEM NET REVENUES, AND OTHER FUNDS DESCRIBED IN THE FINANCING MEMBER'S JOINT PARTICIPATION AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF SUCH FINANCING MEMBER OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THE BONDS ARE NOT A DEBT OF THE MEMBERS OF COMB, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN COMB) AND NEITHER THE MEMBERS OF COMB, SAID STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN COMB) IS LIABLE WITH RESPECT TO THE BONDS. NO FINANCING MEMBERS SHALL HAVE ANY LIABILITY OR OBLIGATION WITH RESPECT TO AMOUNTS PAYABLE UNDER ANY JOINT PARTICIPATION AGREEMENT EXCEPT WITH RESPECT TO PAYMENTS TO BE MADE PURSUANT TO THE JOINT PARTICIPATION AGREEMENT EXECUTED BY SUCH FINANCING MEMBER.

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 described in the Indenture and the Joint Participation Agreements, and requirements of the Internal Revenue Code of 1986, as amended, as 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 of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences with respect to the Bonds.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST 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 delivered and received by the Underwriter, subject to the 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 upon for the Underwriter by its counsel, Ballard Spahr, LLP, Salt Lake City, Utah, for the Trustee by its counsel, for COMB by Nordman Cormany Hair & Compton LLP, Oxnard, California and for each Financing Member by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company, on or about April __, 2010.

Citi

Dated: April __, 2010

* Preliminary, subject to change.

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PAGE 1

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

MATURITY SCHEDULE

\$[_____]*

**Cachuma Operation and Maintenance Board
Revenue Bonds, Series 2010A**

<u>Maturity</u> <u>August 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
	\$	%	%

\$ _____ % Term Bonds Due August 1, 2039, Price ____%

* Preliminary, subject to change.

CACHUMA OPERATION AND MAINTENANCE BOARD

BOARD OF DIRECTORS

Directors

Das Williams, President
Bob Lieberknecht, Vice President
W. Douglas Morgan
Lauren Hanson
Lee Bettencourt

Agency

City of Santa Barbara
Carpinteria Valley Water District
Montecito Water District
Goleta Water District
Santa Ynez River Water Conservation District
-Improvement District No. 1

STAFF

Kathleen Rees
General Manager

Janet Gingras
Administrative Manager

GENERAL COUNSEL

Nordman Cormany Hair & Compton LLP
Oxnard, California

BOND COUNSEL

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

TRUSTEE

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

FINANCIAL ADVISOR

KNN Public Finance, A Division of Zions First National Bank
Oakland, California

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

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

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT 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.

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

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

COMB maintains a website, and the Financing Members maintain websites; however, the information presented on such websites is not 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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SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the appendices hereto.

Purpose. The Bonds are being sold to finance the acquisition and construction of certain improvements to the Cachuma Project, which improvements will be owned by COMB, to provide for a debt service reserve fund and to pay certain costs of issuing the Bonds.

Security for the Bonds. Goleta Water District has entered into an agreement with COMB pursuant to which it is obligated to make certain payments with respect to the Bonds to COMB as a cost of water and an operation and maintenance expense of the Goleta Water District prior to any payments other than Operation and Maintenance Costs. The City of Santa Barbara has entered into an agreement with COMB pursuant to which the City of Santa Barbara is obligated to make certain payments with respect to the Bonds to COMB after payment of the Operation and Maintenance Costs of the Water System of the City of Santa Barbara on a parity with payment of certain other obligations of the City of Santa Barbara. Such payments from the Goleta Water District and the City of Santa Barbara (each a Financing Member), when received by or on behalf of COMB, will constitute Revenues pledged to secure the payment of the principal of and interest on the Bonds. The Montecito Water District has entered into a Contribution Agreement with COMB pursuant to which it is obligated to self-fund its share of the costs of improvements to the Cachuma Project, but the Montecito Water District is not a Financing Member and the Montecito Water District is not obligated to make payments which secure the payment of the principal of and interest on the Bonds. The Carpinteria Valley Water District and the Santa Ynez River Water Conservation District-Improvement District No. 1 are not Financing Members and have not entered into a Joint Participation Agreement or a Contribution Agreement and are not obligated to make payments which secure the payment of the principal of and interest on the Bonds.

COMB DOES NOT HAVE THE POWER TO LEVY OR COLLECT ANY FORM OF TAXES. ITS OBLIGATION TO MAKE PAYMENTS WITH RESPECT TO THE BONDS IS A SPECIAL OBLIGATION WHICH IS PAYABLE SOLELY FROM THE REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE.

THE OBLIGATION OF EACH FINANCING MEMBER TO MAKE THE SECOND PIPELINE PROJECT PAYMENTS IS A SPECIAL OBLIGATION OF EACH FINANCING MEMBER PAYABLE, IN THE CASE OF THE GOLETA WATER DISTRICT, SOLELY FROM WATER SYSTEM REVENUES, OR, IN THE CASE OF THE CITY OF SANTA BARBARA, SOLELY FROM WATER SYSTEM NET REVENUES, AND OTHER FUNDS DESCRIBED IN THE FINANCING MEMBER'S JOINT PARTICIPATION AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF SUCH FINANCING MEMBER OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THE BONDS ARE NOT A DEBT OF THE MEMBERS OF COMB, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN COMB) AND NEITHER THE MEMBERS OF COMB, SAID STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN COMB) IS LIABLE WITH RESPECT TO THE BONDS. NO FINANCING MEMBERS SHALL HAVE ANY LIABILITY OR OBLIGATION WITH RESPECT TO AMOUNTS PAYABLE UNDER ANY JOINT PARTICIPATION AGREEMENT EXCEPT WITH RESPECT TO PAYMENTS TO BE MADE PURSUANT TO THE JOINT PARTICIPATION AGREEMENT EXECUTED BY SUCH FINANCING MEMBER. THE MONTECITO WATER

DISTRICT HAS ENTERED INTO A CONTRIBUTION AGREEMENT WITH COMB PURSUANT TO WHICH IT IS OBLIGATED TO SELF-FUND ITS SHARE OF THE COSTS OF IMPROVEMENTS TO THE CACHUMA PROJECT, BUT THE MONTECITO WATER DISTRICT IS NOT A FINANCING MEMBER AND THE MONTECITO WATER DISTRICT IS NOT OBLIGATED TO MAKE PAYMENTS WHICH SECURE THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS UNDER ANY JOINT PARTICIPATION AGREEMENT OR OTHERWISE. THE CARPINTERIA VALLEY WATER DISTRICT AND THE SANTA YNEZ RIVER WATER CONSERVATION DISTRICT-IMPROVEMENT DISTRICT NO. 1 HAVE NO LIABILITY OR OBLIGATION WITH RESPECT TO AMOUNTS PAYABLE UNDER ANY JOINT PARTICIPATION AGREEMENT OR CONTRIBUTION AGREEMENT.

Reserve Fund. A Reserve Fund is established under the Indenture as security for the Bonds in an amount equal to \$_____. Moneys in the Reserve Fund will be used and withdrawn solely for the purposes of paying principal and interest upon the Bonds in the event that moneys in the Revenue Fund are insufficient therefor and making the final payments of principal and interest upon the Bonds.

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

COMB. The Cachuma Operation and Maintenance Board is a public entity duly organized and existing under a 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and among certain governmental entities in Santa Barbara County. COMB operates and maintains certain portions of the Cachuma Project, which is currently owned by the United States of America through the Bureau of Reclamation.

Joint Participation Agreements. The Goleta Water District has entered into a Joint Participation Agreement with COMB dated as of March 1, 2010 and the City of Santa Barbara has entered into a Joint Participation Agreement with COMB dated as of August 1, 2009. Pursuant to its Joint Participation Agreement, among other things, the Goleta Water District has promised to make Second Pipeline Project Payments to COMB as a cost of water and an operation and maintenance expense of the Goleta Water District prior to any payments other than Operation and Maintenance Costs of its Water System in accordance with its respective share of the cost of the Second Pipeline Project.

Pursuant to the City of Santa Barbara's Joint Participation Agreement, among other things, the City of Santa Barbara has promised to make Second Pipeline Project Payments to COMB after payment of Operation and Maintenance Costs of the Water System of the City of Santa Barbara on a parity with payment of certain other obligations of the City of Santa Barbara in accordance with the City of Santa Barbara's respective share of the cost of the Second Pipeline Project.

The Montecito Water District has entered into a Contribution Agreement with COMB and is obligated to self-fund its share of the costs of such improvements to the Cachuma Project pursuant thereto, but the Montecito Water District is not a Financing Member and the Montecito Water District is not obligated to make payments which secure the payment of the principal of and interest on the Bonds.

The Carpinteria Valley Water District and the Santa Ynez River Water Conservation District-Improvement District No. 1 are not Financing Members, have not entered into a Joint Participation Agreement or a Contribution Agreement with COMB and are not obligated to make payments which secure the payment of the principal of and interest on the Bonds.

The payments of principal and interest set forth in each Financing Member's Joint Participation Agreement may be increased or decreased by not more than 10% in each year in the event that: (i) the

Board of Directors of COMB approves a reallocation of capital costs with respect to the Second Pipeline Project; and (ii) such reallocation is approved by the governing body of each Financing Member. In the event that the conditions set forth above have been met, COMB will promptly append a revised exhibit to each Financing Member's Joint Participation Agreement to reflect such reallocation of principal and interest and will promptly provide such revised exhibit to the Trustee.

The Financing Members. The Financing Members are the Goleta Water District and the City of Santa Barbara. Each Financing Member is a Member of COMB and a water purveyor located in Santa Barbara County. Each Financing Member has entered into a Joint Participation Agreement in order to provide for, among other things, the financing of the acquisition and construction of certain improvements to the Cachuma Project. Although Members of COMB, none of the Carpinteria Valley Water District, the Montecito Water District nor the Santa Ynez River Water Conservation District-Improvement District No. 1 are Financing Members and neither have any payment obligation with respect to the Bonds.

\$[]*

**Cachuma Operation and Maintenance Board
Revenue Bonds, Series 2010A**

INTRODUCTION

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of the \$[]* aggregate principal amount of Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2010 (the "Indenture"), by and between Cachuma Operation and Maintenance Board ("COMB") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in Appendix B hereto entitled "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

COMB is a public entity duly organized and existing under a 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and among certain governmental entities in Santa Barbara County (the "Agreement"). The Carpinteria Valley Water District ("Carpinteria"), the Goleta Water District ("Goleta"), the Montecito Water District ("Montecito"), the City of Santa Barbara ("Santa Barbara") and the Santa Ynez River Water Conservation District-Improvement District No. 1 ("ID No. 1," and collectively, the "Members") entered into the Agreement in order to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including, without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses.

Each of Goleta and Santa Barbara (each a "Financing Member" and collectively, the "Financing Members") has determined that it is in its best interest to acquire or construct certain improvements (collectively, the "Second Pipeline Project") to the water project constructed by the United States of America on the Santa Ynez River and operated by COMB (the "Cachuma Project"). Goleta and has entered into an agreement with COMB dated as of March 1, 2010 and Santa Barbara has entered into an agreement with COMB dated as of August 1, 2009 (each, a "Joint Participation Agreement") pursuant to which, among other things, the Financing Members have promised to make certain payments (the "Second Pipeline Project Payments") to COMB. Montecito has determined that it is in its best interest to acquire or construct the Second Pipeline Project and has entered into a contribution agreement with COMB (the "Contribution Agreement") pursuant to which, among other things, Montecito has agreed to self-fund its share of the costs of the Second Pipeline Project.

The Second Pipeline Project Payments payable by Goleta are payable as a cost of water and an operation and maintenance expense of Goleta prior to any payments other than Operation and Maintenance Costs (as such term is defined in Goleta's Joint Participation Agreement) in accordance with its share of the costs of the Second Pipeline Project.

The Second Pipeline Project Payments payable by Santa Barbara are payable after payment of Operation and Maintenance Costs of the Water System and certain Senior Obligations (as such terms are defined in Santa Barbara's Joint Participation Agreement) of Santa Barbara on a parity with payment of

* Preliminary, subject to change.

certain other obligations of Santa Barbara in accordance with Santa Barbara's share of the costs of the Second Pipeline Project.

The payments payable by Montecito under its Contribution Agreement are payable from any source of available funds, including but not limited to revenues, reserves, existing proceeds of borrowings and proceeds of future borrowings, subordinate to the payment of certain other obligations of Montecito in accordance with its share of the costs of the Second Pipeline Project.

Carpinteria and ID No. 1 are not Financing Members and have not entered into Joint Participation Agreements with COMB.

Notwithstanding anything contained in the Joint Participation Agreements: (i) Goleta shall not be required to advance any moneys derived from any source of income other than Goleta's Revenues (as defined in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto) for the payment of the Second Pipeline Project Payments payable by Goleta or for the performance of any agreements or covenants required to be performed by Goleta contained in such Goleta's Joint Participation Agreements; and (ii) Santa Barbara shall not be required to advance any moneys derived from any source of income other than Net Revenues (as defined in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto) of Santa Barbara's Water System for the payment of the Second Pipeline Project Payments payable by Santa Barbara or for the performance of any agreements or covenants required to be performed by Santa Barbara contained in Santa Barbara's Joint Participation Agreement. The Financing Members may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the Financing Members for such purpose. See the caption "SECURITY FOR THE BONDS—Joint Participation Agreements" and Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Joint Participation Agreement—Miscellaneous"). No revenues of Carpinteria, Montecito or ID No. 1 are pledged toward payment of the Second Pipeline Project Payments or the Bonds. More detailed information concerning Goleta and Santa Barbara is set forth in Appendices C and D hereto.

Notwithstanding anything contained in the Indenture or the Bonds, COMB shall not be required to advance any moneys derived from any source other than the Second Pipeline Project Payments received by COMB pursuant to the Joint Participation Agreements by and between COMB and each of the Financing Members and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture (collectively, the "Revenues") for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, COMB may, but shall not be required to, advance for any of the purposes hereof any funds of COMB which may be made available to it for such purposes. See the caption "SECURITY FOR THE BONDS—Limited Liability."

THE SECOND PIPELINE PROJECT

A general description of the Cachuma Project is set forth under the caption "FACTORS AFFECTING FINANCING MEMBERS GENERALLY—Cachuma Project." The proceeds of the Bonds are expected to be used by COMB to undertake the South Coast Conduit Upper Reach Reliability Project (Second Pipeline Project). Certain of such costs have previously been paid by COMB and Bond proceeds will be used to reimburse COMB for such prior expenditures. COMB has accepted a bid to construct the Second Pipeline Project and expects to receive all necessary environmental and other approvals in connection with the Second Pipeline Project in a timely manner to allow for completion of the Second Pipeline Project on or before March 31, [2012].

In the event that COMB receives grant moneys from the State of California (the "State") with respect to the Second Pipeline Project, such grant moneys will be deposited in the Acquisition Fund. In the event that any amounts remain in the Acquisition Fund upon completion of the Second Pipeline Project, such amounts will be disbursed to the Financing Members (see Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Indenture of Trust—Issuance of Bonds; Application of Proceeds—Acquisition Fund") or applied to redeem the Bonds as described under the caption "THE BONDS—Redemption—Redemption from Unspent Second Pipeline Project Funds."

MEMBERS PARTICIPATING IN THE SECOND PIPELINE PROJECT

The following chart sets forth the current Second Pipeline Project participation status of all COMB Members and anticipated percentage shares of the Second Pipeline Project Payments allocable to each Financing Member.

Member	Participating in Second Pipeline Project	Allocable Percentage of Project Costs	Allocable Percentage of Second Pipeline Project Payments
Carpinteria Valley Water District	No	-- %	-- %
Goleta Water District	Yes	46.03	52.96
Montecito Water District	Yes	13.09	--
City of Santa Barbara	Yes	40.88	47.04
Santa Ynez River Water Conservation District -Improvement District No. 1	No	--	--
TOTAL		100%	100%

The payments of principal and interest set forth in each Financing Member's Joint Participation Agreement may be increased or decreased by not more than 10% in each year in the event that: (i) the Board of Directors of COMB (the "Board") approves a reallocation of capital costs with respect to the Second Pipeline Project; and (ii) such reallocation is approved by the governing body of each Financing Member. In the event that the conditions set forth above have been met, COMB will promptly append a revised exhibit to each Financing Member's Joint Participation Agreement to reflect such reallocation of principal and interest and will promptly provide such revised exhibit to the Trustee. See the caption "SECURITY FOR THE BONDS—Joint Participation Agreements."

CACHUMA OPERATION AND MAINTENANCE BOARD

COMB is a public entity duly organized and existing under the Agreement. Each of the Members entered into the Agreement in order to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including, without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses.

The Members are located in two different geographic areas of Santa Barbara County: (i) the Santa Ynez Valley (ID No. 1), which is a rural agricultural area and tourist destination; and (ii) the south coast, which is a generally developed urban area.

Each Member appoints a representative to the Board. Responsibility for implementation of policies and directives of the Board has been delegated to COMB's General Manager, Kathleen Rees. Ms. Rees has served as COMB's General Manager since February 2006. Prior to joining COMB, Ms. Rees served for 10 years as a City of Santa Barbara Water Commissioner and for 9 years as a Project Coordinator for the Cachuma Conservation Release Board ("CCRB"), an organization comprised of the Financing Members that is devoted to management of Cachuma Project water rights, implementation of the steelhead fisheries program on the Santa Ynez River and coordination with federal, state, and local agencies. In 2002, Ms. Rees was appointed the CCRB's Manager, a position that she continues to hold. Ms. Rees earned a Bachelor of Science in Geology from California State University, Northridge, a Master of Science in Hydrology/Geography from University of California, Los Angeles, and studied for a Ph.D. in Hydrology/Geography at University of California, Santa Barbara.

In her capacity as General Manager, Ms. Rees oversees water supply deliveries to the Members, directs the development of water rates, water accounting, and billing information required by the agreements between the Members and the United States for water service from the Cachuma Project, and is responsible for the overall effective management of COMB, its staff, and its policies and procedures. She provides executive direction of all functions, services, and activities, directs the development of overall goals and objectives, and directs COMB's fiscal, administrative, engineering, construction, operation and maintenance activities for the Cachuma Project conveyance facilities. Ms. Rees also represents COMB in dealings with United States Bureau of Reclamation (the "Bureau") and other federal and state agencies, in various private and governmental matters, and interacts with the Members' managers and attorneys to develop strategies to resolve contractual and legal issues.

Responsibility for the accounting, finance and treasury functions of COMB has been delegated to COMB's Administrative Manager, Janet Gingras. Ms. Gingras has served as COMB's Administrative Manager since September 2005. Prior to joining COMB, Ms. Gingras served as the Office Administrator for one of the largest law firms in Northern Santa Barbara County. Ms. Gingras holds a Master's in Business Administration with a concentration in Leadership and Management from the University of LaVerne.

As Administrative Manager, Ms. Gingras is responsible for overseeing the financial accounting and human resources functions of the agency as well as providing the Members with all water accounting information. She is a member of COMB's management team and reports directly to the General Manager. Ms. Gingras serves as the Assistant Secretary of the Board.

ESTIMATED SOURCES AND USES OF PROCEEDS

The following table sets forth the estimated sources and uses of Bond proceeds.⁽¹⁾

Sources	
Par Amount of Bonds	\$
Net Original Issue Premium/Discount	
Total Sources	\$
Uses	
Acquisition Fund	\$
Costs of Issuance ⁽²⁾	
Reserve Fund	
Total Uses	\$

⁽¹⁾ All amounts rounded to nearest \$1 increment.

⁽²⁾ Includes legal and financing costs, printing costs, rating agency fees, initial fees of the Trustee, underwriter's discount, Bond Counsel fees, Financial Advisor fees and other miscellaneous delivery costs.

THE BONDS

General Provisions

The Bonds will be dated the date of initial delivery thereof and will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside front cover hereof, which interest shall be payable on February 1 and August 1 of each year, commencing August 1, 2010 (each, an "Interest Payment Date"). The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. Upon initial issuance, the ownership of the Bonds will be registered in the Registration Books in the name of Cede & Co. (the "Nominee"), the nominee of The Depository Trust Company, New York, New York ("DTC") and ownership the Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

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

Each Bond bears interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before July 15, 2010, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Book-Entry System

Prior to the issuance of the Bonds, COMB may provide that such Bonds shall be initially issued as book-entry Bonds. If COMB shall elect to deliver any Bonds in book-entry form, then COMB shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such Bonds in an authorized denomination corresponding to that total principal amount of the Bonds designated to mature on such date. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Registration Books in the name of the Nominee, as nominee of DTC and ownership of the Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

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

COMB 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 prepayment 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 E for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC.

Transfers and Exchanges Upon Termination of Book-Entry System

In the event the book-entry system described above is abandoned, Bonds will be printed and delivered. Thereafter, any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be

required to register the transfer of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption. Whenever any Bond or Bonds shall be surrendered for transfer, COMB shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

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

Redemption

Optional Redemption. The Bonds with stated maturities on or after August 1, 20__ , shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed by COMB and by lot within each maturity in integral multiples of \$5,000, on or after August 1, 20__ , at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds with stated maturities on August 1, 20__ are subject to mandatory sinking fund redemption prior to such stated maturity, as a whole or in part on each August 1 on and after August 1, 20__ in integral multiples of \$5,000 solely from Revenues, at a redemption price of the principal amount thereof (together with accrued interest evidenced to the date fixed for redemption), without premium, in accordance with the following schedule:

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

20__ *

* Final Maturity.

Redemption from Unspent Second Pipeline Project Funds. Upon completion of the acquisition and construction of the Second Pipeline Project in accordance with the Indenture, and in the event that moneys remaining in the Acquisition Fund are not transferred to the Goleta Water District or the City of Santa Barbara as described in Appendix B—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” under the caption “Indenture of Trust—Issuance of Bonds; Application of Proceeds—Acquisition Fund,” the Bonds will be subject to redemption prior to their respective stated maturities, as a whole or in part on any date as directed in writing by the Goleta Water District or the City of Santa Barbara pursuant to the Indenture, from amounts deposited in the Acquisition Fund, upon the terms and conditions of and as provided for in the Indenture, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. Notice of redemption shall be mailed by first class mail not less than twenty (20) days before any Redemption Date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the Bonds to be redeemed, provided that such notice may be cancelled by COMB upon written request delivered to the Trustee not less than five (5) days prior to such Redemption Date.

Each notice of redemption shall state the redemption date, the place or places of redemption, whether less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds to be redeemed, 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 shall also state that on the redemption date there will become due and payable on each of said Bonds or parts thereof designated for redemption the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be surrendered.

Neither the failure to receive any notice nor any defect therein shall affect the validity of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of COMB, for and on behalf of COMB.

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

Purchase of Bonds in Lieu of Redemption. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of COMB, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Request of COMB, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and accrued interest on the Bonds to be redeemed on any Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of COMB, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Request of COMB, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. See the caption "FLOW OF FUNDS."

DEBT SERVICE SCHEDULE

Set forth below is a schedule of principal and interest payments due on the Bonds for the period ending August 1 in each of the years indicated.

<u>August 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	\$	\$
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			

SECURITY FOR THE BONDS

General

Pursuant to the Indenture, COMB has irrevocably pledged all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Contribution Fund) to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture subject only to the provisions of the Indenture permitting the terms and conditions set forth therein. Said pledge constitutes a lien on and security interest in such amounts and will attach, be perfected and be valid and binding from and after the date of delivery of the Bonds, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against COMB, irrespective of whether such parties have notice thereof. See the caption “—Joint Participation Agreements.”

All Revenues are required by the Indenture to be deposited by the Trustee upon its receipt thereof into a special fund designated as the Revenue Fund, which has been established and will be maintained by the Trustee, except that all moneys received by the Trustee and required under the Indenture to be deposited into the Redemption Fund for optional redemption of the Bonds shall be promptly deposited

therein. See the caption "FLOW OF FUNDS." All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also create an Interest Account and a Principal Account within the Revenue Fund.

Joint Participation Agreements

Each Financing Member has entered into a Joint Participation Agreement in order to provide for the acquisition or construction of the Second Pipeline Project. The purpose of the Joint Participation Agreements is to assure a source of revenue to pay for the cost of the Second Pipeline Project.

Goleta will make Second Pipeline Project Payments under Goleta's Joint Participation Agreement solely from Revenues (as defined in the Goleta Joint Participation Agreement) prior to any payments other than Operation and Maintenance Costs. "Revenues" under the Goleta Joint Participation Agreement generally include revenues generated by Goleta's Water System. The specific revenues pledged by Goleta are described in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto. Second Pipeline Project Payments will be made by Goleta as they become due and payable without preference or priority over any other Operation and Maintenance Costs (as such term is defined in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto).

Santa Barbara will make Second Pipeline Project Payments under Santa Barbara's Joint Participation Agreement solely from Net Revenues of Santa Barbara's Water System after payment of Operation and Maintenance Costs of the Water System and certain Senior Obligations (as such terms are defined in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto) on a parity with payment of certain other obligations of Santa Barbara described in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto. "Net Revenues" means revenues generated by Santa Barbara's Water System less the operation and maintenance costs of Santa Barbara's Water System and less charges for the payment of principal and interest on any debt service attributable to Senior Obligations. The specific revenues pledged by Santa Barbara and the specific operation and maintenance costs of Santa Barbara's Water System are described in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto. Second Pipeline Project Payments will be made by Santa Barbara as they become due and payable without preference or priority over Santa Barbara's Bonds and Santa Barbara's Contracts (as such terms are defined in Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto). The Financing Members are not obligated to make any payments allocable to any other Financing Member with respect to the Second Pipeline Project, each Financing Member's payment obligation being several and not joint.

Montecito has entered into a Contribution Agreement in order to provide for the acquisition or construction of the Second Pipeline Project. The purpose of the Contribution Agreement is to self-fund the share of the costs of the Second Pipeline Project attributable to Montecito.

Montecito will make payments under its Contribution Agreement from any source of available funds, including but not limited to revenues, reserves, existing proceeds of borrowings and proceeds of future borrowings, subordinate to the payment of certain other obligations of Montecito. Payments under the Contribution Agreement will be made by Montecito as they become due or payable.

Carpinteria and ID No. 1 are not Financing Members and have not entered into a Joint Participation Agreement or a Contribution Agreement with COMB and neither has any payment obligation with respect to the Bonds.

The obligation of each Financing Member to make the Second Pipeline Project Payments is absolute and unconditional, and until such time as the Second Pipeline Project Payments have been paid

in full (or provision for the payment thereof has been made pursuant to the Joint Participation Agreements), the Financing Members will not discontinue or suspend any Second Pipeline Project Payments required to be made by under the Joint Participation Agreements when due, whether or not the Second Pipeline Project, each Financing Member's 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 shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Notwithstanding the foregoing, the payments of principal and interest set forth in each Financing Member's Joint Participation Agreement may be increased or decreased by not more than 10% in each year in the event that: (i) the Board approves a reallocation of capital costs with respect to the Second Pipeline Project; and (ii) such reallocation is approved by the governing body of each Financing Member. In the event that the conditions set forth above have been met, COMB will promptly append a revised exhibit to each Financing Member's Joint Participation Agreement to reflect such reallocation of principal and interest and will promptly provide such revised exhibit to the Trustee.

COMB has covenanted in the Indenture to promptly collect all amounts due from the Financing Members pursuant to the Joint Participation Agreements and, subject to the provisions thereof, to enforce, and take all steps, actions and proceedings which COMB or the Trustee determines to be reasonably necessary for the enforcement of all of the obligations of the Financing Members thereunder.

COMB shall not enter into any amendments to the Joint Participation Agreements except as permitted in the Joint Participation Agreements and except as may be approved by the Trustee. The Trustee shall give written consent to such amendments only if: (a) such amendment, modification or termination will not materially adversely affect the interests of the Bond Owners; or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

The Joint Participation Agreements set forth detailed provisions concerning the time and method of payment by each Financing Member of the Second Pipeline Project Payments, as well as the method of allocation of such payments and the remedies available to COMB in the event that a Financing Member defaults in its payments to COMB. For a summary of these provisions see Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Joint Participation Agreement."

COMB will deposit all moneys received from the State from the Proposition 50 grant or any other grant with respect to the Second Pipeline Project and all moneys received from any other party (other than Santa Barbara, Goleta or Montecito) in the Acquisition Fund and the Contribution Fund in accordance with the percentages set forth in the Indenture. Upon deposit of such moneys in such funds, such moneys will be applied in accordance with the Indenture.

Limited Liability

THE OBLIGATION OF EACH FINANCING MEMBER TO MAKE THE SECOND PIPELINE PROJECT PAYMENTS IS A SPECIAL OBLIGATION OF EACH FINANCING MEMBER PAYABLE, IN THE CASE OF GOLETA, SOLELY FROM WATER SYSTEM REVENUES, OR, IN THE CASE OF SANTA BARBARA, SOLELY FROM WATER SYSTEM NET REVENUES, AND OTHER FUNDS DESCRIBED IN THE FINANCING MEMBER'S JOINT PARTICIPATION AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF SUCH FINANCING MEMBER OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THE BONDS ARE NOT A DEBT OF THE MEMBERS OF COMB, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN COMB) AND NEITHER THE MEMBERS OF COMB, SAID STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN COMB) IS LIABLE WITH RESPECT TO THE BONDS. NO FINANCING MEMBERS SHALL HAVE ANY LIABILITY OR OBLIGATION WITH RESPECT TO AMOUNTS PAYABLE UNDER ANY JOINT PARTICIPATION AGREEMENT EXCEPT WITH RESPECT TO PAYMENTS TO BE MADE PURSUANT TO THE JOINT PARTICIPATION AGREEMENT EXECUTED BY SUCH FINANCING MEMBER. ID NO. 1 HAS NO LIABILITY OR OBLIGATION WITH RESPECT TO AMOUNTS PAYABLE UNDER ANY JOINT PARTICIPATION AGREEMENT.

Notwithstanding anything contained in the Indenture or the Bonds, COMB shall not be required to advance any moneys derived from any source other than the Revenues for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, COMB may, but shall not be required to, advance for any of the purposes hereof any funds of COMB which may be made available to it for such purposes.

Reserve Fund

There is created with the Trustee a fund designated as the Reserve Fund, which the Trustee will maintain and hold in trust separate and apart from other funds held by it. The Trustee will retain in the Reserve Fund an initial amount equal to \$_____ and thereafter the lesser of \$_____ and the maximum annual principal of and interest on the Bonds in the current or any future Fiscal Year (the "Reserve Fund Requirement"). COMB may provide for the Reserve Fund by a surety bond, an insurance policy issued by a municipal bond insurance company, a letter of credit or any other security device, in each case with ratings approved by each rating agency then rating the Bonds. The Trustee will apply moneys in the Reserve Fund in accordance with the Indenture.

If one Business Day prior to any Interest Payment Date the money in the Interest Account or the Principal Account is insufficient to make the payments required by the Indenture on such Interest Payment Date, the Trustee will transfer from the Reserve Fund to the Interest Account or the Principal Account, as the case may be, the amount of such insufficiency.

If the amount available and contained in the Reserve Fund exceeds an amount equal to the Reserve Fund Requirement, the Trustee will: (a) annually on August 1 withdraw the amount of such excess from the Reserve Fund and deposit such amount in the Interest Account; or (b) on the date Bonds are redeemed or defeased in accordance with the provisions of the Indenture, transfer such amount in accordance with the written directions of COMB. For these determinations the Trustee will make a valuation of the Reserve Fund on or before August 1 in each year or on or prior to the date of such transfer, as the case may be. Except for such withdrawals, all moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying principal of and interest on the Bonds in the event that no other moneys of COMB are applied thereto.

FLOW OF FUNDS

Revenue Fund

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

(a) Not later than the third Business Day preceding each date on which the interest on the Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding; and

(b) Not later than the third Business Day preceding each date on which the principal of the Bonds becomes due and payable hereunder, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date.

All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or accelerated prior to maturity pursuant to the Indenture). All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of COMB, the Trustee will apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as will be directed pursuant to a Request of COMB, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Redemption Fund

The Trustee has established and will maintain a fund designated as the Redemption Fund. All amounts in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and accrued interest on the Bonds to be redeemed on any Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of COMB, the Trustee will apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as will be directed pursuant to a Request of COMB, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

FACTORS AFFECTING FINANCING MEMBERS GENERALLY

The sufficiency of Revenues available to pay principal of and interest and premium (if any) on the Bonds is directly related to the ability of Financing Members to make the Second Pipeline Project Payments required pursuant to their respective Joint Participation Agreements which, in turn, is a function of the adequacy of the Financing Member Revenues received by the Financing Members in connection with the operation of their Water Systems. A variety of factors, including but not limited to those discussed hereinbelow, could adversely affect such Financing Member Revenues. See Appendices C and D for additional information with respect to the individual Financing Members.

General

The obligation of Goleta to make Second Pipeline Project Payments pursuant to its Joint Participation Agreement is limited to the revenues received by Goleta in connection with the operation of its Water System. Goleta has covenanted in its Joint Participation Agreement to set rates and charges for the water distribution service made available or provided by Goleta's Water System sufficient in each fiscal year to yield sufficient revenues to pay the Second Pipeline Project Payments due in such fiscal

year. However, circumstances adversely affecting its Water System, such as an inadequate water supply and/or damage to the water system itself, could adversely affect the ability of Goleta to make the required Second Pipeline Project Payments.

The obligation of Santa Barbara to make Second Pipeline Project Payments payable by Santa Barbara pursuant to its Joint Participation Agreement is limited to the Net Revenues received by Santa Barbara in connection with the operation of its Water System. Santa Barbara has covenanted in its Joint Participation Agreement to fix, prescribe and collect rates and charges for Santa Barbara's Water System which will be at least sufficient to yield in each fiscal year Net Revenues equal to one hundred twenty-five percent (125%) of the Second Pipeline Project Payments for such fiscal year. However, circumstances adversely affecting its Water System, such as an inadequate water supply and/or damage to the water system itself, could adversely affect Santa Barbara's ability to make the required Second Pipeline Project Payments.

Cachuma Project

The Financing Members receive water which they purchase pursuant to Member Unit Contracts from the United States of America's Cachuma Project. The Member Unit Contracts for each Financing Member are described under the caption "Water Supply—Cachuma Project" in each of Appendices C and D hereto. The Cachuma Project provides a supplemental supply of irrigation water to approximately 38,000 acres of land and a supply of municipal water to the Members. The water delivered through the Cachuma Project is captured by Bradbury Dam and stored in Lake Cachuma, which is located on the Santa Ynez River approximately 25 miles northwest of Santa Barbara and which stores flood waters from the Santa Ynez River which would otherwise flow to the ocean. The reservoir created by Bradbury Dam had an original capacity of 205,000 acre-feet. It now has a capacity of approximately 186,000 acre-feet as a result of the accumulation of silt in the reservoir since construction in the mid-1950s. Water is diverted from Lake Cachuma through the Tecolote Tunnel, which extends approximately 6.4 miles through the Santa Ynez Mountains to the headworks of the South Coast Conduit. The South Coast Conduit is a modified pre-stressed concrete pipeline which runs a distance of approximately 26 miles and includes 4 regulating reservoirs: (a) Glen Anne Dam and Reservoir, with a capacity of 500 acre-feet, which is currently not in service as a result of seismic safety restrictions; (b) Lauro Dam and Reservoir, with a capacity of 590 acre-feet; (c) Ortega Dam and Reservoir with a capacity of 60 acre-feet; and (d) Carpinteria Dam and Reservoir with a capacity of 40 acre-feet.

Water is stored in and released from Lake Cachuma to recharge groundwater basins in the Santa Ynez Valley and Lompoc Valley as specified by the State Water Resources Control Board's ("SWRCB") Order WR 89-18. Additional releases of Cachuma Project water, other operational changes, and physical habitat improvements in several downstream tributaries are required below Bradbury Dam to meet requirements of the public trust doctrine, the federal Endangered Species Act and California Fish and Game Code Section 5937 for the protection of endangered southern California steelhead trout. In 1993, the Santa Ynez River Consensus Committee and Technical Advisory Committee ("SYRTAC") was formed to coordinate studies and facilitate discussion among the governmental agencies and other interested parties. The SYRTAC included representatives from the Bureau, the United States Fish and Wildlife Service, the California Department of Fish and Game, the CCRB, ID No. 1, the County of Santa Barbara and the City of Lompoc. The SYRTAC process was subsequently incorporated in requirements for studies imposed on the Bureau and the Members by the SWRCB pursuant to its Order WR 94-5, and steelhead enhancement projects and flow releases mandated by the National Marine Fisheries Service's ("NMFS") September 2000 Biological Opinion for Cachuma Operations (the "B.O."). Additional information with respect to the B.O. is set forth below.

In December 1994, the Bureau announced preliminary findings of seismic safety studies that it said showed a potential for failure of Bradbury Dam under certain seismic conditions. The Bureau initially indicated it would require a limitation on the operating level of Bradbury Dam that would have greatly reduced the available water supply while major seismic retrofits were constructed. Following further studies and the installation of dewatering wells, operating level restrictions were lifted. Seismic retrofitting of the dam by the Bureau commenced in October of 1996 and was deemed substantially completed in September of 2001. The seismic retrofitting resulted in dewatering of the stilling basin at the base of Bradbury Dam, which was viable steelhead habitat. In order to mitigate the dewatering, between 1999 and 2004, the Bureau completed the construction of a permanent watering system to Hilton Creek, a tributary of the Santa Ynez River just downstream from Bradbury Dam, to maintain a year-round steelhead/rainbow trout fishery. The final phase of the seismic retrofitting was completed in 2007 with road access improvements and vegetation restoration at a total cost of approximately \$47.5 million.

Additional release requirements on Cachuma Project operations, which may be imposed by the SWRCB, may further restrict the Cachuma Project water source. In 2000 and 2003, the SWRCB conducted hearings to determine whether to modify the Cachuma Project permit conditions and the operation of Bradbury Dam. The hearings considered the incorporation of protective management actions for steelhead addressed in the B.O., including downstream flow requirements and water releases to maintain and improve the habitat of the steelhead/rainbow trout listed as an endangered species in 1997. The hearings also considered the Lower Santa Ynez River Fish Management Plan, Cachuma Project Settlement Agreement, Statement of Agreement with Santa Barbara County, Cachuma Project water supply and hydrology and additional steelhead restoration activities. A draft Environmental Impact Report ("EIR") by the SWRCB with respect to these matters was issued in 2003 and a revised draft EIR was issued in 2007. A final EIR with respect to Cachuma Project operations is expected in 2010.

Once the EIR is finalized, the SWRCB will hold an additional hearing and render a decision with respect to the Cachuma Project water rights permit. The potential effect of the SWRCB decision includes possible limitation or reduction of the yield of water from the water from the Cachuma Project up to as much as 20%. This condition would limit or reduce water supplies to Financing Members to a level below the annual scheduled entitlement.

In accordance with the requirements of the B.O., gate extensions, or "flashboards," were installed on the radial gates of Bradbury Dam in 2004. The flashboards provide for additional water to be impounded in Lake Cachuma to meet the required releases to maintain fish habitat below the dam. COMB and the Bureau certified a Final Environmental Impact Report/Environmental Impact Statement in 2004 in connection with the flashboards to comply with State and federal environmental law.

CCWA Project Allotment

The Financing Members also receive State Water Project ("SWP") water which they purchase pursuant to Water Supply Agreements with the Central Coast Water Authority ("CCWA"). The Water Supply Agreements for each Financing Member are described under the caption "Water Supply—CCWA Water Supply Agreement" in each of Appendices C and D hereto. The California Department of Water Resources ("DWR") and CCWA face various challenges in the continued supply of SWP water to the Financing Members. A description of these challenges as well as a variety of other operating information with respect to the Department of Water Resources and CCWA is included in certain disclosure documents prepared by DWR and CCWA. DWR and CCWA have entered into certain continuing disclosure agreements pursuant to which DWR and CCWA are contractually obligated for the benefit of owners of certain of their outstanding obligations to file certain annual reports, notices of certain material events as defined under subsection (b)(5) of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12") and annual

audited financial statements. NEITHER DWR NOR CCWA HAS ENTERED INTO A CONTRACTUAL COMMITMENT WITH COMB, THE FINANCING MEMBERS, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE SWP INFORMATION TO COMB, THE FINANCING MEMBERS OR THE OWNERS OF THE CERTIFICATES.

NEITHER DWR NOR CCWA HAS REVIEWED THIS OFFICIAL STATEMENT AND NEITHER HAS MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR OR CCWA. NEITHER DWR NOR CCWA ARE CONTRACTUALLY OBLIGATED, AND NEITHER HAS UNDERTAKEN, TO UPDATE SUCH SWP INFORMATION FOR THE BENEFIT OF COMB OR THE OWNERS OF THE CERTIFICATES UNDER RULE 15c2-12.

Constitutional Limitations on Appropriations and Charges

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

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

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

To the extent that a Financing Member’s water charges do not exceed the costs it reasonably bears in providing such service, the Financing Member is not subject to the limits of Article XIII B. Each Financing Member has covenanted in its respective Joint Participation Agreement to set rates and charges for the water distribution service made available or provided by the Financing Member’s Water System sufficient in each fiscal year to yield sufficient Financing Member Revenues to pay the Second Pipeline Project Payments due in such fiscal year.

Proposition 218.

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general

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

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (b) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (c) 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 (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeals 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 XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “*Bighorn Case*”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218.

COMB does not believe that the provisions of Article XIID are applicable to the Revenues received by it under the Joint Participation Agreements, as such Revenues received thereunder are not based on fees or charges for a property-related service. Goleta and Santa Barbara comply with the notice, hearing and protest procedures in Article XIID with respect to water rate increases, as more fully described in Appendices C and D under the caption “—Water System Rates and Charges—General.”

Article XIIC. Article XIIC 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 XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to

Article XIIIIC. Moreover, the provisions of Article XIIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the *Bighorn* Case that the provisions of Article XIIIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. COMB does not believe that Article XIIIIC grants to the voters within the Financing Members the power to repeal or reduce COMB fees in a manner which would be inconsistent with the contractual obligations of COMB under the Joint Participation Agreements and the Indenture. However, there can be no assurance of the availability of particular remedies adequate to protect the interests of Bond Owners under the Indenture. Remedies available to Bond Owners in the event of a default by COMB are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. COMB makes no representations as to the effect of Article XIIIIC on any of the Project Participants.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations under the Bonds, the Indenture and the Joint Participation Agreements are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State 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 A), will be similarly qualified.

Future Initiatives. Articles XIIIIB, XIIIIC and XIID were adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting COMB's or the Financing Members' revenues or ability to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The legality and enforceability of the Bonds and the Indenture is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix A, and such legal opinion will be printed on each Bond. Certain legal matters will be passed upon for COMB by Nordman Cormany Hair & Compton LLP, Oxnard, California, for the Underwriter by its counsel, Ballard Spahr, LLP, Salt Lake City, Utah, for the Trustee by its counsel and for each Financing Member by its respective counsel.

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 COMB, threatened against COMB affecting the existence of COMB or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or the Joint Participation Agreements, or any action of COMB 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 COMB or its authority with respect to the Bonds or any action of COMB contemplated by any of said documents, nor to the knowledge of COMB, is there any basis therefor.

CONTINUING DISCLOSURE

COMB will covenant in a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the Financing Members by not later than nine months following the end of COMB's Fiscal Year (currently its Fiscal Year ends on June 30) commencing June 30, 2010 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed electronically with the Electronic Municipal Markets Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board. The notices of material events will be filed with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in Appendix F—"FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto. These covenants will be made in order to assist the Underwriter in complying with Rule 15c2-12.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds is not included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bond 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 the owner of the Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the owner of a Bond will increase the 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.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) is based upon certain representations of fact and certifications made by COMB and others and is subject to the condition that COMB (and certain other entities from which COMB has obtained covenants) comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Bonds to assure that the 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 the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Bonds. COMB 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 Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 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 bonds). 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 delivery 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 execution and delivery 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 execution and delivery 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 Joint Participation Agreements 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) 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, a Professional Corporation.

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 COMB 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) with respect to 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 with respect to the Bonds.

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

FINANCIAL ADVISOR

COMB has retained KNN Public Finance, A Division of Zions First National Bank, Oakland, California, as financial advisor (the "Financial Advisor") in connection with the execution and delivery of the Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P") will assign the Bonds a rating of "A+". Such rating is based upon information and material furnished directly to S&P and on investigations, studies and assumptions made by S&P. The rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from Standard & Poor's Ratings Service, 55 Water Street, 38th Floor, New York, New York 10041 (212) 438-2074. COMB makes no representation as to the appropriateness of the rating. Further, there is no assurance that the rating will continue for any given period of time or that S&P will not revise such rating downward or withdraw such rating entirely, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the trading value and the market price of the Bonds.

UNDERWRITING

The Bonds will be purchased by Citigroup Global Markets Inc. as underwriter (the "Underwriter"), under a Purchase Contract, dated April __, 2010 (the "Purchase Contract"), pursuant to which the Underwriter agrees to purchase all of the Bonds for an aggregate purchase price of \$_____ (representing the principal amount thereof less an underwriter's discount of \$_____ plus net original issue premium of \$_____).

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

MISCELLANEOUS

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

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

CACHUMA OPERATION AND MAINTENANCE
BOARD

By: _____
General Manager

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

April __, 2010

Cachuma Operation and Maintenance Board
3301 Laurel Canyon Road
Santa Barbara, California 93105

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Cachuma Operation and Maintenance Board ("COMB") relative to the issuance of the \$_____ Revenue Bonds Series 2010A, dated the date hereof (the "Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by COMB, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated as of March 1, 2010, by and between COMB and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds mature on the date and in the amount referenced in the Indenture. The Bonds are dated their date of delivery and bear interest payable at maturity, at the rate per annum referenced in the Indenture. The Bonds are registered in the form set forth in the Indenture.

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

1. The proceedings of COMB show lawful authority for the issuance and sale 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 COMB, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of COMB enforceable against COMB in accordance with their terms.

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

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest 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. It should be noted that, with respect to corporations, such interest will not be included as an adjustment in the calculation of alternative minimum taxable income.

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

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 COMB and are subject to the condition that COMB comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such 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. COMB 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 permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 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 other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

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

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

Respectfully submitted,

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Joint Participation Agreements and the Indenture of Trust 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 C

INFORMATION CONCERNING THE CITY OF SANTA BARBARA

The information contained in this Appendix C has been prepared by the City of Santa Barbara (the "City") for inclusion in this Official Statement. The Cachuma Operation and Maintenance Board ("COMB") has not reviewed this information and COMB makes no representation with respect to the accuracy or completeness thereof or as to the absence of material adverse changes subsequent to the date of the Official Statement. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Joint Participation Agreement, dated as of August 1, 2009, by and between COMB and the City (the "Joint Participation Agreement").

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

CERTAIN STATEMENTS CONTAINED IN THIS APPENDIX C 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 C.

[TO COME]

EXHIBIT C-1

**THE CITY OF SANTA BARBARA AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

APPENDIX D

INFORMATION CONCERNING GOLETA WATER DISTRICT

The information contained in this Appendix D has been prepared by Goleta Water District (the "District") for inclusion in this Official Statement. The Cachuma Operation and Maintenance Board ("COMB") has not reviewed this information and COMB makes no representation with respect to the accuracy or completeness thereof or as to the absence of material adverse changes subsequent to the date of the Official Statement. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Joint Participation Agreement, dated as of March 1, 2010, by and between COMB and the District (the "Joint Participation Agreement").

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

CERTAIN STATEMENTS CONTAINED IN THIS APPENDIX D 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 D.

[TO COME]

EXHIBIT D-1

**GOLETA WATER DISTRICT AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

APPENDIX E

INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY

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

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, 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 Bonds 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 Bonds 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 Bonds and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from District or Agent, 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, Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, 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 Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that COMB believes to be reliable, but COMB takes no responsibility for the accuracy thereof.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon the execution and delivery of the Bonds, COMB and the Trustee propose to enter into a Continuing Disclosure Agreement in substantially the following form:

[TO COME]

CONTRIBUTION AGREEMENT

by and between

MONTECITO WATER DISTRICT

and

CACHUMA OPERATION AND MAINTENANCE BOARD

Dated as of _____

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CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT, made and entered into as of _____, __, 2010, by and between MONTECITO WATER DISTRICT, a county water district duly organized and existing under and by virtue of the laws of the State of California (the "District"), and CACHUMA OPERATION AND MAINTENANCE BOARD, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California ("COMB").

W I T N E S S E T H:

WHEREAS, COMB proposes to undertake the acquisition and construction of the South Coast Conduit Upper Reach Reliability Project ("Second Pipeline Project") as an improvement to the South Coast Conduit (SCC) and related facilities of the Cachuma Project;

WHEREAS, pursuant to Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Sections 6540 et seq. (the "JPA Statute"), COMB is financing on behalf of certain COMB member units (not including the District) such member units' share of the cost of the acquisition and construction of the Second Pipeline Project through the entry into of certain agreements (the "Joint Participation Agreements") by and between COMB and the following member units: The City of Santa Barbara and Goleta Water District;

WHEREAS, the District and COMB have duly authorized the execution of this Contribution Agreement to provide for the contribution of funds by the District to COMB to fund the District's share of the cost of the Second Pipeline Project; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Contribution Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Contribution Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

Cachuma Project. The term "Cachuma Project" means the water project constructed by the United States of America on the Santa Ynez River, including the Tecolote Tunnel and the

transmission system to and along the south coast of Santa Barbara County known as the South Coast Conduit (SCC).

COMB. The term “COMB” means the Cachuma Operation and Maintenance Board, a joint exercise of powers agency, duly organized and existing under virtue of the laws of the State of California and the Joint Powers Agreement.

COMB Bonds. The term “COMB Bonds” means the principal amount of Cachuma Operation and Maintenance Board Revenue Bonds, Series 2010A.

Contribution Agreement. The term “Contribution Agreement” means this Contribution Agreement, by and between the District and COMB, dated as of _____, as it may from time to time be amended or supplemented in accordance herewith.

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

Event of Default. The term “Event of Default” means an event described in Section 7.01.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Joint Powers Agreement. The term “Joint Powers Agreement” means the 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board, dated as of May 23, 1996, by and between the City of Santa Barbara, Carpinteria County Water District, Santa Ynez River Water Conservation District, Improvement District No. 1, Summerland County Water District, Goleta Water District and the District, as such agreement may from time to time be amended or supplemented in accordance with its terms.

Joint Participation Agreements. The term “Joint Participation Agreements” means those agreements between COMB and certain COMB member units (other than the District) described in the second WHEREAS clause hereof.

Law. The term “Law” means the County Water District Law (being Division 13 of the Water Code of the State of California, as amended), Division 2 of Title 5 of the Government Code of the State of California as amended, including but not limited to Section 6540 et seq., and all laws amendatory thereof or supplemental thereto.

Second Pipeline Project. The term “Second Pipeline Project” means that project as fully defined and shown in the plans, specifications and bid documents titled Technical Specifications for the Upper Reach Reliability Project prepared by AECOM, dated June 30, 2009, and consists generally of South Coast Conduit pipeline improvements, the replacement or rehabilitation of certain infrastructure facilities, and related work and/or activities for that portion of the South Coast Conduit between the South Portal of the Tecolote Tunnel and the Corona Del Mar Water Treatment Plant.

Second Pipeline Project Payment Date. The term “Second Pipeline Project Payment Date” means the date on which any payment is due by the District to COMB as provided in Section 3.01 hereof.

Second Pipeline Project Payments. The term “Second Pipeline Project Payments” means the payments to be paid by the District under and pursuant hereto.

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the District. The District makes the following representations:

(a) The District is a county water district duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Contribution Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Contribution Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Contribution Agreement.

(d) The obligation of the District to make Second Pipeline Project Payments under this Contribution Agreement will commence upon the approval of and the execution of the Second Pipeline Project construction contract by COMB and continue to exist and be honored by the District whether or not water is furnished to it from the Second Pipeline Project at all times or at all (which provision may be characterized as an obligation to pay all costs on a take-or-pay basis whether or not water is delivered or provided and whether or not the Second Pipeline Project is completed or operable).

Section 2.02. Representations and Warranties by COMB. COMB makes the following representations and warranties:

(a) COMB is a joint exercise of powers agency duly organized and in good standing under the laws of the State of California and under the Joint Powers Agreement, has full legal right, power and authority to enter into this Contribution Agreement and to carry out and

consummate all transactions contemplated by this Contribution Agreement and by proper action has duly authorized the execution and delivery and due performance of this Contribution Agreement.

(b) The execution and delivery of this Contribution Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which COMB is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of COMB.

(c) COMB will utilize its best efforts to complete and make operable any and all components of the Second Pipeline Project toward which the District makes Second Pipeline Project Payments.

ARTICLE III

SECOND PIPELINE PROJECT PAYMENTS

Section 3.01. Second Pipeline Project Payments. The District shall pay to COMB its funding obligation to 13.1% of the actual cost of the Second Pipeline Project in accordance with this Section 3.01. Each Second Pipeline Project Payment shall be paid to COMB in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest equal to the then-applicable Prime Rate.

The District will pay to COMB the District's full 13.1% share of the cost of any contract for or related to the Second Pipeline Project within five (5) business days of receipt of written notice from COMB to the District of the approval of such contract for such component in accordance with the Joint Powers Agreement and the Joint Participation Agreements. However, prior to such notice, the District shall be provided with the same opportunity to review and approve any such contract as if the District had entered into a Joint Participation Agreement.

The Second Pipeline Project Payments paid by the District to COMB shall be deposited in a segregated account and applied as set forth in Article VI.

The obligation of the District to make the Second Pipeline Project Payments is absolute and unconditional, and until such time as the Second Pipeline Project Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VIII), the District will not discontinue or suspend any Second Pipeline Project Payments required to be made by it under this section when due, whether or not the Second Pipeline Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Unless the District approves a change in accordance with the last paragraph of this Section 3.01, the District's obligations related to the Second Pipeline Project Payments shall be limited to the District's 13.1% share of the actual cost of the Second Pipeline Project, less the District's 13.1% share of any Proposition 50, other grant funding, and all moneys received from any other party (other than the City of Santa Barbara, Goleta Water District and the District) received by COMB, including the \$3.2 million grant for the SCC Upper Reach Reliability Project. The District's total obligation shall be capped at \$ _____ which is equivalent to 13.1% of the estimated \$ _____ Second Pipeline Project cost.

Notwithstanding the foregoing, the District's share of Second Pipeline Project costs and reimbursement from grants or other amounts received by COMB toward Second Pipeline Project costs may be increased or decreased by not more than 10% in the event that (i) the board of directors of COMB approves a reallocation of capital costs with respect to the Second Pipeline Project; and (ii) such reallocation is approved by the governing body of each member unit of COMB executing a Joint Participation Agreement with respect to the COMB Bonds and by the governing body of the District.

ARTICLE IV

SECURITY

Section 4.01. Payment From Revenues. Payments under this Contribution Agreement shall be made by the District as they become due and payable from any source of available funds, including but not limited to District revenues, District reserves, existing proceeds of District borrowings and proceeds of future District borrowings. Such obligation shall be subordinate to the District's obligations to pay Bonds or Contracts (as such term is defined in the Installment Purchase Agreement, dated as of May 1, 1998, by and between the District and the Montecito Water District Financing Corporation) outstanding from time-to-time. The District shall not be obligated to make any payments allocable to any other member of COMB with respect to the Second Pipeline Project, each member's payment obligation being several and not joint.

ARTICLE V

COVENANTS

Section 5.01. Compliance with Contribution Agreement. The District will punctually pay the Second Pipeline Project Payments in strict conformity with the terms hereof, and will faithfully observe and perform all this Contribution Agreement, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Contribution Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either, or deemed insolvency, or bankruptcy or liquidation of COMB or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Section 5.02. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to

carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto COMB the rights and benefits provided to it herein.

Section 5.03. Review of Project Plans and Specification. COMB agrees to give the District the opportunity to review and comment, in a timely manner, on all plans, specifications and bids relating to the Second Pipeline Project for construction in advance of any reconsideration of such plans, specifications and bids by the Board of Directors of COMB, and the District shall have the same rights to comment, object to or provide approval, in a timely manner, of such plans or bids as is provided to any other Member Units pursuant to their respective Joint Participation Agreements.

ARTICLE VI

DEPOSIT OF MONEYS

Section 6.01. Deposit of District Moneys. COMB shall deposit all amounts paid to COMB by the District pursuant to this Contribution Agreement in a segregated account and shall not commingle such moneys with any other COMB moneys. COMB shall invest such moneys consistent with the COMB investment policy and all investment earnings thereon shall remain in such segregated account. Interest earned upon the Second Pipeline Project Payments deposited in the segregated account shall be returned to the District on a semi-annual basis.

Section 6.02. Application of Funds. COMB shall apply all funds contributed by the District pursuant to the Contribution Agreement to the payment of the District's share of the Second Pipeline Project for which such payment was made. Upon completion of such component, COMB shall promptly return to the District any unspent moneys and interest earnings upon funds contributed by the District.

Section 6.03. Reimbursement from Grants or Other Funding. Upon receipt of any Proposition 50 or other grant funding, including the \$3.2 million grant for the SCC Upper Reach Reliability Project, or funding contribution from other parties, COMB shall promptly reimburse to the District 13.1% of the grant or other amounts received, except to the extent that some other allocation is agreed to pursuant to the last paragraph of section 3.01.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF COMB

Section 7.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say:

(a) if default shall be made by the District in the due and punctual payment of any Second Pipeline Project Payment when and as the same shall become due and payable;

(b) if default shall be made by the District or COMB in the performance of any of the other agreements or covenants required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the District or COMB, as the case may be, shall have been given notice in writing of such default by the other party; or

(c) if the District or COMB shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District or COMB, as the case may be, seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or COMB, as the case may be, or of the whole or any substantial part of its property;

then the non-defaulting party shall have the right:

(i) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the other party or any director, officer or employee thereof, and to compel the other party or any such director, officer or employee to perform and carry out its or his duties under the Law and this Contribution Agreement and covenants required to be performed by it or him contained herein; or

(ii) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the other party.

Section 7.02. Non-Waiver. A waiver of any default or breach of duty or contract by COMB shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by COMB to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon COMB by the JPA Statute or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by COMB.

Section 7.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to COMB is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the JPA Statute or any other law.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Benefits of Contribution Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District or COMB any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or COMB shall be for the sole and exclusive benefit of COMB and the District.

Section 8.02. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or COMB is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or COMB, and all agreements and covenants required hereby to be performed by or on behalf of the District or

COMB shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 8.03. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Second Pipeline Project Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law.

Section 8.04. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Contribution Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 8.05. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or COMB shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and COMB hereby declare that they would have executed this Contribution Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 8.06. Assignment. Neither the District nor COMB shall assign any rights or obligations hereunder to any other party without the express written approval of the other party prior to such assignment.

Section 8.07. Net Contract. This Contribution Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Second Pipeline Project Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever. Notwithstanding the foregoing, interest earnings on the Second Pipeline Project Payments shall be returned to the District in accordance with Section 6.01.

Section 8.08. California Law. THIS CONTRIBUTION AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 8.09. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: 583 San Ysidro Road
Santa Barbara, CA 93108

If to COMB:

3301 Laurel Canyon Road
Santa Barbara, CA 93105-2017

Section 8.10. Effective Date. This Contribution Agreement shall become effective upon its execution and delivery, and shall terminate when the Second Pipeline Project Payments shall have been fully paid, and all reimbursements made to the District pursuant to section 3.01 and all interest earnings on the Second Pipeline Project Payments have been returned to the District in accordance with Section 3.01 and Section 6.01.

Section 8.11. Execution in Counterparts. This Contribution Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 8.12. Amendments Permitted. This Contribution Agreement and the rights and obligations of COMB and the District may be modified or amended at any time by written amendment hereto.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Contribution Agreement by their officers thereunto duly authorized as of the day and year first written above.

MONTECITO WATER DISTRICT

President of the Board of Directors

Attest:

Secretary of the Board of Directors

CACHUMA OPERATION AND MAINTENANCE BOARD

Chair of the Board of Directors

Attest:

Secretary of the Board of Directors

**CACHUMA OPERATION AND MAINTENANCE BOARD
2010 REVENUE BOND
INDEMNIFICATION AGREEMENT FOR
SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT
DISTRICT NO. 1, MONTECITO WATER DISTRICT AND CARPINTERIA VALLEY
WATER DISTRICT**

This Indemnification Agreement (“Agreement”) is entered into this ____ day of _____, 2010, by and among the Cachuma Operation and Maintenance Board, a joint powers authority (“COMB”), Goleta Water District (“GWD”), City of Santa Barbara (“City”), Montecito Water District (“MWD”), Carpinteria Valley Water District (“CVWD”) and the Santa Ynez River Water Conservation District, Improvement District No. 1 (“ID No.1”), with reference to the following facts:

A. COMB intends to enter into and issue revenue bonds (“Revenue Bonds”) for the purpose of obtaining partial funds for the South Coast Conduit Upper Reach Reliability Project (the “Second Pipeline Project”) with the project fully defined and shown in the plans, specifications and bid documents titled Technical Specifications for the Upper Reach Reliability Project prepared by AECOM, dated June 30, 2009, and consists generally of South Coast Conduit pipeline improvements, the replacement or rehabilitation of certain infrastructure facilities, and related work and/or activities for that portion of the South Coast Conduit between the South Portal of the Tecolote Tunnel and the Corona Del Mar Water Treatment Plant.

B. GWD and the City (“Participating Members”) are each entering into a Joint Participation Agreement, dated as of March 1, 2010, with COMB for issuance of the Revenue Bonds.

C. The 1996 Joint Powers Agreement, as amended, creating COMB (“COMB Agreement”) provides that each COMB member agency’s obligation for Cachuma Project operation and maintenance cost is expressly limited to the amount determined by its members.

D. The COMB Board has determined and agreed that ID No. 1, MWD and CVWD (collectively, the “Indemnitees”) shall not be obligated to pay or otherwise be responsible for all or any part of the Revenue Bonds.

AGREEMENT

The parties agree as follows:

1. Allocation.

The parties agree, notwithstanding the provisions of the COMB Agreement, that COMB and the Participating Members shall be solely responsible for all of COMB’s obligations, debts and liabilities related to the issuance of the Revenue Bonds.

2. Indemnification for Revenue Bonds.

To the maximum extent allowed by law, COMB and the Participating Members hereby covenant and agree, at their sole and exclusive cost and expense, to indemnify and hold harmless the Indemnitees, their officers, directors, trustees, agents and employees, from and against any and all damages, liabilities, claims, demands, actions, causes of action, attorneys' fees, expert witness fees, and all other costs, expenses of any kind or nature that arise out of or in any way relate to the Revenue Bonds. In the event of a court challenge to the legality or the applicability of this indemnification provision, the parties agree that this indemnification provision shall be interpreted in favor of the Indemnitees and that the Indemnitees shall be afforded the maximum degree of indemnification as may be reasonably inferable from the language of this provision as available at law.

An Indemnitee shall notify COMB, the Participating Members and the other Indemnitees of the existence of any claim, demand, or other matter that they reasonably become aware of to which COMB's and the Participating Members' indemnification obligations would apply and shall give COMB or either of the Participating Members a reasonable opportunity to defend the same at COMB's and the Participating Members' expense with counsel of their own selection, subject to such Indemnitee's reasonable approval. If COMB or the Participating Members, within a reasonable time after written notice, fail to defend, such Indemnitee shall have the right, but not the obligation, to undertake the defense of, and compromise a settlement (exercising reasonable business judgment), any claim or other matter on behalf, for the account, and at the risk of COMB and the Participating Members. The Indemnitee undertaking such defense shall cooperate with the other Indemnitees.

3. COMB Obligations.

Notwithstanding that each Indemnitee is a member agency of COMB, no Indemnitee shall have any liability or responsibility with respect to COMB's obligations pursuant to this Agreement.

4. Notices.

All notices, approvals, acceptances, demands and other communications required or permitted under this Agreement, to be effective, shall be in writing and shall be delivered in person or by U.S. mail (postage prepaid, certified, return receipt requested) or by Federal Express or other similar overnight delivery service to the party to whom the notice is directed at the address of such party as maintained by COMB. Any written communication given by mail shall be deemed delivered five (5) business days after such mailing date and any written communication given by overnight delivery service shall be deemed delivered one (1) business day after the dispatch date. Either party may change its address by giving the other party written notice of its new address as provided above.

5. Other Instruments.

The parties shall, whenever and as often as reasonably requested by the other party, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered any and all documents and instruments as may be necessary, expedient or proper in the reasonable opinion of the requesting party to carry out the intent and purposes of this Agreement, provided that the requesting

party shall bear the cost and expense of such further instruments or documents (except that each party shall bear its own attorneys' fees).

6. Construction.

The provisions of this Agreement should be liberally construed to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa.

7. Severability.

If any term, provision, covenant or condition of this Agreement shall be or become illegal, null, void or against public policy, or shall be held by any court of competent jurisdiction to be illegal, null or void or against public policy, the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated thereby. The term, provision, covenant or condition that is so invalidated, voided or held to be unenforceable shall be modified or changed by the parties to the extent possible to carry out the intentions and directives stated in this Agreement.

8. Successors and Assigns.

This Agreement shall be binding on and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

9. Waiver.

No waiver of any provision or consent to any action shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver in the future except to the extent specifically stated in writing. Any waiver given by a party shall be null and void if the party requesting such waiver has not provided a full and complete disclosure of all material facts relevant to the waiver requested. No waiver shall be binding unless executed in writing by the party making the waiver.

10. Governing Law.

The validity and interpretation of this Agreement shall be governed by the laws of the State of California without giving effect to the principles of conflict of laws, with venue for all purposes proper only in the County of Santa Barbara, State of California.

11. Counterparts.

This Agreement may be executed in several counterparts, each of which will be deemed an original but all of which will constitute one and the same instrument. However, in making proof hereof, it will be necessary to produce only one copy hereof signed by the party to be charged.

12. Several Liability.

COMB shall have primary responsibility for the obligations related to the Revenue Bonds and the Participating Members shall be severally responsible for the obligations related to the Revenue Bonds under this Agreement (including COMB's responsibilities). GWD shall have 52.96% of such responsibilities and the City shall have 47.04% of such responsibilities. This Agreement may be enforced by each Indemnitee against either COMB or the Participating Members separately or against them jointly.

13. Attorneys' Fees.

If any action at law or equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover actual attorneys' fees and costs which may be determined by the court in the same action or in a separate action brought for that purpose. The attorneys' fees and costs to be awarded shall be made to fully reimburse for all attorneys' fees, paralegal fees, costs and expenses actually incurred in good faith, regardless of the size of the judgment, it being the intention of the parties to fully compensate for all attorneys' fees, paralegal fees, costs and expenses paid or incurred in good faith.

14. Authorizations.

All individuals executing this Agreement and other documents on behalf of the respective parties certify and warrant that they have the capacity and have been duly authorized to so execute the documents on behalf of the entity so indicated.

15. No Third-Party Beneficiaries.

No third party, other than the parties to this Agreement, shall be entitled to claim or enforce any rights under this Agreement.

16. Entire Agreement and Amendment.

This Agreement contains the entire understanding and agreement of the parties and there have been no promises, representations, agreements, warranties or undertakings by any of the parties, either oral or written, of any character or nature binding except as stated in this Agreement. This Agreement may be altered, amended or modified only by an instrument in writing, executed by the parties to this Agreement and by no other means. Each party waives their right to claim, contest or assert that this Agreement was modified, cancelled, superseded or changed by any oral agreement, course of conduct, waiver or estoppel.

**SANTA YNEZ RIVER WATER
CONSERVATION DISTRICT
IMPROVEMENT DISTRICT NO. 1:**

President

ATTEST:

Secretary

GOLETA WATER DISTRICT:

President

ATTEST:

Secretary

MONTECITO WATER DISTRICT:

President

ATTEST:

Secretary

**CACHUMA OPERATION AND
MAINTENANCE BOARD:**

President

ATTEST:

Secretary

CITY OF SANTA BARBARA:

Mayor

ATTEST:

City Clerk

**CARPINTERIA VALLEY WATER
DISTRICT**

President

ATTEST:

Secretary

Project Status **South Coast Conduit/Upper Reach Reliability Project and**
Report: **Mission Creek South Coast Conduit Crossing and Fish Passage Project**

Project	Engineering Design	Environmental Compliance	Land Access/Easement Acquisition	Revegetation/Weed Abatement	Mitigation Plans	Bid Process	Construction Management Services	Award Contract for Construction
South Coast Conduit/Upper Reach Reliability Project (2nd Barrel)	Technical Specifications completed 7/30/09.	Final Environmental Impact Statement/Environmental Impact Report completed February 2009.	Permit to Enter, Right of Way Agreement and Easement Deed completed for all impacted landowners.	Revegetation plan in progress by SAIC. Weed abatement of 2nd barrel alignment completed 7/30/09 for 2009 growing season.	Weed Identification and Removal Manual completed March 2009. Draft Special Status Species Protection Plan complete April 2009.	1. Pre-Qualification distributed April 2009. Pre-bid contractor site meeting on 8/20/09 conducted by AECOM and COMB 3. A second follow-up contractor site visit was conducted on 9/4/09. *Contractor Re-Bidding process initiated in November 2009.	Construction Management Services awarded to AECOM/Boyle and approved by board 6/22/09.	The contractor bid took place on 9/10/09, with a total of seven bids submitted. The contractor bids are currently being reviewed, with a contract to be awarded 90 days from the bid date of 9/10/09. *Contractor Re-Bidding process initiated in November 2009.
Mission Creek South Coast Conduit Crossing and Fish Passage Project	Technical specifications pending.	Initial Study/Draft MIND complete April 2009. Final MIND pending USBR review. Landowner comments incorporated into Final MIND.	Permit to Enter completed for all impacted landowners.	Revegetation plan in progress by SAIC.	Biological Resources Survey Report completed February 2009.			Award Contract for Construction November 2009.

***Please see Permit Status Tabs for project permit update**

*Red italic text indicates update

Permit Status: South Coast Conduit/Upper Reach Reliability Project (2nd Barrel)

Agency	Permit	Status	Notes
U.S. Fish and Wildlife Service (USFWS)	Section 7 of the Endangered Species Act Consultation	1. Complete 9/1/09 Waiting for consultation note. 2. Received Consultation note at COMB on 11/4/09	Part of 404 - no separate application.
Regional Water Quality Control Board (RWQCB)	Section 401 of the CWA certification: General Permit for Storm Water Discharges Associated with Construction Activity (CWA Section 402) Note: Section 402 Notice of Intent will not be submitted until just before construction	Issued 5/20/2009 (expires March 2011)	Water Quality Certification#34209WQ06 issued. Contractor - 401-SSWP 402 Dewatering discharge.
California Department of Fish and Game (CDFG)	Streambed Alteration Agreement	Issued 7/13/2009 Doesn't "expire". Must have a copy of the letter, application and all attachments available at the work site at all times.	Notification# 1600-2009-0064-R5 issued- CDFG action period expired 7/1/2009 and agreement was issued automatically as a result of expired action period. Standard Permit conditions.
Santa Barbara Air Pollution Control District	Authority for enforcing dust control measures	Not required.	Permits "not required" was determined during 8-6-09 conference call. Covered in EIR.
Santa Barbara County	Finding of consistency with the General Plan under California Government Code 65402	Not required.	Permits "not required" was determined during 8-6-09 conference call. Covered in EIR.
National Marine Fisheries Service (NMFS)	Section 7 of the Endangered Species Act Consultation	Pending - Target Date Nov 10 ±	1. USACE has requested responses to NMFS questions on 20 July; responses sent July 30th. Part of 404 - no separate application 2. Revegetation Plan is accepted. 3. Clarification for maintenance, revegetation and construction easement width at main stem of Glen Anne creek crossing sent by COMB to Darren Brumback at NOAA on 10/8/09 and 10/19/09.
U.S. Army Corps of Engineers (USACE) Section 404 Permit	Section 404 of the Clean Water Act (CWA) permit	Pending - Target Date Nov 10 ±	Waiting on Sections 106 and 7 consultation completion with NMFS. Application dated 2-2009. Nationwide Permits 12 & 33.
U.S. Bureau of Reclamation	MP620 permit for additions and alternations, approval for land use	Pending	USBR reviewing MP620 application.
State Historic Preservation Office	Section 106 of the National Historic Preservation Act review	Pending Draft report dated 7-2009 No concerns. Need Reclamation acceptance (1 wk) Need Reclamation to request consultation (1 wk) Then 30 days. Target date 12/1/2009	1. Draft CA-SBA-1775 Testing Report completed by Applied Earthworks June 2009. Report concludes that site is not eligible for the National Register, and pipeline may be constructed through it. 2. USBR review of Draft CA-SBA-1775 complete, with changes requested from Applied Earthworks. AE to complete 10/2009. 3. AE completed requested edits and forwarded back to USBR- USBR to accept changes, approve and send to SHPO. 4. Conference Call on 1-14-2010 resulted in USBR giving urgency to finish processing CA-SBA-1755 report.

*Red italic text indicates update

Permit Status: Mission Creek South Coast Conduit Crossing and Fish Passage Project

Agency	Permit	Status	Notes	Action Req'd
U.S. Army Corps of Engineers (USACE) Section 404 Permit	Section 404 of the Clean Water Act (CWA) permit	Pending Application dated 2-2009 Nationwide Permits 12 & 33	See "Notes" tab for Mission Creek South Coast Conduit Crossing and Fish Passage Project	(COMB): 1) Follow up with NWP #33, #12, and #27. 2) Send Final Section 401 Certification to USACE once in hand.
National Marine Fisheries Service (NMFS)	Section 7 of the Endangered Species Act Consultation	Pending Part of 404 - no separate application. Revetation Plan is accepted.	See "Notes" tab for Mission Creek South Coast Conduit Crossing and Fish Passage Project	Completion of MND pending Section 7
U.S. Bureau of Reclamation	MP620 permit for additions and alternations	<i>Not Required- pipeline repair and easement use already authorized by the O&M Transfer Agreement between COMB and USBR</i>	<i>NEPA/ESA review necessary by USBR- plans emailed 1/19/2010 to Ned Gruenhagen for review.</i>	
State Historic Preservation Office	Section 106 of the National Historic Preservation Act review	Pending	Pending CEQA document completion, will be reviewed by USBR. 1. Plans sent to Adam Nickels at USBR on 1-19-10.	Completion of MND pending Section 106
Regional Water Quality Control Board (RWQCB)	Section 401 of the CWA certification: General Permit for Storm Water Discharges Associated with Construction Activity (CWA Section 402)	Pending	1. Email from Brandon Sanderson of CC RWQCB (dated 8/28/09) indicated: Application for 401 Cert was <u>WITHDRAWN</u> until CEQA compliance has been met. Water Board is awaiting further notification of CEQA compliance prior to issuing 401 Certification. 2. Email from Brandon Sanderson of CC RWQCB (dated 8/28/09) indicated: Separate permit not req'd for diversion of creek or pipeline trenching (covered under 401 Cert once issued). 3. CC RWQCB will not require a "Linear Construction SMALL LUP General Permit"	(COMB/SAIC): Finish CEQA and notify CC RWQCB of status. Cannot be issued until MND complete.
California Department of Fish and Game (CDFG)	Streambed Alteration Agreement	Issued 7/27/2009 Doesn't "expire". Must have a copy of the letter, application and all attachments available at the work site at all times.	Notification# 1600-2009-0063-R5 issued- CDFG action period expired 6/30/2009 and agreement was issued automatically as a result of expired action period. Standard Permit conditions.	None
Caltrans	Encroachment Permit # 0509-NUB-0017	Original issued 5/20/2009; Rider issued 7/1/2009- permit extended to 12/31/2010.	1. Permit expiration date is 12/31/2010. 2. Contractor is req'd to apply and pay for "Double Permit" at \$492.00. 3. Temporary road/bridge closure at the Route 192/Foothill Rd Bridge (Bridge No. 51-105PM 3.36) = 1-week MAXIMUM at any one time. 4. Contractor cannot park/operate heavy equipment on the bridge without permission from Caltrans.	None
City of Santa Barbara	Temporary Traffic Control Permit No: PBW 2008-01878	Original Verbally Issued 12/20/2008 Permit expires end 2009.	1. Permit verbally issued over phone to Cesar Romero. City does not provide hard copy of permit until Construction is set to begin. City Public Works Counter Staff indicates permit should be picked up/paid for 2-4 weeks before work starts 2. Cost of Permit = \$218.00. 3. Temporary traffic detours (through City Limits) are currently permitted for a 6-week period from October 1 to November 15; and a one week period after the SCC is in operation. Road closure duration = 1 week MAXIMUM at any time.	1.(AECOM/COMB): Need to EXTEND Permit duration through 2010 (City Traffic/Public Works staff unresponsive to AECOM calls and emails) 2. Permit extended to 12/2010.
County of Santa Barbara	Flood Control Permit	Pending	1. County Flood Control has been contacted (9/2009) to verify if permit is needed. Waiting on response. 2. Flood Control responded via email on 10/29/09 they are currently reviewing the project. 3. 11/16/09- Flood Control completed project review and the determination was made that a permit from Flood Control for the project will not be necessary. However, it was advised that the City of Santa Barbara be contacted to evaluate the water surface elevations within the floodway.	1. COMB- Contact City of Santa Barbara re: water surface elevations 2. City Flood Plain Coordinator contacted, response from David Miles requires possible letter of No Rise from Syd Temple at Questa. Syd currently reviewing request per email sent 1-7-2010.

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**Red italic text indicates update*

Notes for Mission Creek South Coast Conduit Crossing and Fish Passage Project			
Agency	Permit	Status	Notes
U.S. Army Corps of Engineers (USACE) Section 404 Permit	Section 404 of the Clean Water Act (CWA) permit	Pending Application dated 2-2009 Nationwide Permits 12 & 33	1. Originally submitted to Sacramento office- should go to Crystal Huerta in the Ventura Office. (Per Rosie Thompson.) Will be resubmitted 7/23/09 with AECOM distribution of design specifications. 2. Emails from Rosie of SAIC (dated 8/14/09) indicated: NWP #33 req'd under Section 404 for dewatering + NWP #12 + NWP # 27 also req'd.
National Marine Fisheries Service (NMFS)	Section 7 of the Endangered Species Act Consultation	Pending Part of 404 - no separate application. Re-vegetation Plan is accepted.	1. Pending USBR review - Rosie to draft letter to USBR requesting review 2. Email from Michael Kinsey (9/9/09) indicating USBR approves USACE taking lead on Section 7 Consultation. 3. On 9/10/09, COMB submitted response to USACE request for add'l information including Section 401 application 4. On 10/16/09 COMB submitted a Preliminary Jurisdictional Determination Form with MND to Theresa Stevens. 5. Corps sent letter 10/20/09 requesting consultation. 6. Section 7 USACE consultation completed 10/20/09 and sent to NOAA and USFWS. Consultation will be informal. 7. Letter dated 12/16/2010 from NOAA to USACE determines that NOAA does not concur with the USACE proposed action of not likely to affect steelhead, and is requesting that NMFS also not concur with the USACE determination. Formal Consultation is requested by NOAA.

CACHUMA OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: January 25, 2010
TO: Members of the Board
FROM: Kate Rees, General Manager
RE: **OPERATIONS STAFF RESTRUCTURING**

RECOMMENDATIONS:

1. Authorize staff to revise the Operations Supervisor's job description to better apportion tasks between the Operations Supervisor and a proposed new staff Engineer.
2. Approve a new salary range of \$79,333 – \$92,456 for the Operations Supervisor position, and approve a permanent appointment to Robert Dunlap as Operations Supervisor.
3. Eliminate the Operations Foreman position.
4. Approve a new professional Engineer position with a salary range of \$85,277 - \$102,283

DISCUSSION:

Operations Supervisor

In July 2009, the COMB Board appointed Robert Dunlap, the Operations Foreman, to fill the Operations Supervisor position on an interim basis to supervise and coordinate the activities of the operations field crew personnel in light of the Operations Supervisor vacancy. Formerly, the Operations Foreman position was solely utilized for project management work and did not include supervising or training personnel. At that time, an interim salary increase was also approved to compensate for the additional supervisory duties and responsibilities undertaken by the Operations Foreman.

Staff is recommending that the Operations Supervisor position be restructured to transfer tasks that are more appropriately performed by a staff Engineer to a proposed new Engineer position, leaving supervision and training of the field crew, and management of COMB operation and maintenance duties with the Operations Supervisor position. Robert Dunlap would remain in this position.

Proposed salary range: \$79,333 - \$92,456 (same as current interim salary)

The fiscal impact for FY 2009-10 will be a \$10,000 decrease in operations salaries due to the vacancy since July 2009. The fiscal impact for FY 2010-11 will be an increase in operations salaries of \$13,524 plus a burden of \$4,328 for a total of \$17,852, which is the difference between the Operations Foreman salary and the proposed Operations Supervisor salary. This position is fully funded by the South Coast Member Units.

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PAGE 1

To offset the increased salary, staff will reduce other areas of the COMB budget commensurably, primarily in outside consulting work.

Operations Foreman

It is recommended that the Operations Foreman position be eliminated.

Engineer

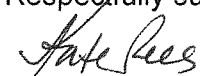
Currently, COMB has no engineering expertise. With the impending Capital Improvement Project work that will significantly impact COMB staff in the very near future, particularly with regard to the work associated with construction of the Second Pipeline Project, staff is recommending adding a new professional Engineering position. This new position will fill a much needed gap in the area of technical engineering expertise and project management for COMB's Capital Improvement Program. The new Engineer would take over some work currently done by outside engineering consultants, and the duties of the position will also include supervision of COMB's engineering technical staff. This position would go out for recruitment.

Proposed salary range: \$85,277 - \$102,283

The proposed salary range affiliated with this position is the same as the former Operations Supervisor's salary, and is in line with other staff engineering positions among the Member Units. Therefore, the fiscal impact is neutral for FY 2009-10 and FY 2010-1. The Engineer position is fully funded by the South Coast Member Units.

The Operating Committee has discussed the proposed add/delete restructuring of the operations staff and the associated salary increase. The Committee acknowledged and supported the need for the proposed staff and resources, and recommended approval by the Board, with the understanding that this change in staffing would not result in a budget increase.

Respectfully submitted,



Kate Rees
General Manager

Cachuma Operation & Maintenance Board

Operations Supervisor Position - restructured
Annual salary plus burden

	Annual Salary*	Medical	Dental	Vision	EAP	Life Insurance	6.20% Soc Sec	1.45% M Care	6.68% W Comp	7% EE-PERS	10.67% ER-PERS
Former	\$ 78,932	\$ 17,106	\$ 420	\$ 204	\$ 48	\$ 72	\$ 4,894	\$ 1,145	\$ 5,273	\$ 5,414	\$ 8,423
Proposed	\$ 92,456	\$ 17,106	\$ 420	\$ 204	\$ 48	\$ 72	\$ 5,732	\$ 1,341	\$ 6,176	\$ 6,361	\$ 9,866
Increase	\$ 13,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 838	\$ 196	\$ 903	\$ 947	\$ 1,443

Total Salary increase \$ 13,524

Benefits/Burden increase \$ 4,328

32.00%

Total Cost increase \$ 17,852

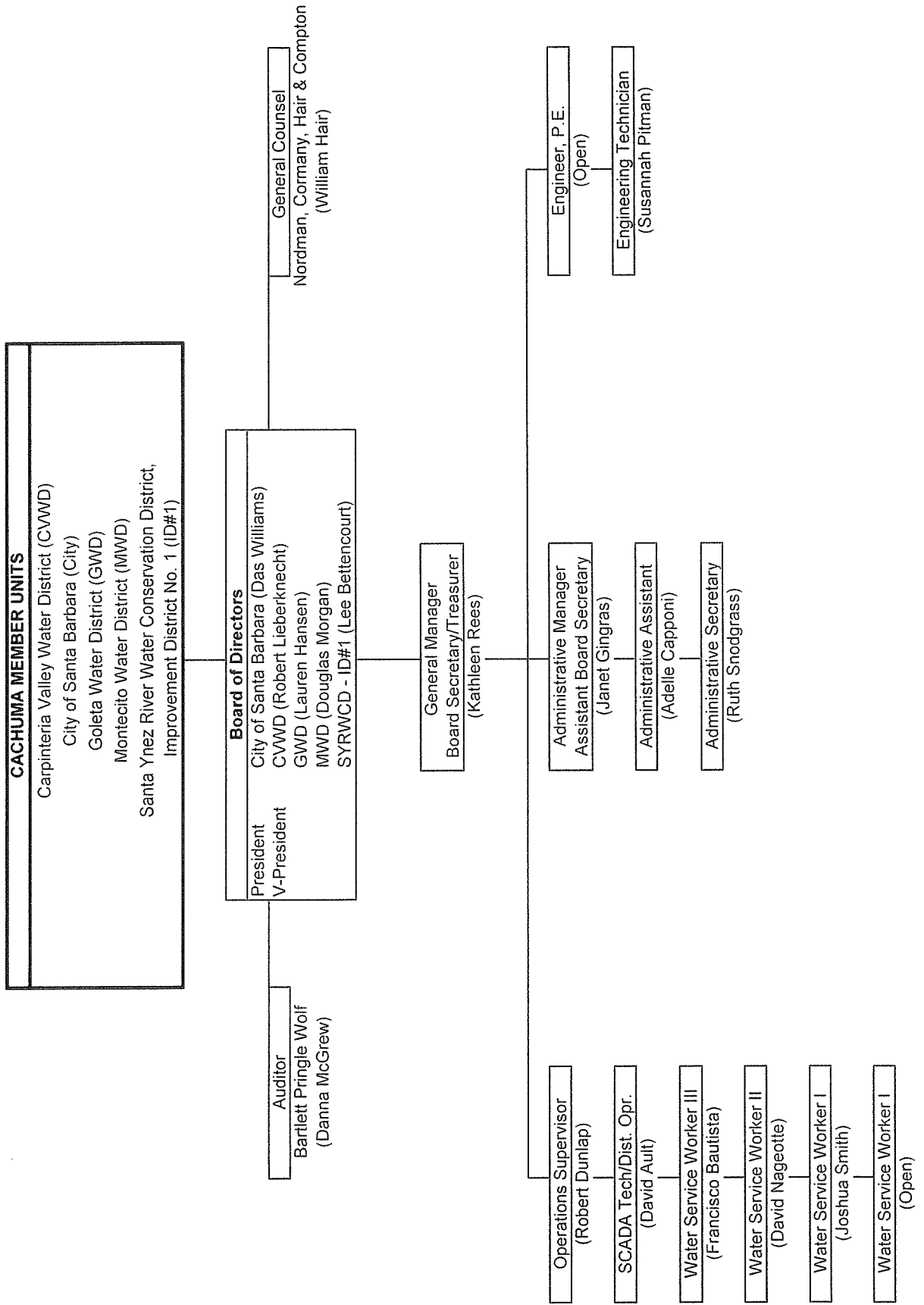
Burden difference is 32% of salary difference

* Assumed at highest step inclusive of longevity increases

CACHUMA OPERATION & MAINTENANCE BOARD

ORGANIZATIONAL CHART

January 2010



CACHUMA OPERATION AND MAINTENANCE BOARD

MEMORANDUM

DATE: January 25, 2010

TO: Board of Directors

FROM: President Williams and Director Hanson, Ad Hoc Committee to the Operating Committee

RE: **REPORT REGARDING ROLES AND RESPONSIBILITIES OF COMB OPERATING COMMITTEE**

RECOMMENDATION:

For consideration by the COMB Board

DISCUSSION:

At the November 4, 2009 COMB Operating Committee meeting, a discussion on the roles and responsibilities of the Operating Committee resulted in the Committee requesting that these be clarified by the COMB Board. The Board President appointed a Board Ad Hoc Committee consisting of President Williams and Director Hanson to attend the January 13, 2010 Operating Committee meeting to discuss this issue with the General Managers.

A wide ranging discussion took place at the meeting. Some of the managers expressed dissatisfaction at how the Operating Committee was functioning, and that there were communication difficulties. It was acknowledged that COMB was not originally established with an Operating Committee in place, as was the case with CCWA, and that its formation and development was a "culture change" for COMB. Yet it is the CCWA model that seems to be the preferred model.

The Operating Committee was formed primarily for the Member Unit Managers to provide input into the planning, coordination, and budgeting of major operations work and capital improvement projects, to address larger issues that may result in financial impacts to the Member Units, and to assist with strategic planning. It was also meant to be a forum within which recommendations regarding COMB's work could be developed with input from the managers, prior to the General Manager presenting a recommendation to the Board. An opinion was expressed that there are still discussions at the Board level that have not been previously been discussed at the Operating Committee level. However, this seems to be a

product of deciding which issues should first be considered by the Operating Committee and which should go directly to the Board for consideration.

The Member Unit Managers were in general agreement that the responsibilities of the Operating Committee should be patterned more closely after CCWA, in that everything COMB is involved with, particularly anything that may have a financial impact on the Member Units budgets. They also felt major operations and CIP projects, personnel issues, and staffing changes should first be discussed with the Operating Committee. All policy decisions, of course, remain the responsibility of the COMB Board.

It was decided that the chair of the Operating Committee would go over the agenda with the General Manager prior to the meetings, and that if the managers wanted items added to the agenda, that they should provide those to either the Chair or the General Manager.

There was substantial discussion regarding the proper forum to discuss the fisheries projects. ID1 objected to having the COMB Operating Committee or the COMB Board deal with any of the SYR fisheries program or projects. Consequently, a suggestion was made to return to a more informal Managers meeting, so that both COMB and CCRB items could be discussed rather than continue with a formal Operating Committee appointed by the COMB Board.

After a wide-ranging discussion there with limited consensus among the Operating Committee members on the following:

- The current Operating Committee structure would stay in place, and all would strive to make it function more effectively and along the lines as originally envisioned.
- There would be no change to the scope of duties for the Operating Committee and the Committee would deal with COMB issues only.
- The fisheries work would be discussed on an ad hoc basis with the Managers (and Attorneys if needed) at meetings separate from the Operating Committee meetings.

COMB Admin/board memo/012510_Ops Com ad hoc report.mmo

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