



**CALL OF SPECIAL MEETING
OF THE BEAUMONT CHERRY VALLEY DISTRICT
BOARD OF DIRECTORS**

The undersigned, Dr. Blair Ball, President of the Beaumont Cherry Valley Water District, hereby calls a Special Meeting of the Board of Directors of said District to be held **Friday, March 26, 2010 at 7:00 p.m.** at the Beaumont Cherry Valley Water District's Administrative Offices located at 560 Magnolia Avenue, Beaumont, California 92223.

Dated: March 24, 2010

Dr. Blair Ball

Dr. Blair Ball, President of the
Board of Directors of the
Beaumont Cherry Water District



**BEAUMONT CHERRY VALLEY WATER DISTRICT
BOARD OF DIRECTORS
SPECIAL BOARD MEETING AGENDA
Friday, March 26, 2010 at 7:00 PM
560 Magnolia Avenue, Beaumont, CA 92223**

CALL TO ORDER, PRESIDENT BALL

PLEDGE OF ALLEGIANCE, DIRECTOR HALLIWILL

INVOCATION, DIRECTOR WOLL

ROLL CALL, JULIE SALINAS

PUBLIC INPUT

PUBLIC COMMENT: Anyone wishing to address the Board of Directors on any matter not on the agenda of this meeting may do so now. Anyone wishing to speak on an item on the agenda may do so at the time the Board considers that item. All persons wishing to speak must fill out a "Request to Speak" form and give it to the Secretary at the beginning of the meeting. The forms are available on the table at the back of the room. There is a three (3) minute limit on public comments. Sharing or passing time to another speaker is not permitted. Please do not repeat what was said by a previous speaker except to note agreement with that speaker. Thank you for your cooperation.

ACTION ITEMS

1. ADOPTION OF THE AGENDA

HALLIWILL	M	S	A	N
PARKS	M	S	A	N
ROSS	M	S	A	N
WOLL	M	S	A	N
BALL	M	S	A	N

2. APPROVAL, RATIFICATION AND CONFIRMATION OF LOAN AGREEMENT WITH BANK OF AMERICA, AGREEMENTS WITH FINANCIAL CONSULTANT AND BOND COUNSEL AND ADOPTION OF RESOLUTION 2010-05**

HALLIWILL	M	S	A	N
PARKS	M	S	A	N
ROSS	M	S	A	N
WOLL	M	S	A	N
BALL	M	S	A	N

3. APPROVAL OF AMENDING PART 2 SECTION 20, PARAGRAPH I (FINANCIAL OFFICER, PAGE 20) OF THE DISTRICT'S POLICIES AND PROCEDURES MANUAL (FINANCIAL OFFICER) RESOLUTION 2010-06**

HALLIWILL	M	S	A	N
PARKS	M	S	A	N
ROSS	M	S	A	N
WOLL	M	S	A	N
BALL	M	S	A	N

4. ADJOURNMENT

HALLIWILL	M	S	A	N
PARKS	M	S	A	N
ROSS	M	S	A	N
WOLL	M	S	A	N
BALL	M	S	A	N

** Information included in the agenda packet

Assistance for the Disabled: If you are disabled in any way and need accommodation to participate in the meeting, please call Julie Salinas, at (951) 845-9581 Ext. 21 for assistance so the necessary arrangements can be made.

The agenda material for this meeting is available to the public at the District's Administrative Office which is located at 560 Magnolia Avenue, Beaumont, CA 92223. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate inspection at the same location.

RESOLUTION NO. 2010-05

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE BEAUMONT-CHERRY VALLEY WATER DISTRICT ACCEPTING A LOAN AS EVIDENCED BY THE EXECUTION AND DELIVERY OF A PROMISSORY NOTE IN THE PRINCIPAL AMOUNT OF \$5,000,000, AND AUTHORIZING THE EXECUTION OF DOCUMENTS AND ACTIONS RELATED THERETO

(2010 Promissory Note)

WHEREAS, this Board desires to finance the District's share of certain design and construction costs related to the expansion of the Recycled Water Facilities Project (the "Project");

WHEREAS, in order to finance the Project, the District desires to borrow \$5,000,000 by obtaining a bank loan;

WHEREAS, Bank of America, N.A. (the "Bank") has agreed to make such a loan, the loan to be evidenced by a promissory note to be executed and delivered by the District;

WHEREAS, in furtherance of the execution and delivery of the note, there has been submitted to this Board, for its consideration and approval, a form of the following:

- (a) the loan agreement (the "Loan Agreement"); and
- (b) the form of the promissory note (the "2010 Note").

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate the financing for the purposes, in the manner, and upon the terms herein provided;

WHEREAS, each of the documents which is now before this Board is in appropriate form and is an appropriate document to be executed and delivered for the purpose intended;

NOW, THEREFORE, BE IT FOUND, DETERMINED and ORDERED, that:

Section 1. The above recitals are true and correct and this Board so finds.

Section 2. The form and substance of the Loan Agreement, including the 2010 Note attached thereto, are approved. The President and Secretary of this Board, and the General Manager, and such other officers of the District as the President may designate, are each referred to herein as an "Authorized Officer", and any one of them

is authorized and directed, for and in the name of the District, to execute and deliver the Loan Agreement and the 2010 Note in the forms submitted to this Board, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution thereof by such Authorized Officer; provided that such changes, insertions and omissions shall not authorize a principal amount to be borrowed under the Loan Agreement in excess of \$5,000,000 or a maturity of the 2010 Note beyond 2015.

Section 3. The District reasonably anticipates that the amount of obligations to be issued by the District, the interest on which is to be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, during calendar year 2010, including the 2010 Note, will not exceed \$30,000,000.

Section 4. Sidley Austin LLP has been retained as bond counsel to the District in conjunction with the 2010 Note. Its letter, dated March 18, 2010, heretofore submitted to the Board, governing its engagement by the District, is approved. The Board authorizes the General Manager, for and in the name of the District, to agree to and accept the engagement letter, fees and expenses payable thereunder, to be paid as a cost of issuance of the 2010 Note.

Section 5. Any Authorized Officer is authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts necessary or proper for carrying out the execution and delivery of the 2010 Note and the transactions contemplated by this Resolution and the documents herein approved.

Section 6. All actions heretofore taken by any Authorized Officers with respect to the execution and delivery of the Loan Agreement and 2010 Note, are ratified, confirmed, and approved in all respects.

ADOPTED, SIGNED AND APPROVED this ____ day of _____, 2010.

Blair Ball, President
Beaumont-Cherry Valley Water District
and of the Board of Directors thereof

ATTEST:

Ryan Woll, Secretary
Beaumont-Cherry Valley Water District
and of the Board of Directors thereof

I hereby certify that the foregoing resolution was passed and adopted by the Board of Directors of the Beaumont-Cherry Valley Water District, Riverside County, California, at a meeting thereof held on the ____ day of _____, 2010, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

VACANCY:

Ryan Woll, Secretary
Beaumont-Cherry Valley Water District
and of the Board of Directors thereof

ATTEST:

Blair Ball, President
Beaumont-Cherry Valley Water District
and of the Board of Directors thereof

LOAN AGREEMENT

THIS "LOAN AGREEMENT" (this "Agreement" or this "Loan Agreement") is made and entered into as of this 26th day of March, 2010, by and between the BEAUMONT-CHERRY VALLEY WATER DISTRICT, an irrigation district duly organized and existing under the laws of the State of California ("Borrower"), and BANK OF AMERICA, N.A., a national banking association ("Bank").

SECTION 1 DEFINITIONS

The definitions appearing in this Agreement or in any Loan Document whether in this Section 1 or otherwise shall be applicable to both the singular and plural forms of the defined terms. Certain defined terms are set forth below:

1.1 "Additional Revenues" means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Water System to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of an independent financial adviser (which may but need not be the outside firm providing financial advisory services to Borrower) or independent certified public accountant (which may but need not be the outside firm providing auditing services to Borrower) retained by Borrower ("Qualified Financial Adviser" and "Independent Certified Public Accountant," respectively).

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the certificate or opinion of the Qualified Financial Adviser or an Independent Certified Public Accountant.

1.2 "Agreement" means this Loan Agreement as it may be amended or supplemented from time to time in a writing signed by Bank and Borrower.

1.3 "Bank Expenses" has the meaning it is defined to have in Section 5.12.

1.4 “Business Day” has the meaning it is defined to have in the Note.

1.5 “Code” has the meaning it is defined to have in Section 5.13(a).

1.6 “Fiscal Year” means the twelve-month period commencing on January 1 of each year and ending on the following December 31.

1.7 “Funding Date” has the meaning it is defined to have in the Note.

1.8 “GAAP” means generally accepted accounting principles and practices consistently applied. Accounting terms used in this Agreement but not otherwise expressly defined have the meanings given them by GAAP.

1.9 “Governmental Authority” means any nation or government, any state or other political subdivision thereof or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

1.10 “Indebtedness” means all items of indebtedness which, in accordance with GAAP and practices, would be included in determining liabilities as shown on the liability side of a statement of condition of Borrower as of the date as of which indebtedness is to be determined, including, without limitation, all obligations for money borrowed and capitalized lease obligations, and shall also include all indebtedness and liabilities of others assumed or guaranteed by Borrower or in respect of which Borrower is secondarily or contingently liable (other than by endorsement of instruments in the course of collection) whether by reason of any agreement to acquire such indebtedness or to supply or advance sums or otherwise.

1.11 “Lien” means any voluntary or involuntary security interest, mortgage, pledge, claim, charge, encumbrance, title retention agreement, or third party interest, covering all or any part of the property of Borrower.

1.12 “Loan” means the credit facility described in Section 2.1.

1.13 “Loan Documents” means this Agreement, the Note, and all other documents, instruments and agreements required by Bank and, executed in connection with this Agreement, the Note or the Loan.

1.14 “Maintenance and Operation Expenses” means all expenses and costs of management, operation, maintenance and repair of the Water System and all incidental costs, fees and expenses properly chargeable to the Water System (but excluding debt service or other similar payments on Parity Obligations or other obligations and depreciation and obsolescence charges or reserves therefor, and amortization of intangibles and inter-fund transfers or other bookkeeping entries of a similar nature).

1.15 “Maturity Date” has the meaning it is defined to have in the Note.

1.16 “Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year during the term of this Agreement by totaling the aggregate amount of (i) the principal and interest coming due under

this Agreement in such Fiscal Year, and (ii) the principal and interest coming due and payable in such Fiscal Year on any Parity Obligations, including the principal amount coming due and payable by operation of mandatory sinking fund redemption. There shall be excluded from such calculation any principal of and interest on any Parity Obligations which have been defeased or discharged, or for the payment of which a security deposit has been posted. With respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the 5 previous whole calendar years at 65% of the 3-month Libor Index (or at any time in the event and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations as may be selected by Borrower in its sole discretion).

1.17 “Net Revenues” means Revenues less Maintenance and Operation Expenses.

1.18 “Note” means the promissory note described in Section 2.1.

1.19 “Obligations” means and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Borrower to Bank of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of this Agreement or any of the other Loan Documents, including without limitation all interest, fees, charges, expenses, attorneys’ fees and accountants’ fees chargeable to Borrower or incurred by Bank in connection with its dealings with Borrower and payable by Borrower hereunder and thereunder.

1.20 “Parity Obligations” means any bonds, notes or obligations of Borrower payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Loan.

1.21 “Payment Due Date” has the meaning it is defined to have in the Note.

1.22 “Person” means any individual or entity.

1.23 “Project” has the meaning it is defined to have in Section 2.1.

1.24 “Requirements of Law” means, as to any Person, the articles or certificate of incorporation and bylaws or charter or other organizational or government documents of such Person, and any law, rule or regulation, or a final and binding determination of an arbitrator or a determination of a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

1.25 “Revenues” means all gross income and revenue received by Borrower from the ownership and operation of the Water System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, including hook-up or capacity charges, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to the Water System, (c) any other operating or non-operating revenue from any source, and (d) the proceeds derived by Borrower

directly or indirectly from the sale, lease or other disposition of a part of the Water System; provided, that the term “Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of Borrower.

1.26 “Security” has the meaning it is defined to have in Section 2.4.

1.27 “Water System” means any and all domestic water production, transmission and distribution facilities owned, controlled or operated by Borrower, including all property rights, contractual rights, and appurtenances necessary, useful or convenient therefor.

SECTION 2 THE CREDIT

2.1 **Credit Facility.** Upon the satisfaction of the conditions precedent set forth in Section 3 below, Bank will loan to Borrower the sum of Five Million Dollars (\$5,000,000.00) (the “Loan”) in one disbursement on or before March 31, 2010 (the “Funding Date”) in accordance with the terms of the Note (defined below). Unless Bank is otherwise instructed by Borrower in writing prior to the Funding Date, the disbursement of Loan proceeds shall be accomplished through a wire transfer by Bank in accordance with the following wiring instructions:

The Bank of Hemet
ABA # 122234194
Account # 4500141512
Reference: Beaumont-Cherry Valley Water District

The proceeds of the Loan shall be used to finance the construction and design costs of certain improvements to Borrower’s Water System (the “Project”). The Loan shall be evidenced by a promissory note (the “Note”) in the form of Exhibit A attached hereto.

2.2 **Prepayment.** The Loan may be prepaid as and when set forth in the Note, subject to all terms and conditions thereof.

2.3 **Interest.** The unpaid principal balance of the Loan shall bear interest at the rate or rates provided for in the Note. Interest on this Loan shall be payable on each Payment Due Date, as defined in the Note.

2.4 **Security.** Borrower hereby irrevocably pledges to Bank, as security for the payment of the principal of and interest on the Loan and all other Indebtedness of Borrower under any Loan Document, and hereby grants to Bank a first priority security interest in, the Net Revenues (sometimes referred to herein as the “Security”).

2.5 **Additional Costs.**

2.5.1 Change In Law. If any change in any law or regulation or in the interpretation thereof by any court or administrative or Governmental Authority charged with the administration thereof shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against Bank, or assets held by, or deposits

in or for the account of, Bank or (ii) impose on Bank any other condition regarding this Agreement or the Note) and the result of any event referred to in clause (i) or (ii) above shall be to increase the cost to Bank of entering into this Agreement or maintaining the Note (which increase in cost shall be determined by Bank's reasonable allocation of the aggregate of such cost increases resulting from such event), then, within 30 days after a written demand by Bank, Borrower shall pay to Bank from time to time as specified by Bank, additional amounts which shall be sufficient to compensate Bank for such increased cost. A certificate setting forth such increased cost incurred by Bank as a result of any event mentioned in clause (i) or (ii) above and giving a reasonable explanation thereof, submitted by Bank to Borrower, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for all purposes as to the amount thereof.

2.5.2 Capital Adequacy. In the event that Bank shall have determined that the adoption after the date hereof of any law, rule or regulation regarding capital adequacy, or any change therein or in the interpretation or application thereof or compliance by such with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, does or shall have the effect of reducing the rate of return on Bank's capital as a consequence of its obligations hereunder to a level below that which Bank could have achieved but for such adoption, change or compliance (taking into consideration Bank's policies with respect to capital adequacy) by any amount deemed by Bank to be material, then from time to time, within 30 days after demand by Bank, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank for such reduction, and Bank shall provide Borrower with a statement in reasonable detail setting forth the calculation of the amount of such compensation.

2.6 **Illegality**. If the enactment, adoption or promulgation of any applicable law, regulation or regulatory requirement of general applicability by any Governmental Authority charged with the administration or application thereof, which in each of the foregoing cases is binding upon Bank or Bank's participation in the transactions contemplated by this Agreement and the other Loan Documents, renders it unlawful for Bank to fund or maintain the Loan or to participate in the transactions contemplated by this Agreement and the other Loan Documents, Bank shall promptly inform Borrower in writing of such illegality and it shall be an Event of Default hereunder (as such term is defined in Section 7). Bank shall use its best efforts to avoid such illegality, including, if applicable, calculating interest using a different standard.

SECTION 3 CONDITIONS PRECEDENT

Bank shall not be obligated to disburse all or any portion of the Loan and Bank shall have no obligations under this Agreement or any of the Loan Documents unless at or prior to the time of each such disbursement, the following conditions have been satisfied or waived in writing by Bank:

3.1 **Documentation**. Borrower shall have delivered to Bank duly executed originals (or, where authorized, counterpart originals) of the following:

3.1.1 This Agreement;

3.1.2 The Note;

3.1.3 All Loan Documents not specifically listed above; and

3.1.4 Such authorization documents, financial statements, incumbency certificates and opinions as Bank may reasonably require, including, when filed, the Form 8038-G and the Tax Certificate referred to in Section 5.13(h).

3.2 **Compliance.** Borrower shall have performed and complied with all terms and conditions required by this Agreement to be performed or complied with, including (without limitation) the payment in full of any fees or other charges due to be paid to Bank on or before the disbursement of the Loan or any portion thereof.

3.3 **Authorization to Obtain Credit.** Borrower shall have provided Bank documentation (in the form of an approving resolution of Borrower and appropriate closing certificates) in form and substance satisfactory to Bank demonstrating that Borrower is duly authorized to execute, deliver and perform this Agreement and the other Loan Documents. Such documentation shall also designate the persons who are authorized to act on Borrower's behalf in connection with this Agreement to do the things required of Borrower pursuant to this Agreement.

3.4 **Opinion.** Borrower shall have delivered to Bank the favorable written opinion or opinions of counsel satisfactory to Bank which opinion or opinions shall be addressed to Bank and cover such matters as Bank may require, including (without limitation) (i) due execution and enforceability of this Agreement, the Note and each of the other Loan Documents to which Borrower is a party, (ii) the enforceability and validity of the pledge of Net Revenues to secure the Loan as specified in Section 2.4, (iii) the non-taxability of the interest paid in respect of the Loan and that such interest is not a preference item for purposes of the federal alternative minimum tax on individuals and corporations, and (iv) the eligibility of Borrower to be designated a "qualified small issuer" under the Tax Reform Act of 1986 with respect to the Loan.

3.5 **Continuing Compliance.** At the time any disbursement is to be made and as a result thereof, immediately thereafter, there shall not exist any Event of Default (as hereinafter defined) or any event, condition, or act which with notice or lapse of time, or both, would constitute an Event of Default under any of the Loan Documents.

SECTION 4 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as of the date hereof (which representations and warranties must also be true as of the date of the disbursement of the Loan, if not made on the date hereof) as follows:

4.1 **Due Creation.** Borrower is an irrigation district duly created, established and authorized to transact business pursuant to California Water Code Section 20500 et seq., and Borrower has the power to own property, carry on its affairs as now being conducted, execute

and deliver this Agreement and the other Loan Documents to which it is a party, and perform its obligations hereunder and thereunder. The Borrower is a political subdivision of the State of California within the meaning of Section 103(c) of the Code, as herein defined, and the Obligations constitute obligations of the Borrower within the meaning of Section 103(a) of the Code.

4.2 Power and Due Authorization. The execution, delivery and performance by Borrower of this Agreement and the other Loan Documents to which it is a party and the other documents contemplated hereby and thereby have been duly authorized by all necessary actions, and Borrower has the power and authority to enter into this Agreement and to execute and deliver the Note and the other Loan Documents.

4.3 No Violation or Default Due to Execution of Loan Documents. The execution, delivery and performance of this Agreement, the Note, and all other Loan Documents do not and will not:

(a) violate or conflict with the organizational documents of Borrower, nor with any provision of any law, rule, regulation (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Borrower or of the formation documents of Borrower,

(b) result in a breach or constitute a default under any resolution, ordinance, indenture, trust agreement, loan or credit agreement, lease, instrument or other contractual restriction binding on or affecting Borrower or by which it or its properties may be bound or affected, or

(c) result in or require the creation or imposition of any lien, security interest or other charge or encumbrance upon or with respect to any of the properties now owned or hereafter acquired by Borrower, other than the Security.

4.4 Compliance with Laws. Borrower is in compliance with all applicable laws, rules, ordinances or regulations which could materially adversely affect Borrower's ability to timely perform its obligations under this Agreement or any Loan Document to which it is a party.

4.5 Financial Statements. Borrower's financial statements which have been delivered to Bank are true and complete, and fairly represent Borrower's financial condition as of December 31, 2009. Since December 31, 2009, there has been no material adverse change in Borrower's financial condition or tax base.

4.6 Litigation. There are no actions, suits, or proceedings pending with service of process accomplished or, to the best knowledge of Borrower after due inquiry, threatened against or affecting Borrower, any properties or rights of Borrower or the Project by or before any court, arbitrator, or administrative or governmental body which (a) if determined adversely to Borrower would adversely affect Borrower's ability to timely perform its obligations under this Agreement or any Loan Document to which Borrower is a party, or (b) relate to the execution, delivery or

performance by Borrower of this Agreement or any Loan Document to which Borrower is a party.

4.7 **No Event of Default.** Borrower is not in violation of or in default in any respect under any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any resolution, ordinance, indenture, trust agreement, loan or credit agreement, lease, instrument or other contract, and no condition, event or act has occurred which with notice or lapse of time, or both, would constitute a default or defined “Event of Default” under any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any resolution, ordinance, indenture, trust agreement, loan or credit agreement, lease, instrument or other contract which could materially adversely affect Borrower’s ability to timely perform its obligations under this Agreement or any Loan Document to which Borrower is party.

4.8 **Approvals.** No consent, approval or other action by or any notice to or filing or registration with any court or administrative or governmental body is or will be necessary to be made or obtained by Borrower for the due execution, delivery and performance by Borrower of this Agreement, the Loan Documents to which it is a party or any other documents contemplated hereby or thereby.

4.9 **Disclosure.** There is no fact known to Borrower that materially adversely affects the ability of Borrower to timely perform its obligations hereunder that has not been disclosed in writing to Bank. No written information furnished by Borrower to Bank in connection with this Agreement (except information which has been superseded by subsequent information provided by Borrower) includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made in such information and all other written information delivered by Borrower, when taken together and in light of the circumstances in which they were made, not misleading in any material respect.

4.10 **Enforceability.** This Agreement and each of the Loan Documents to which Borrower is a party constitutes a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, subject as to enforceability, to bankruptcy, insolvency, moratorium, or other laws and equitable principles relating to or affecting creditors’ rights generally from time to time in effect.

4.11 **No Sovereign Immunity.** Borrower does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Agreement or any of the Loan Documents to which it is a party.

4.12 **Pledged Revenues.** Bank has an enforceable first priority security interest and an irrevocable pledge of the Net Revenues and is not required to take further action to maintain such security interest or irrevocable pledge.

4.13 **No ERISA Plans.** Borrower has not established, is not a party to and has never contributed to an employee benefit plan other than a “governmental plan” within the meaning of Section 414(d) of the Code or Section 3(32) of ERISA.

4.14 **Labor, Salaries and Wages.** Except as disclosed to Bank, there are no disputes presently subject to grievance procedures, arbitration or litigation under any of the collective

bargaining agreements, employment contracts or employee welfare or incentive plans to which Borrower is a party, and there are no strikes, lockouts, work stoppages or slowdowns, or, to the knowledge of Borrower, jurisdictional disputes or organizing activities, occurring or threatened which might have a material adverse effect on the operations or condition (financial or otherwise) of Borrower.

4.15 **Title.** Borrower has title to its assets and properties reflected in the audited Financial Statements referred to in Section 4.5 (except those assets and properties disposed of in the ordinary course of business since the date of such Financial Statements) and all assets and properties acquired by it since such date (except those disposed of in the ordinary course of business).

4.16 **Environmental Compliance.** Borrower is not in violation of any applicable environmental laws, rules or regulations the violation of which would materially and adversely affect its ability to perform its obligations under this Agreement.

4.17 **Incorporation of Representations and Warranties.** Borrower hereby makes every representation and warranty made by it in any Loan Document to which it is a party, which representations and warranties, as well as the defined terms contained therein that are necessary for a correct interpretation thereof, are incorporated herein by this reference with the same effect as if each and every such provision and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to any such Loan Document and no termination or replacement of any such Loan Document shall be effective to amend, terminate or replace such representations and warranties or defined terms as incorporated by reference herein without the prior written consent of Bank.

4.18 **Essential Nature.** The Loan and the improvements to be acquired or constructed with the proceeds thereof are essential to the Borrower's efficient and economic operation and are in the best interest of the Borrower.

4.19 **Operating Expense.** The Obligations are payable from the Borrower's operating budget and constitute current expenses.

4.20 **Available Funds.** The Borrower has on hand sufficient funds to pay all Obligations due in the current Fiscal Year and reasonably believes that sufficient funds will be available to pay all Obligations. The Borrower agrees to budget and appropriate in each Fiscal Year sufficient funds to pay all Obligations coming due in such Fiscal Year during the term of the Loan.

SECTION 5 AFFIRMATIVE COVENANTS

Until all sums payable pursuant to this Agreement, the Note and the other Loan Documents have been paid in full, unless Bank otherwise consents in writing, Borrower agrees that:

5.1 **Use of Proceeds.** Borrower will use the proceeds of the Loan only as provided in Section 2.1 above and the proceeds shall not be used directly or indirectly to purchase or carry

any margin stock, as defined from time to time by the Board of Governors of the Federal Reserve System in Federal Regulation U. In addition, the proceeds of the Loan shall be used in accordance with all applicable Requirements of Law.

5.2 **Payment of Obligations.** Borrower will pay and discharge promptly all payment obligations owed to any person or entity; provided however, that Borrower shall have the right in good faith to contest any such payment obligations and, pending the outcome of such contest, to delay or refuse payment thereof provided that adequately funded reserves are established by it to pay and discharge any such payment obligations.

5.3 **Maintenance of Existence.** Borrower will take all actions within its authority to maintain and preserve its existence, its assets, and all rights, privileges, franchises, licenses and other authority necessary or desirable in order to provide for Borrower's performance under the terms of the Loan Documents.

5.4 **Records.** Borrower will keep and maintain full and accurate accounts and records and prepare all financial statements in accordance with GAAP, and in compliance with the regulations of any governmental or regulatory authority having jurisdiction over Borrower; and will permit employees or agents of Bank at such reasonable times as Bank may request to inspect Borrower's properties, and to examine, audit, and make copies and memoranda of all of Borrower's books, accounts and records, excluding those books, accounts and records which Borrower is not permitted to provide under provisions of the California Public Records Act (Sections 6250 et seq. of the California Government Code).

5.5 **Payment on Obligations.** Borrower will duly and punctually pay or cause to be paid the Loan at the times and places as provided in this Agreement and in the Note, and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this Agreement and in the Note.

5.6 **Maintenance of Properties.** Borrower will at all times keep and maintain or cause to be kept and maintained all of its properties and assets in good repair, working order and condition and will at all times operate or cause to be operated the same in an efficient manner and at a reasonable cost.

5.7 **Notice to Bank.** Borrower will promptly give written notice to Bank of:

(a) Any litigation or administrative or regulatory proceeding affecting Borrower where the amount claimed is \$500,000 or greater or the granting of the relief requested would have a material adverse effect on Borrower's financial condition or ability to timely repay the Loan or on Bank's access to the Security;

(b) Any substantial dispute between Borrower and any governmental or regulatory authority which would have a material adverse effect on Borrower's financial condition or ability to timely repay the Loan or on Bank's access to the Security;

(c) Any Event of Default;

(d) The modification, extension, amendment, replacement or termination of any law, regulation or ordinance affecting Borrower's operation as an irrigation district with the ability to exercise the powers of an irrigation district as found in Sections 20500 et seq. of the California Water Code or its ability to grant and maintain Bank's liens on or irrevocable pledge of the Security (or any portion thereof); and

(e) Any other matter which has resulted or might reasonably be expected to result in a material adverse change in (i) Borrower's financial condition, (ii) its ability to timely repay the Loan or (iii) Bank's access to the Security.

5.8 Financial Statements. Borrower will deliver to Bank or cause to be delivered to Bank, in form and detail satisfactory to Bank the following financial information, which Borrower warrants shall be accurate and complete in all material respects:

(a) Fiscal Year End Financial Statements. As soon as available but no later than one hundred eighty (180) days after and as of the end of each Fiscal Year, a complete copy of Borrower's financial statements, prepared in accordance with GAAP, audited by an independent certified public accountant (the "Accountant"). Borrower shall not change its financial reporting year end from the current Fiscal Year without Bank's prior written consent unless otherwise required by law.

(b) Quarterly Financial Statements. As soon as available but no later than forty-five (45) days after and as of the end of each fiscal quarter, Borrower's quarterly unaudited financial statements, prepared internally by Borrower which financial statements shall show, in comparative form, results of the quarter against the budget for such quarter.

(c) Budget for Upcoming Fiscal Year. As soon as available, but in no event later than May 1 of each year, a true, correct and complete copy of each of the proposed annual budget of Borrower for the Fiscal Year, and after approval of such budget by the governing body of Borrower, a true and correct copy of the approved annual budget for the applicable Fiscal Year.

(d) Certification Regarding Coverage Requirement. As soon as available, but in no event later than May 1 of each year, a certification, in accordance with Section 5.14 hereof, that Net Revenues, together with existing unencumbered cash and cash-equivalent balances which are lawfully available to Borrower for such Fiscal Year, are at least equal to 115% of the aggregate amount of principal of and interest on the Loan and principal of and interest on any Parity Obligations coming due and payable in such Fiscal Year.

(e) Other Information. Such other statements, lists of property and accounts, budgets, forecasts, reports, or other information, as Bank may from time to time request.

5.9 Compliance with Laws. Borrower shall comply with all laws, rules, regulations, orders and directives of any governmental or regulatory authority having jurisdiction over Borrower, and shall comply with all laws, regulations and directives necessary to maintain its existence as an irrigation district under the California Water Code.

5.10 **Insurance.** The Borrower will procure and maintain such insurance relating to the Water System and the revenue producing assets of the Borrower which it shall deem advisable or necessary to protect its interests and the interests of the Bank, which insurance shall afford protection in such amounts and against such risks as are usually covered in the State of California in connection with water enterprises comparable 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 enterprises in the State of California.

5.11 **Additional Requirements.** Upon Bank's demand, Borrower will promptly take such further action and execute all such additional documents and instruments in connection with this Agreement and the other Loan Documents as Bank in its reasonable discretion deems necessary, and promptly supply Bank with such other information concerning its affairs as Bank may request from time to time.

5.12 **Attorneys' Fees and Costs.** Borrower will pay to or reimburse Bank for (i) all costs, expenses and fees incurred by Bank in negotiating, preparing, and documenting this Agreement, all the other Loan Documents, and all amendments and modifications to any Loan Documents, including but not limited to all filing and recording fees, costs of appraisals, insurance, (ii) all reasonable attorneys' fees, including the reasonable estimate of the allocated costs and expenses of in-house legal counsel and staff incurred in negotiating, preparing, and documenting this Agreement, all the other Loan Documents, and all amendments and modifications to any Loan Documents, and (iii) all reasonable fees, expenses, costs and attorneys' fees (including the reasonable estimate of the allocated costs and expenses of in-house legal counsel and staff) paid or incurred by Bank in collecting, modifying or compromising the Loan or in enforcing or exercising its rights or remedies created by, connected with or provided for in this Agreement and the other Loan Documents (collectively, whether described in any or all of subsections 5.12(i), (ii), or (iii), defined as "Bank Expenses").

5.13 **Tax Matters.** Borrower hereby covenants to and for the benefit of Bank, as follows:

(a) **General.** Notwithstanding any other provisions of the Loan Documents, Borrower will not take any action, or fail to take action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Note under Section 103 of the United States Internal Revenue Code (the "Code"). Borrower will not, directly or indirectly, use or permit the use of proceeds of the Loan or any of the property financed or refinanced with proceeds of the Loan, or any portion thereof, by any person other than a governmental person (as such term is used in Section 141 of the Code and applicable Treasury Regulations thereunder), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Loan.

(b) **Use of Proceeds.** Borrower will not take any action, or fail to take action, if any such action or failure to take action would cause the Loan to be characterized as "private activity bonds" within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, will not make any use of the proceeds

of the Loan or any of the property financed or refinanced with proceeds of the Loan, or any portion thereof, that would cause the Loan to be characterized as “private activity bonds” within the meaning of Section 141 of the Code. To that end, so long as any portion of the Loan remains outstanding, Borrower, with respect to such proceeds and property, will comply with the requirements of the Code and the Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. Borrower will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Loan as “governmental bonds.”

(c) Arbitrage. Borrower will not, directly or indirectly, use or permit the use of any proceeds of the Loan, or of any property financed or refinanced thereby, or of other funds of Borrower, that would cause the Loan to be characterized as “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and will not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Loan to be characterized as “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. To that end, Borrower will comply with all requirements of Section 148 of the Code and the Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Loan.

(d) Federal Guarantee. Borrower will not make any use of the proceeds of the Loan, or of any other funds of Borrower, that would cause the Loan to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and will not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Loan to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 5.13, Borrower covenants that it will execute and deliver, in connection with the issuance of the Note, a Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 (the “Tax Certificate”), or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Loan from the gross income of Bank for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein. These covenants shall survive payment in full of the Loan.

5.14 Coverage Requirement. Borrower agrees it will, at all times, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are sufficient to yield Net Revenues which, together with existing unencumbered cash and cash-equivalent balances which are lawfully available to Borrower for such Fiscal Year, are at least equal to 115% of the aggregate amount of principal of and interest on the Loan and principal of and interest on any Parity Obligations coming due and payable in such Fiscal Year.

5.15 **Small Issuer Exemption from Bank Nondeductibility Restriction.** Borrower hereby designates the Note as a “qualified tax-exempt obligation” for purposes of Section 265(6)(3) of the Code, and represents that not more than \$30,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Code except qualified 501(c)(3) bonds as defined in Section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Note, has been or will be issued by Borrower, including all subordinate entities of Borrower, during calendar year 2010.

SECTION 6 NEGATIVE COVENANTS

Until all sums payable pursuant to this Agreement, the Note and the other Loan Documents have been paid in full, unless Bank otherwise consents in writing, Borrower agrees as follows:

6.1 **Liens.** Absent prior written consent from Bank, Borrower will not create, assume or suffer to exist any Lien on or pledge of the Security except in connection with borrowings permitted under Section 6.2. Borrower will not create, assume or suffer to exist any lien on or pledge of the Security senior to the pledge and lien granted to the Bank.

6.2 **Borrowings.** Borrower will not be or become indebted for borrowed money, the deferred purchase price of property, leases which would be capitalized in accordance with GAAP, or become liable as a surety, guarantor, accommodation party or otherwise for or upon the obligation of any other Person, the payment of which is payable from the Security, except Parity Obligations and other Indebtedness of Borrower that is subordinated to the Loan.

6.3 **Security Protection.** Borrower will not commit any act or do anything that would cause any of the Security pledged to Bank to be impaired, reduced or otherwise unavailable as a source of repayment of the Loan.

6.4 **Issuance of Parity Obligations.** Except for obligations incurred to prepay the Loan in whole or in part, or to post a security deposit therefor, Borrower may not issue or incur any Parity Obligations unless:

(a) Borrower is not then in default under the terms of this Agreement.

(b) The Net Revenues calculated in accordance with GAAP, as shown by the books of Borrower for the latest Fiscal Year or as shown by the books of Borrower for any more recent 12 month period selected by Borrower, in either case verified by a certificate or opinion of an Independent Financial Adviser or an Independent Certified Public Accountant retained by Borrower, plus (at the option of Borrower) the Additional Revenues, will at least equal 115% of the amount of Maximum Annual Debt Service; provided, however, that this subsection (b) does not apply to any issue of Parity Obligations the net proceeds of which are applied to prepay the Loan or any Parity Obligations in whole or in part, so long as (i) the final maturity of such Parity Obligations does not exceed the final maturity of the obligations being refunded, and (ii) the

aggregate amount of debt service on such Parity Obligations in each Fiscal Year does not exceed the amount of debt service which would otherwise come due and payable in such Fiscal Year on the obligations being refunded.

For purposes of the foregoing calculation of Net Revenues under this subsection (b), Borrower may add to such Net Revenues any Additional Revenues.

(c) Notwithstanding the above, Borrower may incur debt payable from Net Revenues (i) to cause a prepayment of this Loan or (ii) which is payable on a basis which is subordinate to the payments due under this Agreement.

6.5 **No Sale of Water System.** Borrower shall not sell, lease, transfer or dispose of the Water System or any component thereof excepting only such component as is replaced.

SECTION 7 EVENTS OF DEFAULT

The occurrence of any of the following events shall constitute “Events of Default” hereunder and under each of the Loan Documents:

7.1 **Timely Payment.** Borrower shall fail to timely make any payment when due under the Note, this Agreement or any of the other Loan Documents.

7.2 **Breach of Covenants.** Borrower or any other Person shall fail to perform any obligation under any Loan Document on its part to be performed (other than a payment obligation) and such failure shall continue for more than 10 calendar days after Bank gives notice to Borrower of such failure.

7.3 **Representations and Warranties.** Any representation or warranty made, or financial statement, certificate or other document provided, by Borrower shall prove to have been false or misleading in any material respect.

7.4 **Insolvency.** Borrower shall fail to pay its debts generally as they become due or shall file or become the subject of any petition or action for relief under and bankruptcy, insolvency, reorganization, moratorium, creditor composition law, or any other law for the relief of or relating to debtors, or a custodian, receiver, trustee, assignee for the benefit of creditors, or other similar official, shall be appointed to take possession, custody or control of the properties of Borrower.

7.5 **Breach of Other Obligations.** Borrower shall (i) fail to perform under any agreement involving the borrowing of money other than the Loan Documents, the purchase of property, the advance of credit or any other monetary liability of any kind to Bank or to any other person where such failure has or could reasonably be expected to have a material adverse effect on the ability of Borrower to repay the Loan or any other obligation owing to Bank pursuant to this Loan Agreement or (ii) default in any payment on any Indebtedness payable from any Net Revenues or any other event shall occur, the effect of which is to permit such Indebtedness to be declared or otherwise to become due prior to its stated maturity.

7.6 **Governmental Action.** Any governmental or regulatory authority or legislative body shall take any action or any other event shall occur, any of which has or could reasonably be expected to have a material adverse effect on the financial condition of Borrower, its ability to repay the Loan, the enforceability of the security interests or pledge of any of the Security, or renders it unlawful for Bank to fund or maintain the Loan or to participate in the transactions contemplated by this Agreement or the other Loan Documents.

7.7 **Security Interests.** Bank shall not have a perfected first priority security interest in any portion of the Security, or the irrevocable pledge of the Net Revenues shall prove to be unenforceable or of limited effectiveness.

7.8 **Judgments.** Any judgment shall be entered against Borrower, or any involuntary lien of any kind or character shall attach to any asset or property of Borrower, any of which, in the reasonable determination of Bank based upon the facts of such judgment as entered against Borrower, has or could reasonably be expected to have a material adverse effect on the financial condition of Borrower or its ability to timely repay the Loan or Bank's access to the Security.

SECTION 8 REMEDIES

Upon the occurrence of an Event of Default, Bank will have the following rights and remedies which it may choose to exercise or not exercise in its sole and absolute discretion:

8.1 **Termination of Obligations of Bank.** Bank may terminate any obligation of Bank (though not the right of Bank) to make disbursements under or continue the Loan.

8.2 **Acceleration.** If, as a result of an Event of Default, Bank may declare all sums of interest and principal and any other amounts owing under the Note or under any other Loan Document immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or any other notices or demands. Otherwise, an Event of Default hereunder shall not result in an acceleration of Borrower's Obligations hereunder or under the Note.

8.3 **Article 9 Remedies.** In addition to any other remedies available under applicable law, Bank may exercise any rights and remedies of a secured creditor under the California Commercial Code (the "UCC"), including the provisions of Division 9 thereof commencing with UCC Section 9101, with respect to any or all of the property included in the definition of "Security" notwithstanding that Borrower is an irrigation district organized and existing under the laws of the State of California, and notwithstanding UCC Section 9109(d)(17) or any other statutory provision that ordinarily makes Division 9 of the UCC inapplicable to governmental agencies or municipal entities.

8.4 **Other Remedies.** Bank may exercise any other right or remedy provided by applicable law.

SECTION 9 GENERAL PROVISIONS

9.1 **Additional Remedies.** The rights, powers and remedies given to Bank hereunder shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Bank by law against Borrower or any other person or entity, including but not limited to Bank's rights of setoff and banker's lien.

9.2 **Nonwaiver.** Any forbearance or failure or delay by Bank in exercising any right, power or remedy hereunder shall not be deemed a waiver thereof and any single or partial exercise of any right, power or remedy shall not preclude the further exercise thereof. No waiver shall be effective unless it is in writing and signed by an officer of Bank.

9.3 **Inurement/Assignment.** The benefits of this Agreement and the other Loan Documents shall inure to the successors and assigns of Bank and the permitted successors and assigns of Borrower. The Bank may assign its rights and interests hereunder and, upon any such assignment, shall notify the Borrower. The Borrower shall not assign its rights or interests hereunder without the prior written consent of the Bank.

9.4 **Applicable Law.** This Agreement and the other Loan Documents shall be governed by and construed according to the laws of the State of California.

9.5 **Severability.** Should anyone or more provisions of this Agreement or any other Loan Document be determined to be illegal or unenforceable, all other provisions of such document shall nevertheless be effective.

9.6 **Controlling Document.** In the event of any irreconcilable inconsistency between the terms of this Agreement and any other Loan Document, the terms of the other Loan Document shall prevail.

9.7 **USA Patriot Act Notice.** Bank is subject to the USA Patriot Act and hereby notifies Borrower that pursuant to the requirements of that Act, Bank is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Bank to identify Borrower in accordance with that Act.

9.8 **Construction.** The section and subsection headings herein are for convenient reference only and shall not limit or otherwise affect the interpretation of this Agreement.

9.9 **Amendments.** This Agreement may be amended only in writing signed by the parties hereto.

9.10 **Counterparts.** Borrower and Bank may execute one or more counterparts to this Agreement, each of which shall be deemed an original, but all such counterparts when taken together, shall constitute one and the same agreement.

9.11 **Notices.** Any notices or other communications provided for or allowed hereunder shall be effective only when given by one of the following methods and addressed to the parties

at their respective addresses listed, below and shall be considered to have been validly given (a) upon delivery, if delivered personally, (b) upon receipt, if mailed, first class postage prepaid, with the United States Postal Service, (c) on the next Business Day, if sent by overnight courier service of recognized standing, or (d) upon telephoned confirmation of receipt, if telecopied or emailed. The addresses to which notices or demands are to be given may be changed from time to time by notice delivered as provided above. The addressee for notices are as follows:

To Borrower:

Beaumont-Cherry Valley Water District
560 Magnolia Avenue
Beaumont, California 92223
Attn: Director of Finance
Phone: 951-845-9581
Fax: 951-845-0159

To Bank:

For business purposes:

Bank of America, N.A.
555 California Street, 4th Floor
San Francisco, CA 94104
Attn: Contracts Administration
Phone: 415-765-1897
Fax: 415-343-0531

For payment purposes:

Bank of America, N.A.
2059 Northlake Parkway
3rd Floor, North
Tucker, GA 30084
Attn: Accounts Receivable
Phone: 800-260-8070

9.12 **Integration Clause.** Except for the other Loan Documents, this Agreement constitutes the entire agreement between Bank and Borrower regarding the Loan, and all prior oral or written communications between Borrower and Bank shall be of no further effect or evidentiary value.

THIS AGREEMENT is executed on behalf of the parties by their duly authorized representative(s) as of the date first above written.

BEAUMONT-CHERRY VALLEY WATER DISTRICT

By: _____

Title: _____

BANK OF AMERICA, N.A.

By: _____

Title: _____

EXHIBIT A

Form of the "Note"

PROMISSORY NOTE

\$5,000,000.00

_____, 2010

FOR VALUE RECEIVED, the maker of this promissory note (the "Note"), BEAUMONT-CHERRY VALLEY WATER DISTRICT ("Borrower"), hereby promises to pay to the order of BANK OF AMERICA, N.A. ("Bank") at its Tucker, Georgia office, or at such other place as Bank may designate in writing, in lawful money of the United States of America, the principal sum of FIVE MILLION DOLLARS (\$5,000,000.00), or so much thereof as may be outstanding, together with interest thereon at the applicable rate specified in this Note, from the date it is disbursed until the date it is paid, together with any other payment obligations specified in this Note, as and when provided herein. This Note is the "Note" defined in that certain "Loan Agreement" executed by Borrower and Bank and dated as of March 26, 2010, as it may be amended from time to time ("Loan Agreement"), and is governed by the terms thereof.

Definitions

Each capitalized term not otherwise defined in this Note shall have the meaning set forth in the Loan Agreement. The following terms used in this Note shall have the meanings indicated below:

"Business Day" means any day except Saturday, Sunday or a day which is not a day on which banks in San Francisco, California are required to be open.

"Funding Date" means the date upon which the initial disbursement is made under this Note to Borrower.

"Maturity Date" means April 1, 2015.

"Payment Due Date" means each date upon which a payment is due pursuant to the terms of this Note, whether for principal, interest or both, including the Maturity Date. Interest shall be amortized with principal over the life of the Loan, paid semi-annually on April 1 and September 1 of each year, commencing on September 1, 2010. A payment schedule is attached to this Note.

Interest

From and after the Funding Date, interest (computed on a 360-day year, 30-day month basis) shall be payable on the unpaid principal outstanding under this Note, on each Payment Due Date, at the rate of 3.38%; provided that the Borrower shall pay to the Bank such amounts as will maintain the Bank's after tax yield on this Note in the event interest hereon is determined to be included in gross income for federal income tax purposes.

Payments

Interest owing under this Note shall be paid on the applicable Payment Due Date and on the Maturity Date.

Notwithstanding anything to the contrary set forth herein or in any Loan Documents, all accrued and unpaid interest at the applicable rate set forth in this Note, and all other payment obligations under this Note if not earlier paid, shall be due and payable to Bank on the Maturity Date.

Prepayment

Subject to the provisions hereof, the Loan may be prepaid in full, but not in part, at any time on or after April 1, 2011, upon 30 days advance written notice to the Bank, in accordance with the following table:

<u>From</u>	<u>To</u>	<u>Prepayment Price</u>
April 1, 2011	March 31, 2013	102%
April 1, 2013	Maturity	100%
plus interest to the prepayment date		

Remedies on Default

The occurrence of any Event of Default as defined in the Loan Agreement shall provide Bank with the rights and remedies set forth in the Loan Agreement.

Qualified Tax-Exempt Obligation

Based upon the Borrower’s designation in the Loan Agreement, Borrower has designated this Note as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Miscellaneous

Borrower shall reimburse Bank for all fees, costs and expenses, including reasonable attorneys’ fees, expended or incurred by Bank in connection with (a) the negotiation, preparation, amendment and enforcement of the Loan Documents, including without limitation during any workout, attempted workout, and/or in connection with the rendering of legal advice as to Bank’s rights, remedies and obligations under the Loan Documents, (b) collecting any sum which becomes due Bank under any Loan Document, (c) any proceeding for declaratory relief, any counterclaim to any proceeding, or any appeal, or (d) the protection, preservation or enforcement of any rights or remedies of Bank or the defense of Bank in any proceeding, including bankruptcy. All such fees, costs and expense described in the preceding sentence shall be included in the definition of “Bank Expenses” as used in the Loan Agreement.

All Bank Expenses shall be payable to Bank pursuant to this Note.

This Note shall be governed by, and construed in accordance with, the laws of the State of California.

BEAUMONT-CHERRY VALLEY
WATER DISTRICT

By: _____

Name: _____

Title: _____

BOND DEBT SERVICE

Beaumont Cherry-Valley Water District
2010 Private Placement
Estimated

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/2010	470,000.00	3.380%	84,969.44	554,969.44	
04/01/2011	465,000.00	3.380%	76,557.00	541,557.00	1,096,526.44
10/01/2011	480,000.00	3.380%	68,698.50	548,698.50	
04/01/2012	485,000.00	3.380%	60,586.50	545,586.50	1,094,285.00
10/01/2012	500,000.00	3.380%	52,390.00	552,390.00	
04/01/2013	500,000.00	3.380%	43,940.00	543,940.00	1,096,330.00
10/01/2013	515,000.00	3.380%	35,490.00	550,490.00	
04/01/2014	515,000.00	3.380%	26,786.50	541,786.50	1,092,276.50
10/01/2014	535,000.00	3.380%	18,083.00	553,083.00	
04/01/2015	535,000.00	3.380%	9,041.50	544,041.50	1,097,124.50
	5,000,000.00		476,542.44	5,476,542.44	5,476,542.44

**PROFESSIONAL SERVICES AGREEMENT
FOR FINANCIAL ADVISOR**

This agreement ("Agreement") has been entered into this 30 day of MARCH, 2010 by and between the Beaumont-Cherry Valley Water District (the "District") and Fieldman, Rolapp & Associates (the "Consultant").

WHEREAS, the District desires independent financial advisory services to be performed in connection with funding of [recycled] water system improvements (the "Project"); and

WHEREAS, the District desires to retain the professional and technical services of the Consultant for the purpose of a debt issuance through a private placement, (the "Services");

WHEREAS, the Consultant is well qualified to provide professional financial advice to public entities such as the District;

NOW, THEREFORE, in consideration of the above recitals and the mutual covenants and conditions hereinafter set forth, it is agreed as follows:

Section 1 Financial Advisory Services.

As directed by the District, Consultant will provide services in connection with the funding of [recycled] water system improvements as such Services are fully described in Exhibit A attached to this Agreement. Consultant is engaged in an expert financial advisory capacity to the District only. It is expressly understood that the Services rendered hereunder are rendered solely to the District. Consultant does not undertake any responsibility to review disclosure documents on behalf of owners or beneficial owners of bonds or debt which may arise from the Consultant's work hereunder.

Section 2 Additional Services.

Services performed for the District by Consultant that are not otherwise specifically identified in Exhibit A to this Agreement, shall be additional services ("Additional Services"). Additional Services include, but are not limited to, the following:

- 2.01 Assisting the District in obtaining enabling legislation or conducting referendum elections.
- 2.02 Extraordinary services and extensive computer analysis in the structuring or planning of any debt issue or financing program.
- 2.03 The repeat of any element of a service described in Exhibit A to this Agreement which is made necessary through no fault of Consultant.
- 2.04 Financial management services, including development of financial policies, capital improvement plans, economic development planning, credit analysis or review and such other services that are not ordinarily considered within the scope of services described in Exhibit A to this Agreement.

- 2.05 Services rendered in connection with any undertaking of the District relating to a continuing disclosure agreement entered into in order to comply with Securities and Exchange Commission Rule 15c2-12 or other similar rules.
- 2.06 Services rendered to the District in connection with calculations or determination of any arbitrage rebate liability to the United States of America arising from investment activities associated with debt issued to fund the Project.

Nothing herein shall be construed as authorization for Additional Services which may be only authorized in writing by the general manager of the District or his or her designee.

Section 3 Compensation.

- 3.01 For Consultant's performance of Services as described in Section 1 of this Agreement the Consultant's compensation will be as provided in Part 1 of Exhibit B attached to this Agreement, plus Consultant's expenses incurred in rendering such Services. Consultant's expenses may include, but are not limited to travel, telephone/conference calls, postage, courier, database access services, and printing.
- 3.02 For Consultant's performance of Additional Services as described in Section 2 of this Agreement, the Consultant's compensation will be as provided in Part 2 of Exhibit B attached to this Agreement, plus Consultant's expenses incurred in rendering such services. Consultant's expenses may include, but are not limited to travel, telephone/conference calls, postage, courier, database access services and printing.
- 3.03 Payment for Consultant's Services rendered pursuant to Section 1 of this Agreement shall be as provided for in Exhibit B to this Agreement, unless specified to the contrary elsewhere in this Agreement. The Consultant may submit monthly invoices for payment for services provided pursuant to Section 2 of this Agreement unless an alternate date or dates have been specifically agreed to in writing. Unless otherwise specified, payment of Consultant's compensation and expenses is due thirty (30) days after submission of Consultant's invoice for services or the resolution of any billing dispute.
- [3.04 In the event the Services of the Consultant are abandoned prior to completion of Consultant's work, Consultant shall be compensated for Services performed to the point of abandonment as if such Services were an Additional Service pursuant to Section 2 of this Agreement. An act of abandonment shall be deemed to have occurred when no action has been taken by the District relative to the services of the Consultant for a period of three (3) months from the date of the initial performance of a Service, or there has been a written notification to the Consultant of an abandonment of the Project by the District.]
- 3.05 Consultant fees set forth in this Agreement and Exhibits are guaranteed by Consultant for a period of twelve (12) months from the date of this Agreement.

Section 4 Personnel.

Consultant has, or will secure, all personnel required to perform the Services under this Agreement. Consultant shall make available other qualified personnel of the firm as may be required to complete Consultant's Services. The District has the right to approve or disapprove any proposed changes in Consultant's staff providing service to the District. The District and Consultant agree that such personnel are employees only of Consultant and shall not be considered to be employees of the District in any way whatsoever.

Section 5 Term of Agreement.

- 5.01 This Agreement shall continue in full force and effect for a period of twenty-four (24) months from the date hereof. This Agreement may be extended from time to time as agreed by the District and the Consultant.
- 5.02 District may terminate the Agreement, in whole or in part, with or without cause, upon ten (10) days written notice to Consultant. Upon receipt of the termination notice, Consultant shall promptly discontinue services unless the notice directs to the contrary. In the event District renders such written notice to Consultant, Consultant shall be entitled to compensation for all Services rendered prior to the effective date of the notice and all further Services set forth in the notice. District shall be entitled to reimbursement for any compensation paid in excess of Services rendered. Consultant acknowledges District's right to terminate this Agreement as provided in the Section, and hereby waives any and all claims for damages that might arise from District's termination of this Agreement. Consultant shall deliver to the District and transfer title (if necessary) to all completed work, and work in progress including drafts, documents, plans, forms, maps, products, graphics, computer programs and reports.

Section 6 Modification.

This Agreement contains the entire agreement of the parties. It may be amended in whole or in part from time to time by mutual consent of the parties. This shall not prohibit the District and Consultant from entering into separate agreements for other services.

Section 7 Assignment.

The rights and obligations of the District under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the District. This Agreement may not be assigned or subcontracted by the Consultant without the consent of the District which consent may be withheld in District's sole and absolute discretion. Any attempted assignment or subcontract in violation of this provision shall be void *ab initio*.

Section 8 Disclosure.

Consultant does not assume the responsibilities of the District, or the responsibilities of the other professionals and vendors representing the District, in the provision of services and the preparation of the financing documents,

including initial and secondary market disclosure, for financings undertaken by the District. Information obtained by Consultant and included in any disclosure documents is, by reason of experience, believed to be accurate; however, such information is not guaranteed by Consultant.

Section 9 Confidentiality.

The Consultant agrees that all financial, statistical, personal, technical and other data and information gained or work product produced by Consultant or designated by the District as confidential shall be protected by the Consultant from unauthorized use or disclosure.

Section 10 Indemnification.

Consultant shall indemnify and hold harmless District and its officers, directors and Representatives (as defined herein) ("District Indemnitees") from and against any and all costs, liabilities, losses, claims, damages, expenses, including reasonable attorneys' fees (collectively, "Damages"), which may be made against the District Indemnitees arising out of or in connection with (a) any acts, errors, neglect or omissions on the part of Consultant or its Representatives; (b) any death, injury, property damage, accident or casualty caused or claimed to be caused by Consultant or its Representatives or involving Consultant or its Representatives or its or their property; and (c) any enforcement by District of any provisions of this Agreement. The foregoing indemnity shall not apply to the extent any such Damages are ultimately established by a court of competent jurisdiction to have been caused by the negligence or willful misconduct of the District Indemnitees or any of them. District shall make all decisions with respect to its representation in any legal proceeding concerning this Section. The term "Representatives" shall mean employees, representatives, agents, contractors, subcontractors or any other persons directly or indirectly employed by any one of the foregoing or reasonably under the control of any of the foregoing or for whose acts any of the foregoing may be liable.

Section 11 Insurance.

- 11.01 Consultant shall maintain workers' compensation and employer's liability insurance during the term of this Agreement.
- 11.02 Consultant, at its own expense, shall obtain and maintain the insurance required hereunder at all times during the prosecution of this Agreement. Such insurance must be written with a Best Guide "A"-rated or higher insurance carrier admitted to write insurance in the state where the work is located.
- 11.03 Certificates of insurance naming the District and its officers, employees and volunteers as additional insureds shall be submitted to the District upon the execution of the Agreement by Consultant, evidencing the required coverages, limits and locations of operations to which the insurance applies, and the policies of insurance shall provide a thirty (30) day notice of cancellation, reduction or non-renewal to District.

11.04 Insurance coverages shall not be less than the following:

A. Workers' Compensation

1. State worker's compensation statutory benefits
2. Employer's Liability - policy limits of not less than \$1,000,000.

B. Comprehensive General Liability coverage with policy limits of not less than \$1,000,000 combined single limit for bodily injury and property damage and including coverage for the following:

1. Premises operations
2. Contractual liability
3. Products
4. Completed operation

The commercial general liability insurance shall include coverage for owned, non-owned, leased and hired vehicles and must be on an "occurrence" basis, not a "claims made" basis.

Errors and omissions with policy limits of \$2,000,000.

11.05 Consultant shall require the carriers of the above required coverages to waive all rights of subrogation and contribution against District and its officers, employees, agents, volunteers, contractors, subcontractors and their respective insurers.

11.06 All policies above required are to be primary and non-contributory with any insurance or self-insurance programs carried by or administered by the District.

Section 12 Permits/Licenses.

The Consultant shall obtain and maintain any permits or licenses, as may be required for it to complete the services required under this Agreement.

Section 13 Binding Effect.

13.01 A waiver or indulgence by the District of a breach of any provision of this Agreement by the Consultant shall not operate or be construed as a waiver of any subsequent breach by the Consultant.

13.02 All agreements and covenants contained herein are severable and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein, and the remaining provisions of this Agreement shall not be affected by such determination and shall remain in full force and effect. This Agreement shall not fail because any part or any clause hereof shall be held indefinite or invalid.

13.03 Each party hereto represents and warrants that this Agreement has been duly authorized and executed by it and constitutes its valid and binding agreement,

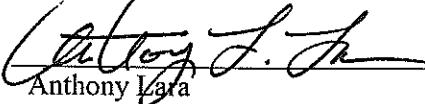
and that any governmental approvals necessary for the performance of this Agreement have been obtained.

13.04 The validity, interpretation and construction of this Agreement and of each part hereof shall be governed by the laws of the State of California. Venue for any lawsuit concerning this Agreement is Riverside County, California.

13.05 The Consultant shall act as an independent contractor in the performance of the services provided for in this Agreement and shall furnish such services in Consultant's own manner and method and in no respect shall Consultant be considered an agent or employee of District, maintaining complete control over all men and operations. No provisions of this Agreement shall be intended to create a partnership or joint venture between Consultant and District and neither Party shall have the power to bind or obligate the other Party, except as expressly set forth in this Agreement.

IN WITNESS Whereof, the parties have duly executed this Agreement as of the day and year first above set forth.

BEAUMONT-CHERRY VALLEY WATER DISTRICT

By: 
Anthony Lara

INTERIM
Title: General Manager

Date: 03/03/2010

FIELDMAN, ROLAPP & ASSOCIATES
1990 MacArthur Boulevard, Suite 1100
Irvine, CA 92612

By: 
Thomas M. DeMars

Title: Managing Principal

Date: March 1, 2010

**EXHIBIT A
TO
PROFESSIONAL SERVICES AGREEMENT FOR FINANCIAL ADVISOR
BY AND BETWEEN
THE BEAUMONT-CHERRY VALLEY WATER DISTRICT
AND
FIELDMAN, ROLAPP & ASSOCIATES**

Scope of Services

A. General Services.

The Consultant shall perform all the duties and services specifically set forth herein and shall provide such other services as it deems necessary or advisable, or are reasonable and necessary to accomplish the intent of this Agreement in a manner consistent with the standards and practice of professional financial advisors prevailing at the time such services are rendered to the District.

The District may, with the concurrence of Consultant, expand this Agreement to include any additional services not specifically identified within the terms of this Agreement. Any additional services may be described in an addendum to this Exhibit A and are subject to fees described in Exhibit B to this Agreement.

B. Debt Issuance Services.

The Consultant shall assume primary responsibility for assisting the District in coordinating the planning and execution of each debt issue relating to the Project. Insofar as the Consultant is providing Services which are rendered only to the District, the overall coordination of the financing shall be such as to minimize the costs of the transaction coincident with maximizing the District's financing flexibility and capital market access. The Consultant's proposed debt issuance Services may include, but shall not be limited to, the following:

- Establish the Financing Objectives
- Develop the Financing Schedule
- Monitor the Transaction Process
- Procure and Coordinate Additional Service Providers
- Provide Financial Advice to the District Relating to Financing Documents
- Compute Sizing and Design Structure of the Debt Issue
- Plan and Schedule Rating Agency Presentation and Investor Briefings
- Conduct Credit Enhancement Procurement and Evaluation
- Conduct Market Analysis and Evaluate Timing of Market Entry
- Recommend Award of Debt Issuance
- Provide Pre-Closing and Closing Assistance

Specifically, Consultant will:

1. Establish the Financing Objectives.

At the onset of the financing transaction process for the Project, the Consultant shall review the District's financing needs and in conjunction with the District's management, outline the objectives of the financing transaction to be undertaken and its proposed form.

Unless previously determined, Consultant shall recommend the method of sale of debt and outline the steps required to achieve efficient market access.

2. Develop the Financing Timetable.

The Consultant shall take the lead role in preparing a schedule and detailed description of the interconnected responsibilities of each team member and update this schedule, with refinements, as necessary, as the work progresses.

3. Monitor the Transaction Process.

The Consultant shall have primary responsibility for the successful implementation of the financing strategy and timetable that is adopted for each debt issue relating to the Project. The Consultant shall coordinate (and assist, where appropriate) in the preparation of the legal and disclosure documents and shall monitor the progress of all activities leading to the sale of debt. The Consultant shall prepare the timetables and work schedules necessary to achieve this end in a timely, efficient and cost-effective manner and will coordinate and monitor the activities of all parties engaged in the financing transaction.

4. Review the Official Statement (if applicable).

Generally, SEC, MSRB, and GFOA guidelines encourage full disclosure so that potential investors have sufficient data to analyze each proposed financing. Upon direction of the District, the Consultant shall review the official statement for each debt issue relating to the Project to insure that the District's official statement is compiled in a manner consistent with industry standards, typically including the following matters:

- Legal Authority for the Financing
- Security for the Financing
- Restrictions on Additional Financings
- Purpose and Funds for which the Financing is Being Issued
- Governmental System
- Financial Management System
- Revenue Sources: Historic, Current and Projected
- Outstanding Financings
- Planned Future Financings
- Labor Relations and Retirement Systems
- Economic Base
- Annual Financial Statements
- Legal Opinions Regarding Tax Exemption
- Such Other Matters as the Context May Require.

5. Procure and Coordinate Additional Service Providers.

Should the District desire, the Consultant may act as District's representative in procuring the services of financial printers for the official statement and related documents, and for the printing of any securities. In addition, the Consultant may act as the District's representative in procuring the services of trustees, paying agents, fiscal agents, feasibility consultants, or other professionals, if the District directs.

6. Provide Financial Advice to the District Relating to Financing Documents.

Simultaneous with assisting in the preparation of official statements for each debt issue relating to the Project, the Consultant shall assist the private placement bank, bond counsel and/or other legal advisors in the drafting of the respective financing resolutions, notices and other legal documents. In this regard, the Consultant shall monitor document preparation for a consistent and accurate presentation of the recommended business terms and financing structure of each debt issue relating to the Project, it being specifically understood however that the Consultant's services shall in no manner be construed as the Consultant engaging in the practice of law.

7. Compute Sizing and Design Structure of Debt Issue.

The Consultant shall work with the District's staff to design a financing structure for each debt issue relating to the Project that is consistent with the District's objectives, that coordinates each transaction with outstanding issues and that reflects current conditions in the capital markets.

8. Plan and Schedule Rating Agency Presentation and Investor Briefings (If applicable).

The Consultant shall develop a plan for presenting the financing program to the rating agencies and the investor community. The Consultant shall schedule rating agency visits, if appropriate, to assure the appropriate and most knowledgeable rating agency personnel are available for the presentation and will develop presentation materials and assist the District officials in preparing for the presentations.

9. Conduct Credit Enhancement Evaluation and Procurement.

Upon the District's direction, the Consultant will initiate discussions with bond insurers, letter of credit providers and vendors of other forms of credit enhancements to determine the availability of and cost benefit of securing financing credit support.

10. Conduct Market Analysis and Evaluate Timing of Market Entry.

The Consultant shall provide regular summaries of current municipal market conditions, trends in the market and how these may favorably or unfavorably affect the District's proposed financing.

a. Competitive Sales / Private Placements.

For all types of competitive sale of debt, the Consultant shall undertake such activities as are generally required for sale of securities by competitive bid including, but not limited to the following:

- Review and comment on terms of Notice of Sale Inviting Bids
- Provide advice on debt sale scheduling
- Provide advice on the use of electronic bidding systems
- Coordinate bid opening with the District officials
- Verify bids received and make recommendations for acceptance
- Provide confirmation of issue sizing, based upon actual bids received, where appropriate
- Coordinate closing arrangements with the successful bidder(s)

b. Negotiated Sales / Private Placements.

In the case of a negotiated sale of debt, the Consultant shall perform a thorough evaluation of market conditions preceding the negotiation of the terms of the sale of debt and will assist the District with the negotiation of final issue structure, interest rates, interest cost, reoffering terms and gross underwriting spread and provide a recommendation on acceptance or rejection of the offer to purchase the debt. This assistance and evaluation will focus on the following areas as determinants of interest cost:

- Size of financing
- Sources and uses of funds
- Terms and maturities of the debt issue
- Review of the rating in pricing of the debt issue
- Investment of debt issue proceeds
- Distribution mix among institutional and retail purchasers
- Interest rate, reoffering terms and underwriting discount with comparable issues
- Redemption provisions

11. Recommend Award of Debt Issuance.

Based upon activities outlined in Task 10(a) and 10(b) above, the Consultant will recommend accepting or rejecting offers to purchase the debt issue. If the District elects to award the debt issue, the Consultant will instruct all parties and help facilitate the actions required to formally consummate the award.

12. Provide Pre-Closing and Closing Activities.

The Consultant shall assist in arranging for the closing of each financing. The Consultant shall assist counsel in assuming responsibility for such arrangements as they are required, including arranging for or monitoring the progress of bond printing, qualification of issues for book-entry status, signing and final delivery of the securities and settlement of the costs of issuance.

C. Special Financing Services.

The Consultant shall assist the District, as needed, in identifying and procuring special financial related services that may be needed for any debt issue relating to the Project. Services that may be required include those listed below:

- Feasibility consultants or other consultants required to deliver services relevant to any debt issue relating to the Project
- Credit providers, such as bank, insurance companies and private lenders

At each point where a special service is required, the Consultant shall research and develop a set of specifications for the desired service, develop a distribution list and supervise the circulation of the request for proposals.

As part of the process of procuring bank credit facilities, such as letters and lines of credit and insurance to support the District's financing programs, the Consultant shall pay particular attention to the cost-effectiveness and to the relative levels of market acceptance of bond insurers and both domestic and international banks. The Consultant shall advise the District as to how the credit rating and investor perception of the potential credit enhancement provider offering such services will affect the market for the debt issue relating to the Project. In addition, the Consultant shall evaluate the roll-over or renewal provisions that each such provider is willing to offer in its agreement with the District to determine which one offers the maximum assurance of continued availability.

**EXHIBIT B
TO
FINANCIAL ADVISORY SERVICES AGREEMENT
BY AND BETWEEN
THE BEAUMONT-CHERRY WATER DISTRICT
AND
FIELDMAN, ROLAPP & ASSOCIATES**

Fees and Expenses

Part 1: Fee for Services

Financial Advisory Services performed pursuant to Section 1 of this Agreement, and as more fully described in the Scope of Services set forth in Exhibit A, will be billed for at \$25,000.

Payment of fees earned by Consultant pursuant to this Part 1 shall be contingent on, and payable at the closing of the debt issue(s) undertaken to finance the Project.

Part 2: Other Services

Unless agreed to otherwise, financial advisory services performed pursuant to Section 2 of this Agreement will be billed at the then current hourly rates. The table below reflects the rates in effect as of the date of execution of this Agreement.

<u>Personnel</u>	<u>Hourly Rate</u>
Executive Officers	\$300.00
Principals	\$290.00
Senior Vice President	\$275.00
Vice Presidents	\$225.00
Assistant Vice President	\$195.00
Senior Associate	\$150.00
Associate.....	\$125.00
Analyst.....	\$85.00
Administrative Assistants	\$65.00
Clerical.....	\$35.00

Expenses

Expenses will be billed for separately and will cover, among other things, travel, lodging, subsistence, overnight courier, conference calls, computer, and fax transmission charges. Advances made on behalf of the District for costs of preparing, printing or distributing disclosure materials or related matter whether by postal services or electronic means, may also be billed through to the District upon prior authorization. Additionally, a surcharge of 6% of the net fee amount is added to verifiable out-of-pocket costs for recovery of costs such as telephone, postage, document reproduction and the like.

Limiting Terms and Conditions

The above fee is based on completion of work orders within six months of the District's authorization to proceed, and assumes that the District will provide all necessary information in a timely manner.

The fee shown above in Part 1 presumes attendance at up to 4 meetings in the District's offices or such other location within a 25-mile radius of the District place of business as the District may designate. Preparation for, and attendance at Board of Directors meetings on any basis other than "by appointment" may be charged at our normal hourly rates as shown in Part 2, above.

Abandonment

If, once commenced, the services of the Consultant are terminated prior to completion of our final report for any reason, we are to be reimbursed for professional services and direct expenses incurred up to the time we receive notification of such termination at the standard hourly rates shown in Part 2.

BEAUMONT CHERRY VALLEY WATER DISTRICT

DIRECTORS

Dr. Blair Ball

President

Stella Parks

Vice President

John M. Halliwill

Kenneth Ross

Ryan Woll

Anthony Lara

Interim General Manager

560 Magnolia Avenue

Beaumont, California 92223-2258

Telephone 951-845-9581

Fax 951-845-0159

www.bcvwd.org

OFFICERS

Ryan Woll

Secretary

Kenneth Ross

Treasurer

Gil Granito

General Counsel

Redwine & Sherrill

March 23, 2010

Directors,

Current district policy states that the board will appoint the district's Financial Officer. The policy is silent on the General Manager's role in this action. In conversation with Vice President Parks, we feel the board should review this policy to determine if the general manager should have a greater role in the appointment of the financial officer.

Some may feel that the appointment of a financial officer should be left to the general manager only, without any board intervention. The general manager should be able to appoint someone with whom there can be a good, professional working relationship and therefore should be the one to make the appointment. Others would counter that board intervention is necessary in order that properly trained and experienced individuals are employed to oversee the finances of the district and report them in a transparent and easily understood format (reference the recent grand jury report).

Therefore, Vice President Parks and I propose the following policy change concerning the appointment of a financial officer (Part 2, Section 20, Paragraph I – Financial Officer, page 20):

1) Delete the first sentence "The Board will appoint the District's Financial Officer" under the heading Financial Officer.

2) Insert "The General Manager shall have input in the appointment of the Financial Officer of the district. This input shall include the preparation of the job description regarding required education and experience desired of the Financial Officer. The General Manager will also be involved with the various methods and levels of the interview process and shall submit, to the Board, two or three potential candidates for appointment. The Board will, review the recommendations provided, insure that it meets current policy, and authorize the General Manager to appoint the Financial Officer. The Financial Officer will report to the General Manager and will be available to respond to financial questions concerning the district when called upon by board members."

We feel this policy change allows greater access of the general manager in the selection process without jeopardizing the board's financial responsibility to the ratepayers.

We welcome your input and consideration of this policy change and will provide opportunity for discussion at our upcoming meeting.

Thanks,

Blair Ball

Stella Parks

- iii. Prescribes the duties of employees and assistants, consistent with District policy, and
- iv. Fixes and alters the compensation of employees and assistants, subject to approval by the Board.

The District's General Manager serves at the pleasure of the Board. The Board will provide policy direction and instructions to the General Manager on matters within the authority of the Board by majority vote of the Board during duly convened Board and Board committee meetings. Members of the Board will deal with matters within the authority of the General Manager through the General Manager, and not through other District employees, except as it pertains to the functions of the Financial Officer. Members of the Board will refrain from making requests directly to District employees (rather than to the General Manager) to undertake analyses, perform other work assignments or change the priority of work assignments. Members of the Board may request non-confidential, factual information regarding District operations from District employees.

- **General Manager Duty.** The General Manager has primary responsibility for
 - i. Ensuring compliance with the District's Personnel Manual, and ensuring that District employees do not engage in improper activities,
 - ii. Investigating allegations of improper activities, and
 - iii. Taking appropriate corrective and disciplinary actions.
- **Board Duty.** The Board has a duty to ensure that the General Manager is operating the District according to law and the policies approved by the Board. Directors are encouraged to fulfill their obligation to the public and the District by disclosing to the General Manager, to the extent not expressly prohibited by law, improper activities within their knowledge. Directors will not interfere with the General Manager's responsibilities in identifying, investigating and correcting improper activities, unless the Board determines that the General Manager is not properly carrying out these responsibilities.
- **Financial Officer.** ~~The Board will appoint the District's Financial Officer (who will work closely with the General Manager and report to the Board).~~ The General Manager shall have input in the appointment of the Financial Officer of the district. This input shall include the preparation of the job description regarding required education and experience desired of the Financial Officer. The General Manager will also be involved with the various methods and levels of the interview process and shall submit, to the Board, two or three potential candidates for appointment. The Board will, review the recommendations provided, insure that it meets current policy, and authorize the General Manager to appoint the Financial Officer. The Financial Officer will report to the General Manager and will be available to respond to financial questions concerning the district when called upon by board members.

The Financial Officer will install and maintain a system of auditing and accounting that will completely and at all times show the financial condition of

the District in accordance with generally accepted accounting principles and legal requirements. The Board will retain and periodically review the work of an auditor as an independent contractor of the District (other than the Financial Officer), who will report to the Board, to conduct an annual audit of the District's books, records and financial affairs.

RESOLUTION No. 2010-06

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE BEAUMONT CHERRY VALLEY WATER DISTRICT
AMENDING PART 2, SECTION 20, PARAGRAPH I (FINANCIAL OFFICER, PAGE 20) OF
PART 2 OF THE DISTRICT'S POLICIES AND PROCEDURES

WHEREAS, the Board of Directors of the Beaumont Cherry Valley Water District has determined that it is in the best interest of the District to adopt a formal and comprehensive Public Records Policy;

WHEREAS, the Board of Directors of the Beaumont Cherry Valley Water District has carefully reviewed Exhibit A to this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that Part 2, Section 20, Paragraph I (Financial Officer, page 20) of the Beaumont Cherry Valley Water District's Policy Manual is hereby amended in its entirety in the form and content set forth in Exhibit A to this Resolution;

ADOPTED, SIGNED AND APPROVED, THIS 26TH DAY OF MARCH, 2010 BY THE FOLLOWING VOTES:

AYES:
NOES:
ABSENT:
ABSTAIN:

Dr. Blair Ball, President of the
Board of Directors of the
Beaumont Cherry Valley Water District

Attest:

Ryan Woll, Secretary to the
Board of Directors of the
Beaumont Cherry Valley Water District

Exhibit A

- **Financial Officer.** The General Manager shall have input in the appointment of the Financial Officer of the district. This input shall include the preparation of the job description regarding required education and experience desired of the Financial Officer. The General Manager will also be involved with the various methods and levels of the interview process and shall submit, to the Board, two or three potential candidates for appointment. The Board will, review the recommendations provided, insure that it meets current policy, and authorize the General Manager to appoint the Financial Officer. The Financial Officer will report to the General Manager and will be available to respond to financial questions concerning the district when called upon by board members.

The Financial Officer will install and maintain a system of auditing and accounting that will completely and at all times show the financial condition of the District in accordance with generally accepted accounting principles and legal requirements. The Board will retain and periodically review the work of an auditor as an independent contractor of the District (other than the Financial Officer), who will report to the Board, to conduct an annual audit of the District's books, records and financial affairs.