SECOND AMENDED CONTRACT

AMONG THE STOCKTON EAST WATER DISTRICT, THE CALIFORNIA WATER SERVICE COMPANY, THE CITY OF STOCKTON, THE LINCOLN VILLAGE MAINTENANCE DISTRICT, AND THE COLONIAL HEIGHTS MAINTENANCE DISTRICT PROVIDING FOR THE SALE OF TREATED WATER

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The original contract ("Original Contract") was made the 11th day of February, 1975, among Stockton East Water District, a political subdivision of the State of California, hereinafter referred to as Stockton East, the California Water Service Company, a California corporation, hereinafter referred to as Cal-Water, the City of Stockton, a municipal corporation of the State of California, hereinafter referred to as City, the Lincoln Village Maintenance District, a political subdivision of the State of California, governed by the Board of Supervisors of San Joaquin County, hereinafter referred to as Lincoln, and the Colonial Heights Maintenance District, a political subdivision of the State of California, governed by the Board of Supervisors of San Joaquin County, hereinafter referred to as Colonial. This Second Amended Contract is made this 25th day of September, 1987, by and among all the same parties as were parties to the Original Contract.

WITNESSETH THAT:

WHEREAS, Stockton East contemplated the construction of water treatment facilities which would permit treatment of raw water available to Stockton East and in turn make the same available for municipal and industrial use within Stockton East through Cal-Water, City, Lincoln and Colonial, which operate "municipal" water distribution systems within that portion of Stockton East commonly known as the Stockton Metropolitan Area; and

WHEREAS, it was anticipated that said water treatment facilities would have a nominal capacity to treat and distribute 20,000 acre feet of water per year and would be physically capable of treating additional quantities of water annually; and

WHEREAS, in order to construct said water treatment facilities, pursuant to authority granted to it by an affirmative vote at an election held on March 5, 1974, Stockton East sold revenue bonds pursuant to the Revenue Bond Law of 1941, which bonds have a maximum amortization period of not to exceed 30 years from the date of their issue; and

WHEREAS, said water treatment facilities have been constructed; and

WHEREAS, the purpose of constructing and operating the water treatment facilities was to assist in alleviating severe ground water overdraft problems especially in the western portion of Stockton East underlying the Stockton Metropolitan Area, and particularly to stop, or slow the

rate of, falling ground water tables and related saline intrusion from the west; and

WHEREAS, Stockton East with the concurrence of City, Cal-Water, and the Board of Supervisors of San Joaquin County has heretofore had prepared, approved and adopted a "Master Water Plan" and a "Contingency Water Plan" and an "Environmental Impact Report dated October, 1973" to serve as guidelines to Stockton East in solving the water problems of Stockton East and in providing solutions in the problems of ground water overdraft and saline intrusion, which plans, among other things, contemplated the construction of water treatment facilities; and

WHEREAS, since the construction of the water treatment facilities, there has been completed the Eastern San Joaquin Groundwater Study; and

WHEREAS, that Study demonstrates that an additional annual minimum of 30,000 acre feet of supplemental surface water must be imported into the Stockton Metropolitan Area in order to meet the needs of that area by the year 2020; and

WHEREAS, it is the desire and intention of all of the parties that said water treatment facilities, and the distribution of water treated by them, will be operated and conducted at all times in a manner which will have the most beneficial effect possible in reducing ground water overdraft, reducing the rate of lowering of underground water levels and of reducing saline intrusion into the ground water basin underlying Stockton East; and

WHEREAS, under date of August 25, 1970, Stockton East under its prior name of Stockton and East San Joaquin Water Conservation District, entered into contracts with the United States of America and the Calaveras County Water District by which Stockton East obtained a portion of the supply of water developed by New Hogan Dam on the Calaveras River; and

WHEREAS, under date of December 19, 1983, Stockton East entered into a contract with the United States Department of the Interior, Bureau of Reclamation, by which Stockton East obtained the right to a portion of the supply of water developed by New Melones Dam on the Stanislaus River, on an interim basis; and

WHEREAS, Stockton East has allocated a portion of its water supply from New Hogan Dam and New Melones Dam together with such other water supplies as it may have now and in

the future to said water treatment facilities so as to permit said water treatment facilities to produce a minimum of 20,000 acre feet of treated water per year; and

WHEREAS, in order to eliminate the present ground water overdraft and to meet its municipal and industrial and agricultural needs, Stockton East requires additional supplies of water in excess of those which it now obtains from New Hogan Dam and is now endeavoring to obtain the supplies of water which it requires from various sources which may now or in the future be available; and

WHEREAS, in order to make the most beneficial use of the water from New Hogan Dam, New Melones Dam, and any other source, it will be necessary to construct conveyance and storage facilities, and to expand the existing water treatment facilities; and

WHEREAS, a First Amendment to the Original Contract was made May 31, 1977, and expired March 31, 1978; and

WHEREAS, the parties hereto desire to enter into this Second Amended Contract so as to produce the maximum benefit to the underground basin by providing for a mechanism for the financing and construction of such conveyance, storage and expanded water treatment facilities as may be necessary, and by altering the method of payment of the base monthly payment under the Original Contract so as to provide maximum incentive for use of treated water in a cost effective and/or energy efficient manner thereby reducing the use of water produced from the underground basin; and

WHEREAS, Stockton East will perform studies necessary to provide recommendations to the Contractors intended to optimize energy efficiency; and

WHEREAS, it is the intent of the parties hereto that this Second Amended Contract shall apply to all treated water produced by the water treatment facilities, regardless of the source of raw water so treated;

Now, Therefore, It Is Agreed As Follows:

1. DEFINITIONS: When used herein, unless otherwise indicated expressly to the contrary, the following words, terms and phrases shall have the following meanings:

1A. "Acquisition and Construction Fund" means the fund having such name established and defined by the Bond Resolution.

1B. "Agricultural water" means water used primarily in the commercial production of agricultural crops or livestock, including domestic use incidental thereto, on tracts of land operated in units of more than 2 acres.

1C. "Annual Audit" means the audit to be undertaken each year, by a certified public accountant selected by Stockton East, in accordance with subparagraphs 5C and 6C.

1D. "Annually" refers to the 12-month period commencing on April 1 and ending on the next succeeding March 31st.

1E. "Base monthly payment" means the basic payment which each Contractor shall pay and which the Contractors together shall pay, the amount of which shall be calculated on an annual basis pursuant to Paragraph 5 and shall be paid on a monthly basis pursuant to Paragraph 6.

1F. "Base supply of raw water" means the minimum supply of raw water provided by Stockton East from various sources to meet the needs of the water treatment facilities, which base supply of raw water shall be 20,000 acre feet per year except as provided in subparagraphs 4J, 4K, and 4L.

1G. "Base supply of treated water" means the minimum supply of treated water which Stockton East will furnish from the water treatment facilities to Contractors in the manner set forth in this Second Amended Contract, which base supply of treated water shall be 20,000 acre feet per year except as provided in subparagraphs 4J, 4K, and 4L.

1H. "Bond Resolution" means the resolution adopted by Stockton East on February 20, 1975, identified as Resolution No. 74-75-21.

1I. "Bond Reserve Account" means the account held as a reserve fund by Stockton East, and used by Stockton East in accordance with the Bond Resolution.

1J. "Bond Sinking Fund Account" means the account having such name established and defined by the Bond Resolution.

1K. "Contractors" means the parties to this Second Amended Contract, other than Stockton East, or any other parties who may hereafter take water in accordance with Paragraph 13 and who further agree to be bound by all of the terms of this Second Amended Contract as the same now exists or as it may have been amended at the time such additional Contractors agree to take water and who agree in

writing to be bound by this Second Amended Contract or this Second Amended Contract as amended.

1L "Conveyance and Storage Facilities" means those facilities not at present constructed which Stockton East intends to construct in order to acquire, store and convey raw water to the water treatment facilities from sources other than New Hogan Dam.

1M. "Debt service" means the payments required to be made during each year for principal, interest and other charges to the holders of the water treatment facilities bonds, all in accordance with the schedule attached hereto as Exhibit "A", provided that debt service shall not include premiums on water treatment facilities bonds required to be called under the Bond Resolution except to the extent that any such premium in any year exceeds interest earned in such year on the Bond Sinking Fund Account.

1N. "Debt service surcharge" means an annual sum equal to 20% of annual debt service.

1O. "Initial delivery date" means March 10, 1977, the date of first delivery of treated water from the water treatment facilities into the distribution facilities of Cal-Water under the Original Contract.

1P. "Initial delivery of water" means the actual first delivery of treated water from the water treatment facilities into the distribution facilities of any one or more of the Contractors.

1Q. "Intake facilities" means the facilities constructed as a part of the water treatment facilities at Bellota, San Joaquin County, California, to divert water into the raw water transmission line.

1R. "Municipal and industrial share" means the percentage of the cost of acquisition of supplemental surface water from any source other than New Hogan Dam, including the cost of acquisition of such water and the cost of construction of conveyance and storage facilities which is allocated as municipal and industrial water by Stockton East as set forth in Paragraph 15. Such share shall be paid from the time the first payment becomes due regardless of whether all the municipal and industrial allocated water is in fact used for municipal and industrial purposes.

1S. "Municipal and industrial water" means water used for other than agricultural purposes.

1T. "New debt service" means the payments required to be made during each year, for principal, interest and other charges to the holders of any bonds which may be issued hereafter to finance expansion, additions to, or replacements of the water treatment facilities; and, in the event any bonds are issued to finance the acquisition, location or construction of Conveyance and Storage Facilities if any portion of the raw water conveyed or stored by such facilities is used by the Contractors as municipal and industrial water, new debt service shall include the municipal and industrial share of the payments required to be made during each year for principal, interest and other charges to the holders of such bonds.

1U. "New debt service surcharge" means an annual sum equal to the percentage of annual new debt service required as a surcharge by the controlling debt documents.

1V. "New Hogan Contracts" means the two contracts entered into under date of August 25, 1970, one between the United States of America and the Stockton and East San Joaquin Water Conservation District (now Stockton East) and the Calaveras County Water District, and the other between the Calaveras County Water District and the Stockton and East San Joaquin Water Conservation District (now Stockton East) which contracts together provide for a supply of water to Stockton East from New Hogan Dam.

1W. "New Hogan Dam" means the dam, reservoir and related facilities constructed in Calaveras County on the Calaveras River pursuant to the Act of Congress of December 22, 1944 (58 Stat. 887).

1X. "New Melones Contract" means that contract entered into under date of December 19, 1983, between Stockton East and the United States Department of the Interior, Bureau of Reclamation, by which Stockton East obtained the right to a portion of the supply of water developed by New Melones Dam, on an interim basis.

1Y. "New Melones Dam" means the dam, reservoir and related facilities constructed on the Stanislaus River pursuant to the Flood Control Acts of December 22, 1944 (58 Stat. 887) and October 23, 1962 (76 Stat. 1173).

1Z. "New Service Area" means an area not presently served by any of the Contractors.

1AA. "Nominal capacity" means the capacity of the water treatment plant to produce treated water under normal operating conditions. The water treatment plant construct-

ed pursuant to the plans and specifications described in subparagraph 5A of the Original Contract has a nominal capacity of 20,000 acre feet per year.

1BB. "North Stockton Aqueduct" means a pipeline extending from the water treatment plant to the approximate location of the intersection of Hammer Lane and Southern Pacific Railroad right-of-way in City, sufficient in size to serve that portion of the urban area north of the Calaveras River, together with a branch extending westerly along March Lane to El Dorado Street, and a branch extending westerly along Hammer Lane to West Lane.

1CC. "Noticed public hearing" means a public hearing held by the Board of Directors of Stockton East following at least 10 days notice given to each of the Contractors and further published at least once in a newspaper of general circulation published within Stockton East.

1DD. "Prime rate" means, during any year, the prime interest rate, as announced by the Bank of America, N.T.&.S.A. or its successor, in effect on April 1 of that year for the best credit risks of said Bank or its successor.

1EE. "Parties" means all of the parties to this Second Amended Contract or as the parties may hereafter be modified by the addition or subtraction of one or more contractors.

1FF. "Produced water" means water extracted from the underground by Stockton East or water otherwise developed or made available by Stockton East and not purchased from another agency or entity.

1GG. "Raw water" means the supply of untreated water made available to the water treatment facilities.

1HH. "Raw water transmission line" means the pipeline constructed as a part of the water treatment facilities extending from the intake facilities at Bellota, San Joaquin County, California, to the water treatment plant.

1II. "Southern Water System" means that water supply and distribution system operated by San Joaquin County which provides municipal and industrial water to the Airport, AirMetro Industrial Park, and surrounding Airport facilities; San Joaquin General Hospital, the County Jail Complex and Juvenile Justice Center, three migrant labor camps, County facilities in the Mathews Road area, and such

other areas as may be added to the system from time to time by action of the Board of Supervisors.

1JJ. "Surplus Account" means the account having such name established and defined by the Bond Resolution.

1KK. "Treated water" means water processed by the water treatment plant or other water meeting the requirements of Paragraph 12 made available in accordance with this Second Amended Contract to the Contractors by Stockton East.

1LL. "Water Fund" means the fund having such name established and defined by the Bond Resolution.

1MM. "Water treatment facilities" means (a) the water treatment plant, (b) the raw water transmission line, (c) all related facilities constructed by Stockton East pursuant to bond authorization obtained at an election held on March 5, 1974, and pursuant to all statutory authority including, but not limited to, Sections 53540 and 53541 of the Government Code, as amended, and further in accordance with the plans and specifications described in subparagraph 5A, of the Original Contract, and (d) those measuring devices selected, installed and maintained by Stockton East pursuant to paragraph 11 of this Second Amended Contract; all as they have been constructed or installed pursuant to the Original Contract and as they may be expanded, added to, or replaced after the commencement of the term of this Second Amended Contract.

1NN. "Water treatment facilities advances" means the total sum of money Stockton East advanced under the Original Contract from funds other than the proceeds of the water treatment facilities bonds, to the cost of the water treatment facilities, namely, the sum of $614,073.46, as set forth in the schedule attached hereto as Exhibit "C".

1OO. "Water treatment facilities bonds" means the bonds heretofore issued by Stockton East pursuant to the Revenue Bond Law of 1941.

1PP. "Water treatment plant" means the water treatment plant built by Stockton East generally in the vicinity of East Main Street and the Stockton Diverting Canal, near Stockton, San Joaquin County, California, as a part of the water treatment facilities, pursuant to the Original Contract, as such plant may be expanded, added to, or replaced after the commencement of the term of this Second Amended Contract.

1QQ. "Year" means each 12-month period commencing on April 1 and ending on the next succeeding March 31.

2. TERM.

2A. Effective Date of Second Amended Contract. This Second Amended Contract shall be effective immediately upon its execution by the last of the parties hereto to execute said Contract except that for all purposes the provisions of the Original Contract shall continue to control until the North Stockton Aqueduct has been placed in service, at which time the terms of this Second Amended Contract shall become operative. Notwithstanding the previous sentence, City shall construct and place in service the North Stockton Aqueduct on or before October 31, 1988. This Second Amended Contract shall remain in effect until April 1, 2035.

2B. Replacement of Original Contract. This Second Amended Contract shall replace the Original Contract as soon as it shall take effect, except that where in this Second Amended Contract reference is made to provisions of the Original Contract, those provisions so referred to shall remain in effect. Those back sums referenced in Paragraphs 13 and 14 of the Original Contract shall continue to be due and shall be paid, until paid in full, as though the Original Contract were still in effect.

3. RENEWAL: CONTINUED SERVICE:

3A. Renewal: Each Contractor shall have the right, upon written notice to Stockton East given not less than six months prior to expiration of the initial or any renewal term of this Second Amended Contract, to extend the term of this Second Amended Contract for such term and upon such terms and conditions as Stockton East and the Contractor giving such notice shall agree upon in writing. Promptly after receipt of such notice Stockton East and such Contractor shall negotiate as to the terms and conditions of such renewal contract for such renewal term. The terms and conditions of any such renewal contract shall not be more favorable to one Contractor than those of any such renewal contract between Stockton East and another Contractor.

3B. Continued Service: After the expiration of the initial or any renewal term of this Second Amended Contract, each Contractor shall be entitled to continued service under the following conditions:

3B(1). Service of water in annual percentage amounts determined in accordance with the provisions set forth in Paragraph 4.

3B(2). Service of water shall be at charges to be mutually agreed upon by the parties, provided, however, that if such charges cannot be agreed upon, then service shall be continued at charges calculated in the same manner as applicable during the preceding initial or renewal term, as the case may be.

3B(3). Other terms and conditions of continued service shall be reasonable and equitable and shall be mutually agreed upon, provided, however, that if the parties cannot agree upon such other terms and conditions, continued service shall be in the manner and under all the terms and conditions applicable during the preceding initial or renewal term, as the case may be.

3B(4). If a Contractor shall have given Stockton East written notice of its election to enter into a renewal contract as provided in subparagraph 3A, and if upon expiration of the initial or extended term of this Second Amended Contract, as the case may be, the parties shall not have executed such renewal contract, then such Contractor shall be entitled to continued service under the provisions of this subparagraph 3B.

3C. One Contractor May Renew: The failure of one or more Contractors to enter into a renewal contract or to receive continued service pursuant to the provisions of subparagraph 3A or 3B, as the case may be, shall not prevent any other Contractor from exercising its right to enter into a renewal contract or to receive such continued service, as the case may be.

4. WATER TO BE FURNISHED TO THE CONTRACTORS:

4A. Obligation of Stockton East: Stockton East shall undertake all steps necessary to permit it to operate and maintain the water treatment facilities in order to meet the obligations of Stockton East under this Second Amended Contract. Stockton East shall only be excused from the performance of its obligations under this subparagraph 4A in the event of its performance being prevented by conditions beyond its control, such as, but not limited to an inability to raise sufficient funds to construct said water treatment facilities.

4B. Water to be Made Available: Subject to the provision of subparagraphs 4J, 4K, 4L and 5G, Stockton East

shall make available to the Contractors a minimum of 20,000 acre feet of treated water during each year of the term of this Second Amended Contract. Water shall be allocated among the Contractors in the following manner: Each Contractor shall have the right to take on a continuing monthly basis an amount of treated water equal to the current percentage applicable to such Contractor calculated by Stockton East in accordance with Paragraph 4H hereof multiplied by the aggregate amount of treated water delivered by Stockton East during such month. Nothing in this paragraph will prohibit any Contractor from taking more than its percentage of entitlement at any time to the extent that any other Contractor is not able to use its applicable percentage of entitlement. However, each of the parties hereto agrees to exert its best efforts to use its full proportional water entitlement and to cooperate to see that each Contractor, to the extent possible, receives its full entitlement, both in an energy-efficient and/or cost-effective manner.

4C. Emergency Conditions. In the event of the occurrence of an emergency or other condition beyond the control of a Contractor which requires such Contractor to use more than the percentage of treated water to which it is then entitled hereunder in order to meet the health or safety needs of its consumers, and in the event there is no unused treated water then available, the remaining Contractors ("Remaining Contractors") agree to make available on a temporary basis upon written request therefor from the Contractor so in need (the "Requesting Contractor"), sufficient water to meet such health or safety needs provided that the Requesting Contractor shall pay the Remaining Contractors within 60 days of written demand therefor any actual extra costs, including the cost of replacing the water so provided, and a 15% surcharge for overhead and administration, incurred by the Remaining Contractors by reason of making such treated water available to the Requesting Contractor. The Requesting Contractor shall diligently prosecute all reasonable corrective measures to restore full service independent of water so made available by the Remaining Contractors.

4D. Additional Water: To the extent Stockton East so determines, it will make available to Contractors through the water treatment facilities quantities of water in addition to the base supply of treated water annually. Such additional water shall be made available on a pro-rata basis to the Contractors in accordance with percentages currently allocated to each Contractor pursuant to this Paragraph 4. It is understood that the ability of Stockton East to deliver such additional water on a pro-rata basis

will be dependent upon various factors involving the combined operations of the water treatment facilities and the distribution systems of each of the Contractors. However, the parties agree that they shall together use their best efforts to permit the utilization of such additional water, as well as the base supply, on such pro-rata basis.

4E. Acceptance of Treated Water: The Contractors shall use their best efforts to accept treated water, including both the base supply under Paragraph 4B and any additional water under Paragraph 4D, made available to the Contractors to the extent of the physical capacity of the combined systems and the physical capacity of each Contractor to take and use such water at the times that it is made available, and each Contractor shall undertake all reasonable methods of operation necessary to permit the use of such water, rather than water pumped from the underground, within their respective systems when such water is made available, whether as a part of the base supply or as additional water. Each Contractor shall either construct necessary physical systems to facilitate the taking of water provided to it under this Second Amended Contract or shall arrange through wheeling agreements for the use of the physical systems of other Contractors. The City will construct and place in service the North Stockton Aqueduct (as defined herein) on or before October 31, 1988. Each of the parties hereto agrees to cooperate, to the extent feasible in the operation of its system, to the end that each Contractor receives its full entitlement of treated water in an energy efficient and/or cost effective manner, provided, however, that (unless otherwise mutually agreed) each Contractor shall bear its fair share of the cost of any joint use or jointly owned facility and the expense of operation and maintenance thereof. To this end, the Contractors shall, as necessary, enter into wheeling agreements, subject to all the provisions of this Second Amended Contract. In the event agreement as to the terms of any such wheeling agreement cannot be reached within ninety (90) days of opening of negotiations on any such wheeling agreement, any party to such wheeling agreement negotiation may initiate binding arbitration in accordance with the California Arbitration Act (Code of Civil Procedure §§1280 and following), with the following provisions: Each party shall appoint one arbitrator, who may be any person; the arbitrators so appointed shall appoint a neutral arbitrator, who may be any person and who shall be the sole decision-maker; the scope of arbitration shall be limited to the terms to be included in the wheeling agreement.Nothing in this Paragraph 4E contained shall, however, be deemed to obligate any Contractor to make its facilities, or any part thereof, available for use of any other Contractor unless

there is adequate capacity available in such facilities for such use of the second Contractor. No Contractor shall extend service to a new service area relying on the conveyance facilities of any other Contractor except by mutual agreement. No Contractor shall be under any obligation to dedicate all or any portion of its facilities to the use of any other Contractor hereunder. The foregoing provisions of this Paragraph 4E shall not limit the mutual undertakings of the Contractors set forth in Paragraph 4C to make water available on a temporary basis to a Requesting Contractor in the event of an emergency or other condition beyond the control of the Contractor.

4F. Scheduling of Maintenance: Any repairs, maintenance, replacement, or other work which will necessitate taking all or a portion of the water treatment facilities out of operation shall, to the extent practical, be undertaken each year between November and February, inclusive.

4G. Standard of Operation: Stockton East shall, at all times during the term hereof, operate and maintain the water treatment facilities in accordance with good and accepted waterworks practices.

4H. Calculation of Percentage: On or before September 1 of each year, each Contractor shall provide to Stockton East, in form designated by Stockton East, data, sufficient in Stockton East's determination, to enable Stockton East to calculate the total amount of water produced by that Contractor during the previous Year from all sources, whether from wells, Stockton East, or other providers or sources. On or before the October 1 next succeeding the provision of such data, Stockton East shall calculate for each Contractor a percentage determined by dividing the total amount of water produced by each Contractor, as calculated by Stockton East from the data provided to Stockton East, by the sum of such totals for all Contractors, and multiplying by 100. Such percentage so determined for each Contractor shall be the percentage applicable for each Contractor respectively in accordance with paragraphs 4 and 5, for the Year next succeeding such calculation and Stockton East shall promptly notify the Contractors of each such percentage. Stockton East's determination of the percentages shall be final.

4I. Minimum Amount: Notwithstanding any other provision of the Original Contract or of this Second Amended Contract, in consideration of the consent by Cal Water to a reduction in its minimum allocation of 18,500 acre feet of treated water yearly from the existing 20,000 acre feet nominal capacity of the water treatment plant set forth in

the Original Contract to an amount based on its total water production from all sources as a percentage of all Contractors' total water production from all sources as determined in Paragraph 4 hereof, Stockton East hereby agrees to deliver to Cal Water (on a monthly basis) during each Year a minimum of not less than one-half of the total treated water available for delivery to all Contractors. The Contractors other than Cal Water hereby agree and consent to such agreement by Stockton East regardless of whether, as a result of such deliveries to Cal Water pursuant to such agreement, the amount of treated water delivered to such other Contractors, or any of them, during any Year may be less than the amount determined under Paragraph 4B by use of the applicable percentage determined under Paragraph 4H hereof and regardless of whether the amount of treated water may be insufficient in any Year to meet the allocation of such other Contractors so determined under Paragraph 4B by use of the applicable percentage determined under Paragraph 4H after first meeting the allocation of Cal Water. After so meeting such allocation of Cal Water, the remaining treated water shall be allocated on a pro-rata basis among such other Contractors based on their respective applicable percentages determined under Paragraph 4H. The provisions of this Paragraph shall remain in effect until Conveyance and Storage Facilities have been constructed which deliver to the water treatment plant raw water sufficient in amount to increase the annual nominal capacity of that plant from 20,000 acre feet to 30,000 acre feet.

4J. Lack of Availability of Raw Water: Subject to subparagraph 5G, Stockton East shall be excused from its obligation to deliver annually a minimum of 20,000 acre feet of treated water, without Contractors being excused from making their respective payments to Stockton-East required by this Second Amended Contract during any Year in which there is available to Stockton East, from all sources, less than a total for all uses of 20,000 acre feet of raw water. In such event Stockton East shall during such a Year deliver as much water as it does have available but shall have no liability for its failure to deliver more.

4K. Failure of System to Accept Water: Subject to subparagraph 5G, Stockton East shall also be excused from its obligation to deliver a minimum of 20,000 acre feet of water in any Year during which the combined systems of Contractors fail to accept a full 20,000 acre feet of water due to operational or physical limitations and in such event Stockton East shall deliver as much water as is operationally possible but shall not be obligated to deliver the full 20,000 acre feet of water during such a Year, and in

such event the Contractors shall not be excused from making their respective payments to Stockton, East required by this Second Amended Contract.

4L. Inability to Deliver Treated Water: Subject to subparagraph 5G, Stockton East shall also be excused from its obligation to deliver water without the Contractors being excused from payment during any period, not exceeding 18 months, of failure by Stockton East to deliver treated water for any reason. In the event of a failure by Stockton East to deliver treated water to Contractors, then to the extent practical and to the extent of the capacity of the water treatment facilities, the availability of raw water, and the ability of Contractors' systems to accept water, Stockton East shall subsequently during the Year of such a failure, make up any quantity required to be delivered as a part of the base supply of treated water.

4M. Allocation of Deficiency: Any deficiency resulting due to conditions mentioned in subparagraphs 4J, 4K and 4L shall be allocated among the Contractors on a proportional basis in accordance with the percentages currently allocated to each Contractor pursuant to this Paragraph 4.

5. PAYMENT BY CONTRACTORS.

5A. Amount to Be Paid Annually: In exchange for Stockton East agreeing to make available to Contractors treated water in the manner set forth in Paragraph 4 and otherwise operating in accordance with this Second Amended Contract, the Contractors together shall pay annually, in equal monthly installments estimated, computed, and paid as set forth in Paragraph 6, to Stockton East, regardless of the amount of water actually delivered to Contractors and regardless of whether any water is delivered at all, subject to subparagraph 5G, the sum of the following:

5A(1). Debt service and the debt service surcharge for the subject Year together with 30 equal annual payments calculated to amortize the total water treatment facilities advances with interest at the average interest rate applicable to the water treatment facilities bonds, provided, that, there shall be deducted from the amount of the water treatment facilities advances the aggregate of the sums which have been applied to the water treatment facilities advances either directly from the proceeds of the water treatment facilities bonds or from sums made available pursuant to Paragraph 4 of the Original Contract.

5A(2). New debt service and the new debt service surcharge.

5A(3). A sum equal to the aggregate of the following:

(a) the cost of expansion of, additions to, or replacements of, the water treatment facilities,

(b) the municipal and industrial share of the cost of acquisition of supplemental surface water from any source other than New Hogan Dam, and

(c) the municipal and industrial share of the cost of construction and acquisition of Conveyance and Storage Facilities, less the aggregate of all payments on account of such costs heretofore made by the Contractors, and plus interest at the prime rate for one Year on the remaining balance of such costs, divided by the number of Years remaining in the term of this Second Amended Contract, provided, however, that those costs itemized in the preceding clauses (a), (b) and (c) shall be included only if and to the extent that they have not been financed by the issuance of bonds and/or paid for from reserves established and maintained by Stockton-East pursuant to the provisions of the Bond Resolution, the Original Contract or this Second Amended Contract.

5A(4). The annual adjusted price of the raw water delivered to the water treatment plant including both the base supply of raw water and any additional water which may be delivered to and accepted by the Contractors. The adjusted price of raw water shall be determined annually for each applicable Year as follows:

5A(4)(a). From the total actual cost of all water purchased in any Year by Stockton East there shall be deducted any charges of any kind imposed by a purveyor of raw water to Stockton East on the use or required scheduling of municipal and industrial water, as opposed to agricultural water.

5A(4)(b). The amount so obtained pursuant to subparagraph 5A(4)(a) shall then be multiplied by a fraction, the numerator of which shall be the amount of raw water delivered to the water treatment plant during the year and the denominator of which shall be all water purchased or produced by Stockton East during the year. For purposes of the denominator, water shall be measured as follows:

5A(4)(b)(i) Water purchased from New Hogan Dam shall be the amount of water released from New Hogan

Dam less the amount of water diverted within Calaveras County as such diversions within Calaveras County are measured or determined from time to time by agreement between Stockton East and the Calaveras County Water District.

5A(4)(b)(ii) In measuring surface water from sources other than New Hogan Dam the water shall be measured at the point at which such water is measured for purposes of payment by Stockton East to the purveyor of such water.

5A(4)(b)(iii) Produced water shall be measured at the point of production.

5A(4)(c). It is understood by the parties that the provisions of this subparagraph 5A(4) shall not be deemed to control the present or future agricultural water rates or charges of Stockton East.

5A(4)(d). To the amount so obtained there shall then be added, in order to obtain the adjusted price of raw water, all charges, of any kind imposed by a purveyor of raw water to Stockton East on the use or required scheduling of municipal and industrial water as opposed to agricultural water, but excluding any minimum payments made for municipal and industrial water not used in order to make such water available in the future, but including interest charges payable by Stockton East under the New Hogan Contracts, the New Melones Contract, or any other contract for the purchase of raw water by Stockton-East in the future.

5A(4)(e). In the event that in the future water is delivered by Stockton East to water treating facilities in addition to the water treatment plant, then the adjusted price for raw water shall be calculated for all water delivered to water treating facilities and shall then be apportioned among the various water treating facilities on an equal per acre foot basis.

5A(5). The actual operation, maintenance, repair and replacement costs directly attributable to the water treatment facilities for the annual production of the base supply of treated water less sums drawn against the Repair and Replacement Reserve Account pursuant to the provisions of Paragraph 8 of the Original Contract. It is understood that no item for depreciation shall be included in the sums calculated and paid pursuant to Paragraphs 5 and 6.

5A(6). An amount equal to the actual cost of administrative services attributable to the operation of the water treatment facilities and the administration of this Second

Amended Contract including, but not limited to, management time and required legal, accounting, and consulting engineering services, and the actual cost of paying agents or other services which Stockton East requires in processing and making payments on the water treatment facilities bonds, or any other related bonds.

5A(7). The actual cost of insurance for the water treatment facilities, and Conveyance and Storage Facilities, including, but not limited to, casualty and liability and including fire, and extended coverage, at full replacement value, but excluding "loss of revenue" insurance.

5A(8) A sum equal to the actual cost of operation, maintenance, and repair of the wells, pumps, conduits, and related facilities enumerated in Paragraph 8, including both costs arising on account of actual operation and costs arising on account of necessary standby facilities for use in future Years when such production facilities may be required.

5A(9) The annual payments required by Paragraphs 7 and 8 into the reserve funds established by Paragraphs 7 and 8.

5A(10) The sum of $100,000, to be paid into the Water Treatment Facilities Reserve Fund established by Paragraph 9; said sum of $100,000 to be adjusted from time to time by Stockton East, provided that:

5A(10)(a) Prior to any initial or subsequent adjustment in said sum of $100,000, Stockton East shall obtain a written report, or reports, from one or more registered civil engineers as to the need for funds to meet expenditures described in subparagraph 9C.

5A(10)(b) Prior to any initial or subsequent adjustment upward in said sum of $100,000, the Board of Directors of Stockton East shall hold a noticed public hearing to consider such upward adjustment.

5A(10)(c) Said sum of $100,000 shall in no event be reduced below $100,000 and shall only be adjusted above $100,000 for the purpose of meeting expenditures described in subparagraph 9C.

5B. Credit: Against the sums due under subparagraph 5A there shall be allowed as a credit, a sum calculated in a manner established by resolution of the Board of Directors of Stockton East for the use of the raw water transmission line and intake facilities for delivery of water to

users and uses other than the water treatment plant, provided that prior to initially adopting or thereafter altering said method of calculation the Board of Directors of Stockton East shall first hold a noticed public hearing relative to such method of calculation.

5C. Audit: The annual amount of operations, maintenance, repair and replacement, the cost of necessary and desirable improvements, and modifications to the treatment facilities, the cost of acquisition of surface water from any source other than New Hogan Dam, the cost of construction of Conveyance and Storage Facilities and the cost of necessary and desirable improvements and modifications thereto, the cost of administrative services, charges for raw water, and the amount of all other variable costs, charges, credits, and funds shall be determined each year by Stockton East and thereafter audited and reported upon by an independent certified public accountant selected by Stockton East as set forth in subparagraph 6C.

5D. Allocation of Charges: The charges imposed by this Paragraph 5 shall be allocated among the contractors annually in proportion to the percentage currently allocated to each contractor pursuant to Paragraph 4.

5E. Payment Adjustments: Notwithstanding any other provision of this Second Amended Contract, City shall pay an estimated sum of $5,856,586 and Lincoln Village and Colonial Heights Maintenance Districts combined shall pay an estimated sum of $582,690 to Stockton East as consideration for the purchase of water entitlements, which entitlements had been previously allocated under the Original Contract to Cal-Water. The sums shall be paid in equal monthly installments commencing at the date the Second Amended Contract becomes operative and extended thereafter for 15 years.

As and for consideration to Cal Water to terminate the Original Contract and enter into the Second Amended Contract, the base monthly payment which Cal Water would otherwise be obligated to pay under this Paragraph 5 shall be reduced by an estimated sum of $6,439,276 which credit shall be applied in equal monthly installments on a monthly basis during each month commencing at the date the Second Amended Contract becomes operative and extended thereafter for 15 years. The above-mentioned estimated sums shall be adjusted to the actual amounts applicable to each Contractor as of the date that the North Stockton Aqueduct is placed in service, in accordance with Paragraph 2A of this Second Amended Contract. Such actual amounts shall be determined by Stockton East.

Notwithstanding any other provision of this Second Amended Contract to the contrary, Lincoln Village and Colonial Heights Maintenance Districts shall make payment to Stockton East solely on the basis of a charge per acre foot of water computed by Stockton East to be applicable to the Lincoln Village and Colonial Heights Maintenance Districts for their allocation of surface water as computed under Section 4H, which charge shall be equal to the unit cost per acre foot payment made by any other Contractor pursuant to the payment provisions within this Second Amended Contract with the exception of payments made under Section 5E. The payment of the charge will be made on a monthly basis.

5F. Further Adjustments: It is agreed that in the year 2016, and each tenth (10th) Year thereafter, the contractors will review the payment of capital costs with bonded indebtedness as compared to water allocation and make such adjustments to future payments as appropriate to adjust any inequities.

5G. Failure to Continue Service: Following any period of 18 months during which Stockton East fails to make available to Contractors at least 7,500 acre feet of treated water, the Contractors shall be excused from making the payments required pursuant to this Second Amended Contract until such time as Stockton East is prepared to, and has, restored the normal service contemplated by this Second Amended Contract. In the event of any failure of the raw water supply, damage or destruction of all or a portion of the water treatment facilities, or any other cause preventing Stockton-East from making available to Contractors the quantities of water contemplated by this Second Amended Contract, Stockton East shall use its best efforts to restore full service promptly. In the event of damage to or destruction of the water treatment facilities, any insurance proceeds shall be applied to repair and reconstruction. In the event that all or a portion of the water treatment facilities are taken or damaged by condemnation by, or conveyed by Stockton East to avoid or compromise any condemnation proceeding to, a public agency not assuming the obligations of this Second Amended Contract, then Stockton- East shall use any proceeds from such a condemnation or conveyance in the manner required by the Bond Resolution.

6. TIME AND MANNER OF PAYMENT:

6A. Monthly Payments: Payment of the annual sum due pursuant to Paragraph 5 shall be as set forth in this Paragraph 6. There shall be a base monthly payment made as set

forth in this Paragraph 6. Payment shall be made monthly on the first day of each month.

6B. Proration: During the term of this Second Amended Contract payments which cover less than a full month or which cover less than a full Year's service shall be prorated accordingly.

6C. Procedures for Audit: Actual and variable costs and other items subject to audit shall be audited and reported upon by an annual audit as set forth in subparagraph 5C. The audit shall be commenced each Year not later than July 1 next following the close of each Year. The annual audit shall be completed not later than December 31 succeeding the close of the Year being audited. Each audit shall cover a full Year commencing on April 1 and ending on March 31. In the event that an annual audit discloses a necessary adjustment or correction in any amount or fund, then such adjustment or correction shall be applied to the base monthly payment to be paid during the Year next succeeding the completion of such an annual audit. Three copies of the annual audit report shall be furnished to each Contractor without expense promptly after receipt by Stockton East.

6D. Establishing Base Monthly Payment. The base monthly payment shall be calculated annually as follows:

6D(1) On or before the first day of October annually Stockton-East shall announce a new base monthly payment to be applicable during the next succeeding Year.

6D(2) The base monthly payment which shall be announced annually pursuant to subparagraph 6D(1) shall be an estimate, which estimate shall be made by Stockton East to include the following:

6D(2)(a) Debt service, the debt service surcharge, new debt service, new debt service surcharge, and any payment toward water treatment facilities advances required by subparagraph 5A(1) for the subject Year and for costs established in subparagraph 5A(3).

6D(2)(b) A sum based on an estimate of the actual cost of variable items as anticipated for the forthcoming Year during which said base monthly payment will be applicable. The estimate so made is to be made following a survey of current and anticipated costs of the subject items and in consideration of information disclosed by the last available required audit and records of Stockton East for the immediately preceding Year.

6D(2)(c) The application of any credit which it is estimated may be due the Contractors.

6D(2)(d) A sum necessary to make any corrections because of overpayments or underpayments arising because of variance between estimates and actual experience during the preceding Year and any corrections or adjustments disclosed as necessary by the last available audit.

6D(2)(e) A deduction for all sums collected pursuant to Paragraph 6D(3), for the previous year, in excess of that amount required for the groundwater production fund, as determined by Stockton East.

6D(3) Stockton East shall annually levy a municipal groundwater assessment, pursuant to its enabling legislation such that the cost of groundwater use is equivalent to the cost of surface water use. That portion of such assessment which is deducted pursuant to paragraph 6D(2)(e) shall be paid to meet costs set forth in paragraph 6D(2)(a) and 6D(2)(b).

6E. Public Hearing On Base Monthly Payment: Annually prior to announcing the base monthly payment for the next Year the Board of Directors of Stockton East shall hold a noticed public hearing to consider the amount of said base monthly payment.

6F. Final Payments: During the 12 months next following the availability of the audit of the last 12 months preceding the cessation of service pursuant to this Second Amended Contract, and any extension, continuation, or renewal thereof, 12 final monthly payments shall be made which together shall adjust any differences among the parties between the last base monthly payment and actual experience during the last 12 months as confirmed by audit of operations for the last 12 months.

7. REPAIR AND REPLACEMENT RESERVE ACCOUNT:

7A. Maintenance of Repair and Replacement Reserve Account: Stockton East has established and shall maintain during the term of this Second Amended Contract a reserve account for the purpose of covering the cost of repairs and replacement of items scheduled pursuant to subparagraph 7B which are required during the life of the Second Amended Contract in order to maintain the water treatment facilities in good order and at all times able to meet efficiently the production of the water to be supplied pursuant to this Second Amended Contract. The account identified in

this Paragraph 7 is the same as the Repair and Replacement Reserve Account established by the Bond Resolution.

7B. Amount of Annual Payment: There is attached hereto as Exhibit "D" a major repair and replacement schedule which schedule has been prepared with the assistance of the engineers who designed the water treatment facilities and which sets forth an estimate of such anticipated major repair and replacement expenses during the life of the Second Amended Contract and the amount of level annual payments sufficient to provide a reserve account adequate to meet the expenses anticipated by said schedule.

7C. Adjustment of Payment and Use of Account: Payment shall be made by the Contractors annually as a part of the total payment required by Paragraph 5 into the Repair and Replacement Reserve Account in accordance with the payment schedule established by Exhibit "D". Payments to be made into the reserve fund shall be adjusted from time to time, by Stockton East to meet actual operating experience, provided that prior to any such adjustment the Board of Directors of Stockton East shall first hold a noticed public hearing. Any sums drawn against the Repair and Replacement Reserve Account shall be deducted from the actual charge for operation, maintenance, and replacement made pursuant to subparagraph 5A(5).

8. WATER DEFICIENCY RESERVE FUND: It is recognized that pursuant to the New Hogan Contracts Stockton East in some years may be required to take a 25% deficiency in its New Hogan Dam water supply. In order to furnish Contractors with a minimum of a full 20,000 acre feet of water per year Stockton East agrees that it will purchase water, or construct, install, or acquire such wells, pumps, conduits, and related facilities as may from time to time be required to permit Stockton East to take such water from the underground annually as may be necessary to augment an annual deficiency of as much as 25% in the base supply of raw water. In order to place itself in a position to meet the obligations of this Paragraph 8 Stockton East has established a Water Deficiency Reserve Fund into which it shall deposit annually a sum set by the Board of Directors of Stockton East. The amount so deposited shall not in any Year exceed an amount equal to ten cents multiplied by the total number of acre feet of water delivered to the water treatment plant during the subject Year. Funds in said Water Deficiency Reserve Fund may be applied by Stockton East at such time as Stockton East may from time to time determine is appropriate to the construction or other acquisition of such wells, pumps, conduits, and related facilities, and to do any other acts necessary on the part of

Stockton East in its judgment to furnish the base supply of treated water to Contractors annually. In the event that during the term hereof Stockton East by act of the California legislature is granted special powers to levy taxes or assessments for the purposes specified herein and such taxes or assessments are applicable to the treated water which is the subject of this Second Amended Contract, then this Paragraph 8 shall be inapplicable and of no force and effect.

9. WATER TREATMENT FACILITIES RESERVE FUND: Stockton East has established and shall maintain during the term of this Second Amended Contract a Water Treatment Facilities Reserve Fund. There shall be deposited in that fund at the end of each Year the sums paid to Stockton East pursuant to subparagraphs 5A(10). Stockton East may, at any time, make withdrawals from said Water Treatment Facilities Reserve Fund and expend such funds as Stockton East determines, provided that such expenditures are limited to the following purposes:

9A. Debt Service: Debt service, including the call and redemption of bonds prior to fixed maturity date.

9B. Operation and Maintenance: Operation, maintenance, and repair of the water treatment facilities including the items listed in subparagraphs 5A(4) through 5A(8).

9C. Replacement and Expansion: Necessary or desirable replacement, expansion, improvement, modification, and increase in the capacity of the water treatment facilities.

10. SCHEDULING OF WATER: From time to time as is necessary and convenient, and at least once each year during the month of March representatives of the Contractors and Stockton East shall meet and confer as to available raw water and the scheduling of the delivery of treated water to the Contractors. Following such conferences Stockton East shall, from time to time announce schedules for the delivery of treated water to Contractors and to each Contractor. The schedules so announced, from time to time, shall be developed in a manner to permit making maximum use of the treated water which may be available subject to the respective demands of Contractors' systems. It is also understood that schedules announced pursuant to this Paragraph 10 shall be goals toward which Stockton East and the Contractors shall work in operating the water treatment facilities and the respective distribution systems of Contractors, but it is understood that such goals may not in every instance be achieved.

11. MEASUREMENT: Necessary measurement of water to permit compliance with this Second Amended Contract shall be by recording measuring devices selected by Stockton East and installed and maintained by Stockton East and subject to inspection at all times by the Contractors.

12. QUALITY: Stockton East has obtained and shall maintain in effect during the term of this Second Amended Contract a permit to operate the water treatment facilities from the California Department of Health Services. At all times Stockton East will use its best efforts to the end that the quality of water delivered by it pursuant to and in satisfaction of this Second Amended Contract meets or exceeds requirements as to water for human consumption of the Department of Public Health of the State of California, the United States Environmental Protection Agency and their respective successors. The Contractors shall likewise use their best efforts to meet or exceed such requirement with respect to water delivered by the Contractors to their respective customers or users.

13. OTHER CONTRACTORS: It is recognized that another Contractor, not a party hereto at this time, could take water. The parties hereto agree that no such Contractor shall be furnished water on terms more favorable than those made available to the Contractors at the date such a new Contractor agrees to take water and to be bound by this Second Amended Contract. No additional Contractors will be added to this Second Amended Contract without the express written consent of all the existing Contractors, which consents shall not be unreasonably withheld. Notwithstanding the provisions herein, the Southern Water System may become a Contractor under this Second Amended Contract, upon written notice to the other parties hereto.

14. OPERATIONS: Stockton East shall at all times make all reasonable efforts to operate the water treatment facilities in a manner in accordance with the currently applicable schedule adopted as set forth in Paragraph 10. In so operating Stockton East will endeavor to meet the full water demand of the systems of the Contractors during periods of low demand. During periods of high demand it is understood that all systems may be required to operate ground water pumps in order to meet peak loads. Water will be delivered into the systems of Contractors by delivery to Cal Water at the point shown on Exhibit "B". Such water delivery points may later be changed, and new delivery points may be created.

15. CONSTRUCTION OF NEW FACILITIES: The parties recognize that in order to meet the increased demand for treated

water in the Stockton Metropolitan Area it will be necessary for Stockton East to acquire water from sources other than New Hogam Dam and in order to transport such water to the water treatment facilities it will be necessary to construct Conveyance and Storage Facilities. The cost of acquiring such additional water, the cost of the Conveyance and Storage Facilities, and the respective agricultural share and municipal and industrial share of such costs are presently unknown. Since the Contractors will be the parties ultimately responsible for payment of such municipal and industrial share, the engineering feasibility of such project and the cost thereof are matters of vital interest to them. Accordingly, Stockton East agrees that it will consult with the Contractors on any such proposed acquisition or construction, together with engineering details and details as to the cost thereof, the municipal and industrial share of all such costs to be allocated to the Contractors, the proposed financing plan, the financial impact on the Contractors, and other pertinent aspects of the overall project. If all Contractors approve the plan in writing, then Stockton East may proceed in accordance with law. If any Contractor shall not approve within thirty days of a request for approval by Stockton East, the proposed plan shall be submitted to a vote of the electors of Stockton East, and the results of such vote shall be final and binding on all Contractors.

16. ATTORNEYS FEES AND COSTS: In any case where court action is instituted by one or more parties against one or more other parties to interpret this Second Amended Contract, the rights of the respective parties hereunder, or to enforce a right or obligation created by this Second Amended Contract, the prevailing party or parties shall receive costs and reasonable attorneys fees to be set by the court.

17. SUCCESSORS: This Second Amended Contract shall bind and inure to the legal successors of the parties and is not made for the benefit of any other parties. Any Contractor may assign all or any part of this Second Amended Contract to a public agency having the power of eminent domain. In the event of any such assignment of all of a Contractor's interest in this Second Amended Contract, the Contractor so assigning shall be relieved from all further obligations under this Second Amended Contract. In the event of such an assignment of a part of a Contractor's interest under this Contract the Contractor so assigning shall remain obligated for the remainder of its obligations under this Second Amended Contract.

18. DEFAULT AND REMEDIES:

18A. Interest: Any sum due hereunder and not paid when due shall bear interest at the prime rate until paid in full.

18B. Remedies: If any Contractor shall fail to cure or correct any default, including, but not limited to payment of any sum when due, then following 10 days written notice of such default to the defaulting Contractor, Stockton East shall have, without further notice or demand and without one remedy excluding any other, all remedies at law, in equity, or as set forth below:

18B(1). The discontinuance of service until the default is remedied and in the event of such a discontinuance of service Contractor shall continue to be liable for the accrual of the base monthly payment or payments accruing during such period of discontinued service. In the event of a discontinuance of service to any Contractor, written notice of such cessation shall be given by Stockton East to all of the Contractors and, if discontinuance of service requires a cessation of wheeling, the Contractors providing wheeling shall cease wheeling, and Stockton East shall, and hereby agrees to, hold harmless and indemnify any Contractor from liability which might arise following such a written notice of the cessation of wheeling.

18B(2). The collection by suit of any sums due, it being understood that the collection by suit of any sums due shall not waive or terminate a Contractor's continuing obligation to make all required payments to Stockton East.

19. NOTICES: Notices required or permitted to be given under this Second Amended Contract shall be made by all parties as provided herein. Mail shall be deposited in a United States Post Office mail box first class postage prepaid addressed as shown by the respective addresses following the signature block for each of the parties hereto. Notices so posted shall be deemed delivered on the second day following said posting. Changes in these addresses shall be given in writing by the method specified herein.

20. SUBJECT TO BOND RESOLUTION: This Second Amended Contract and the relationship between Contractors and Stockton East, and the respective obligations and privileges of each of the parties shall, in all respects, be subject to and bound by the Bond Resolution. In the event of any conflict between the Bond Resolution and this Second Amended Contract the Bond Resolution shall prevail.

21. SPECIFIC PERFORMANCE: By reason of the specialized nature of the water service to be rendered, and for the further reason that the extent of any damage caused to any party by another by reason of any breach of this Contract may be extremely difficult to determine, it is agreed by the parties hereto that an action for damages is an inadequate remedy for any breach, and that specific performance, without precluding any other remedy available in equity or at law, will be necessary to furnish any party hereto with an adequate remedy for the breach by any other party hereto of any covenant or obligation for the benefit of the aggrieved party.

22. SEVERABILITY: If any term, provision, covenant, or condition of this Second Amended Contract is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

23. ENTIRE AGREEMENT: This instrument constitutes the sole and only agreement of the parties hereto relating to the rights and obligations granted and assumed herein. Any prior agreements, promises, negotiations, or representations not expressly set forth in this Second Amended Contract are of no force or effect, except as set forth in paragraph 2B of this Second Amended Contract.

24. REMEDIES NOT EXCLUSIVE: Any remedy granted to a party by this Second Amended Contract is not exclusive and any party may elect any remedy granted by this Second Amended Contract, or otherwise, at law, by statute, or in equity, or any combination thereof.

25. WAIVER: No waiver of any default shall constitute a waiver of any other breach or default, whether of the same or any other term, covenant, or condition. No waiver, benefit, privilege, or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel, or otherwise. The subsequent acceptance of any payment pursuant to this Second Amended Contract shall not constitute a waiver of any preceding default by any party other than default in the payment of the particular payment so accepted, regardless of a party's knowledge of the preceding breach at the time of accepting the payment.

26. TITLES: The table of contents of this Second Amended Contract and the captions of the various articles and paragraphs of this Second Amended Contract are for convenience and ease of reference only and do not define,

limit, augment, or describe the scope, content, or intent of this Contract or of any part or parts of this Second Amended Contract.

27. GENDER, NUMBER: The neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the masculine and neuter, and each includes corporation, partnership, or other legal entity when the context so requires. The singular number includes the plural and the plural the singular whenever the context so requires.

28. AMENDMENT: This Second Amended Contract may only be amended by agreement of all the parties.

29. CONTROVERSIES: No dispute or controversy between any two or more of the parties hereto shall affect the rights of any party or parties not involved in such dispute or controversy.

30. INTEREST RECEIVED ON RESERVE FUNDS: All interest income received by Stockton East by virtue of the investment of funds on hand in any reserve fund or account to the extent any such fund is funded out of payments made pursuant to this Second Amended Contract, shall be added to the respective reserve fund generating such interest and shall be expended for the purposes of such reserve fund.

31. MODIFICATION OF BOND RESOLUTION: There shall be no modification of the Bond Resolution nor the adoption of a supplemental or additional resolution which affects the obligations of any Contractor or increases or changes their respective payment obligations without the prior written consent of each Contractor.

32. SUBJECT TO UNITED STATES BUREAU OF RECLAMATION CONTRACTS: It is understood that this Second Amended Contract and the rights and obligations of the parties hereunder are subject to the terms of the New Hogan Contracts and the New Melones Contract and by execution hereof each of the Contractors agrees to be bound by the provisions of said contracts, including, but not limited to, the provisions of Article 32 of the contract entered into under date of August 25, 1970 between the United States of America and the Stockton and East San Joaquin Water Conservation District (now Stockton East) and the Calaveras County Water District, and Article 17 of the New Melones Contract and pursuant to the provisions of subdivision (g) of said Article 32 and of subdivision (7) of said Article 17, the provisions of subdivision (a) through (g) of said Article 32 and of said Article 17 are hereinafter set forth:

EQUAL OPPORTUNITY

32. During the performance of this Contract, the Districts agree as follows:

(a) The Districts will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Districts will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Districts agree to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this Equal Opportunity clause.

(b) The Districts will, in all solicitations or advertisements for employees placed by or on behalf of the Districts, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Districts will send to each labor union or representative of workers with which they have a collective bargaining agreement or other Contract or understanding, a notice, to be provided by the agency Contracting Officer, advising the labor union or workers' representative of the Districts' commitments under this Equal Opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Districts will comply with all provisions of Executive order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Districts will furnish all information and reports required by said Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to their books, records, and accounts by the contracting agency and the Secretary of Labor for purpose of investigation to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Districts' noncompliance with the Equal Opportunity clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be canceled, terminated, or suspended in whole or in part, and the District declared ineligible for further Government contracts in accordance with procedures authorized in said Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Districts will include the provisions of subdivisions (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of said Executive Order so that such provisions will be binding upon each subcontractor or vendor. The Districts will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That in the event the Districts become involved in, or are threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Districts may request the United States to enter into such litigation to protect the interests of the United States.

EQUAL OPPORTUNITY

17. During the performance of this Contract, the Contractor agrees as follows:

(1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicious places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

(2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, or national origin.

(3) The Contractor will send to each labor union or representative of workers, with which it has a collective bargaining agreement or other Contract or understanding, a notice, to be provided by the Contracting Officer, advising the said labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicious places available to employees and applicants for employment.

(4) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The Contractor will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be canceled, terminated,or suspended, in whole or in part, and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in said amended Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Contractor will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will

take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

Stockton East covenants and agrees to perform all of its obligations under the provisions of said Article 32 and of said Article 17.

33. CONDUCT OF PUBLIC HEARINGS: Whenever Stockton East is required by this Second Amended Contract to hold a noticed public hearing such noticed public hearing may be consolidated with any other noticed public hearing required by this Second Amended Contract. A notice of a public hearing required by this Second Amended Contract need not set forth in detail the item or items to be considered but will be sufficient if it describes generally the subject matter to be considered at the public hearing.

34. ADJUDICATION OF GROUND WATER BASIN: In the event of a future adjudication of rights to extract water from the ground water basin underlying Stockton East, the parties agree and stipulate among themselves that use of water delivered under this Second Amended Contract shall constitute a reasonable beneficial use of ground water to the extent that such use results in a reduction in ground water extraction below the level of such extraction prior to the initial delivery date. The parties further agree that in the event of an adjudication, the respective positions they assert, whether in judicial proceedings or stipulated settlement, will be in accordance with the provisions of this Paragraph 34.

35. STOCKTON EAST AS CONTRACTOR: In the event that while service is continued hereunder to any Contractor Stockton East undertakes, by purchase, other acquisition, or by contract, the operation of all or any part of the distribution system of any Contractor, then in such capacity, as the operator of a distribution system, Stockton East shall not extend to such a system or the water users of such a system any benefit, right, or preference, not extended to the other Contractors, unless such benefit, right, or preference is also extended to all other Contractors.

36. TEMPORARY USE OF FUNDS: In the event that during any year Stockton East has a shortage of funds to meet

anticipated or unanticipated costs and charges arising under subparagraphs 5A(4) through 5A(8) then Stockton East may, in its discretion, use any funds it may have on hand in the Water Treatment Facilities Reserve Fund for such purposes. In the event that Stockton East does use funds in the Water Treatment Facilities Reserve Fund pursuant to the preceeding sentence, then Stockton East may withdraw from the Surplus Account at the end of the current Year, and at the end of any necessary succeeding Years, sufficient funds to reimburse the Water Treatment Facilities Reserve Fund for the money used pursuant to this Paragraph 36 from the Water Treatment Facilities Reserve Fund.

37. ALLOCATION OF SURPLUS TO WATER FUND: At the time of setting the amount of the annual payments to be made by the Contractors pursuant to Paragraphs 5 and 6, an estimate shall be made of that amount of money which will remain in the Surplus Account at the end of the current Year which will be in excess of the amount required to meet all allocations and payments to Stockton East in the current Year provided for by Paragraphs 8, 9 and 36, and subparagraph 5A(1). The sums to be paid by the Contractors pursuant to Paragraphs 5 and 6 for the coming Year shall be reduced by such amount estimated to be remaining in the Surplus Account. At the end of the current Year, all moneys remaining in the Surplus Account which are in excess of the amounts required to meet all allocations and payments to Stockton East provided for by Paragraphs 8, 9 and 36 and subparagraph 5A(1) for such current Year shall be deposited in the Water Fund and used as therein provided.

38. RESOLUTIONS AND EXECUTION: There are attached hereto the following: as Exhibit "E" a certified copy of a resolution of the Board of Directors of Stockton East authorizing execution of this Second Amended Contract; as Exhibit "F" a certified copy of a resolution of the Board of Directors of Cal-Water authorizing execution of this Second Amended Contract; as Exhibit "G" a certified copy of a resolution of the City Council of City authorizing execution of this Second Amended Contract; as Exhibit "H" a certified copy of a resolution of the Board of Supervisors of the County of San Joaquin acting on behalf of Lincoln authorizing execution of this Second Amended Contract; and as Exhibit "I" a certified copy of a resolution of the Board of Supervisors of San Joaquin County acting on behalf of Colonial authorizing execution of this Second Amended Contract. The parties shall execute ten originals of this Second Amended Contract.

39. SUBJECT TO OPINION: Notwithstanding any other provision of this Second Amended Contract, it shall not become effective until there has been obtained, from Messrs. Orrick, Herrington & Sutcliffe, the bond counsel who issued the original opinion for the bonds issued pursuant to the Bond Resolution, an opinion stating that any and all requirements of the Bond Resolution, the bonds issued pursuant thereto, and the laws authorizing and governing the issuance of such bonds, with respect to execution of this Second Amended Contract have been met.

40. SUBJECT TO REMOVAL OF SAN MARCOS DECISION STRICTURES: Notwithstanding any other provision of this Second Amended Contract, it shall not become effective until each of the Contractors, upon advice of their respective attorneys, agrees in writing that the strictures imposed upon the payment by public agencies of certain capital costs, by the California Supreme Court in the case of San Marcos Water District v. San Marcos Unified School District (1986) 42 Cal. 3d 154, have been lifted either by remedial legislation or further judicial decision.

Executed on the day and year first above written at Stockton, California.

STOCKTON EAST WATER DISTRICT
a political subdivision of the
State of California

BY: _____
ROGER M. HUCKINS

ATTEST:

_____
EDWARD M. STEFFANI
SECRETARY

APPROVED AS TO FORM:

_____
JOHN W. STOVALL
GENERAL COUNSEL

Address for Notice to
Stockton East:
Post Office Box 5157
Stockton, California 95205

CALIFORNIA WATER SERVICE
COMPANY
a California Corporation

By _____
C. H. STUMP, PRESIDENT

ATTEST:

LESTER SAXE
SECRETARY

APPROVED AS TO FORM:
McCutchen, Doyle, Brown
& Enersen

A. CRAWFORD GREENE
ATTORNEYS

Address for Notice to Cal-Water:
Post Office Box 1150
San Jose, California 95108

CITY OF STOCKTON, a municipal corporation of the State of California

By _____
BARBARA FASS, MAYOR

ATTEST:

FRANCES HONG
CITY CLERK

APPROVED AS TO FORM:

ROBERT THOMAS HARRIS
CITY ATTORNEY

Address for Notice to City:
c/o City Clerk, City Hall
Stockton, California 95202

LINCOLN VILLAGE MAINTENANCE DISTRICT, a political subdivision
of the State of California
governed by the Board of Supervisors of San Joaquin County

By _____
GEORGE BARBER
CHAIRMAN, Board of Supervisors
County of San Joaquin

State of California

ATTEST:

JORETTA J. HAYDE
CLERK OF THE Board
of Supervisors of the
County of San Joaquin,
State of California

By: Joretta J. Hayde
DEPUTY CLERK

APPROVED AS TO FORM:

J. C. Cheadle
JOHN CHEADLE
COUNTY COUNSEL

Address for Notice to Lincoln:
c/o Board of Supervisors
Courthouse
222 E. Weber Avenue
Stockton, California 95202

COLONIAL HEIGHTS MAINTENANCE
DISTRICT, a political subdivi-
sion of the State of
California
governed by the Board of Super-
visors of San Joaquin County

By George R. Barber
GEORGE BARBER, CHAIRMAN
Board of Supervisors
County of San Joaquin
State of California

ATTEST:

JORETTA J. HAYDE
CLERK OF THE Board
of Supervisors of the
County of San Joaquin,
State of California

By: Joretta J. Hayde

APPROVED AS TO FORM:

DEPUTY CLERK

JOHN CHEADLE
COUNTY COUNSEL

Address for Notice to Colonial:
c/o Board of Supervisors
Courthouse
222 E. Weber Avenue
Stockton, California 95202

Exhibit "A"

AMORTIZATION SCHEDULE

	Payments				
Year	Interest	Principal (1,000s)	Total	Bond Years	Cumulative Bond Years
1975	(sale)	-	-	-	-
1976	$1,386,000	-	$1,386,000	-	-
1977	1,386,000	-	1,386,000	-	-
1978	1,386,000	-	1,386,000	-	-
1979	1,386,000	$ 250	1,636,000	1,000	1,000
1980	1,368,500	275	1,643,500	1,375	2,375
1981	1,349,250	300	1,649,250	1,800	4,175
1982	1,328,250	325	1,653,250	2,275	6,450
1983	1,305,500	350	1,655,500	2,800	9,250
1984	1,281,000	375	1,656,000	3,375	12,625
1985	1,254,750	400	1,654,750	4,000	16,625
1986	1,226,750	425	1,651,750	4,675	21,300
1987	1,197,000	450	1,647,000	5,400	26,700
1988	1,165,500	475	1,640,500	6,175	32,875
1989	1,132,250	500	1,632,250	7,000	39,875
1990	1,097,250	550	1,647,250	8,250	48,128
1991	1,058,750	600	1,658,750	9,600	57,725
1992	1,016,750	650	1,666,750	11,050	68,775
1993	971,250	700	1,671,250	12,600	81,375
1994	992,250	750	1,672,250	14,250	95,625
1995	869,750	800	1,669,750	16,000	111,625
1996	813,750	850	1,663,750	17,850	129,475
1997	754,250	900	1,654,250	19,800	149,275
1998	691,250	950	1,641,250	21,850	171,125
1999	624,750	1,025	1,649,750	24,600	195,725
2000	553,000	1,100	1,653,000	27,500	223,225
2001	476,000	1,175	1,651,000	30,550	253,775
2002	393,750	1,250	1,643,750	33,750	287,525
2003	306,250	1,350	1,656,250	37,800	325,325
2004	211,750	1,450	1,661,750	42,050	367,375
2005	110,250	1,575	1,685,250	47,250	414,625
		/ 15,125,000/ term maturity			

$19,800,000 27 yr. average: $1,654,287 414,625

Average life: 20.94 years.

Exhibit "A"

$15,125,000 dated 2005; minimum mandatory calls starting in 1991 as per schedule.
Dated 4/1/75.

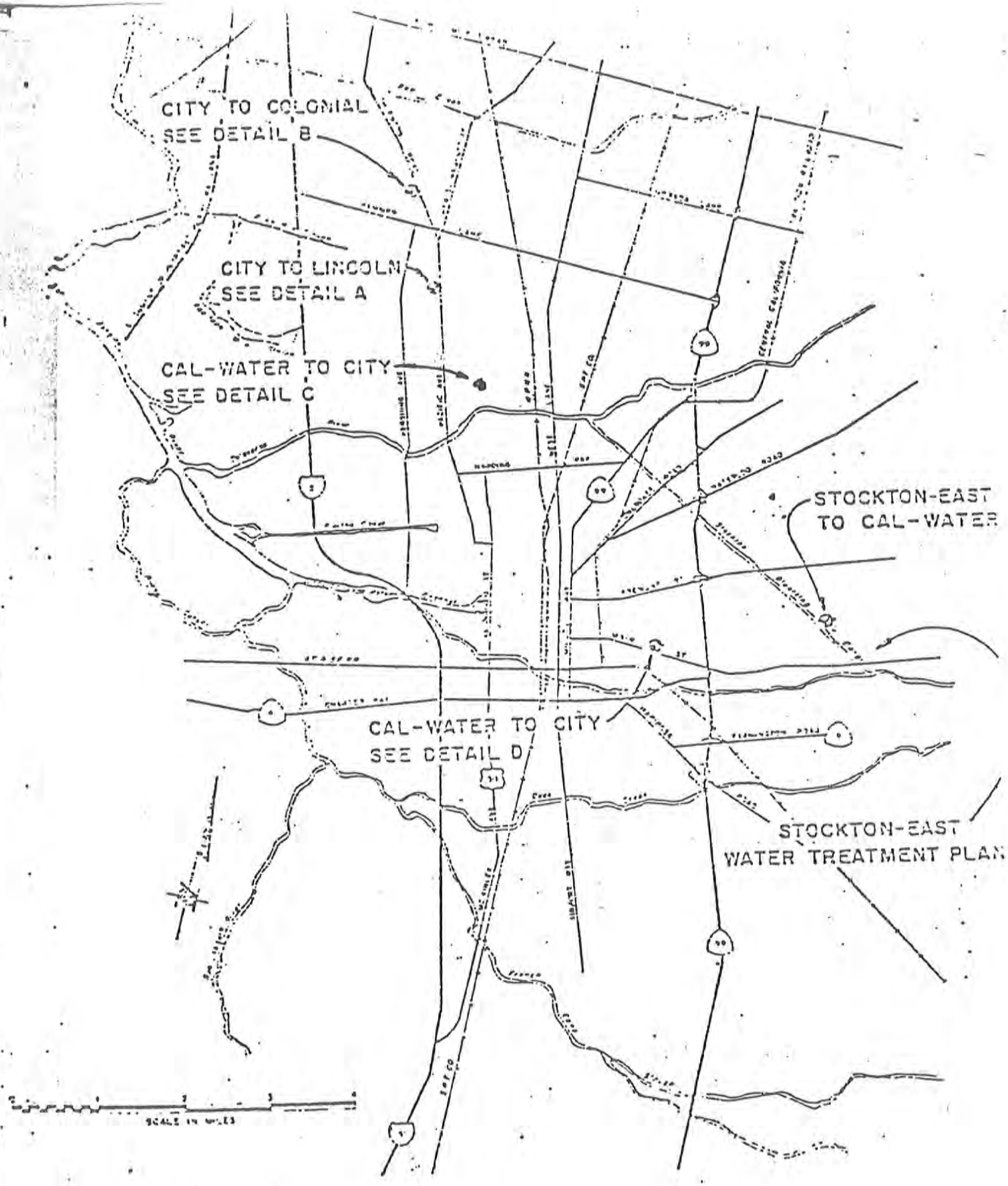
Call premiums:

Premium	Redemption Year
2-1/2%	1991
2-1/4	1992
2	1993
1-3/4	1994
1-1/2	1995
1-1/4	1996
1	1997
3/4	1998-1999
1/2	2000-2001
1/4	2002-2004
0	2005

Paying Agent:

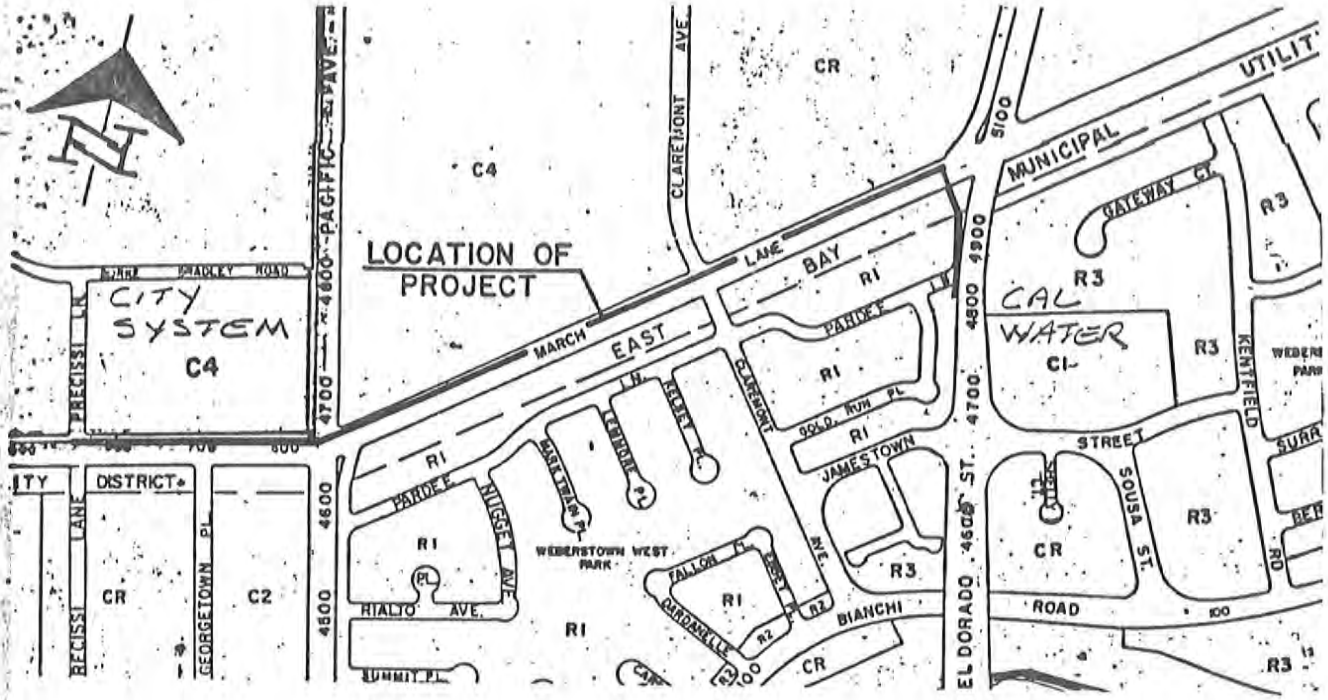
Bank of America, National Trust and Savings Association

The foregoing schedule is an example only based on interest at 7%.



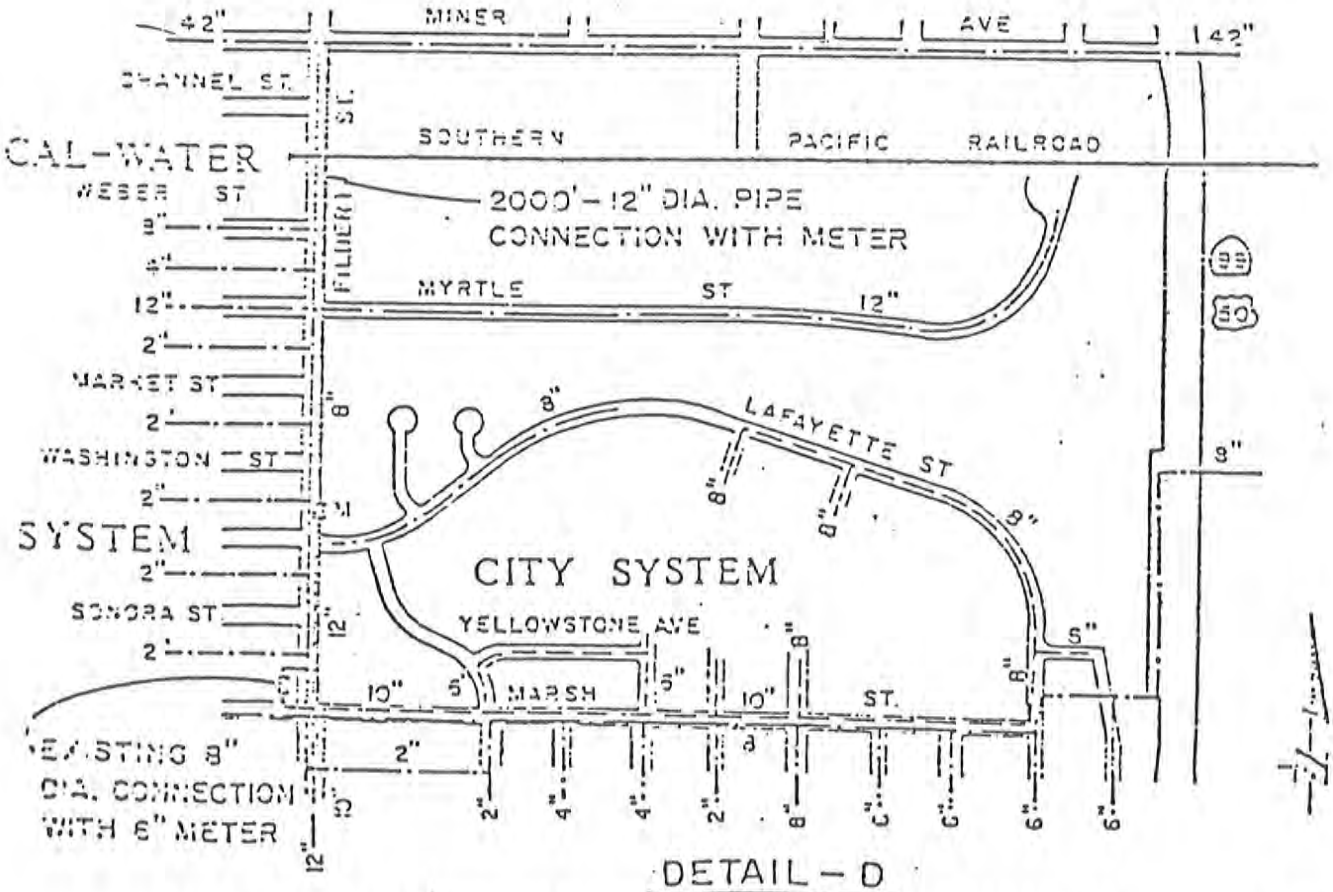
WATER DELIVERY POINTS

Exhibit "B"



DETAIL - C

CAL-WATER CONNECTION TO CITY (NORTH)



DETAIL - D

CAL-WATER CONNECTION TO CITY (DIAMOND-WALNUT)

Exhibit "B"

EXHIBIT C

WATER TREATMENT FACILITIES ADVANCES

1.	Feasibility Study of Master Water Plan Recommendations	$ 24,510.01
2.	Financial Consultant's Services	24,612.72
3.	Design Engineering, Pipeline	46,212.05
4.	Surveys, Pipeline and Treatment Plant	31,718.43
5.	Soil Studies, Pipeline and Treatment Plant	17,358.29
6.	Design Engineering, Treatment Plant	105,660.32
7.	Architectural Design Services	14,707.38
8.	Contingency Water Plan	13,974.00
9.	P.L. 984 Loan Application	40,893.60
10.	Environmental Impact Report	11,521.13
11.	Legal Services	35,960.00
12.	Bond Election	25,817.21
13.	Lands, Easements and Rights of Way	209,094.22
	TOTAL	$602,039.36

The foregoing items were expended prior to November 30, 1974. There shall be added to said sum of $602,039.36 an additional sum in the amount of $12,034.10 for items similar to those enumerated above expended between December 1, 1974 and the date that funds became available from the sale of the Water Treatment Facilities Bonds.

EXHIBIT D

MAJOR REPAIR AND REPLACEMENT SCHEDULE

The following schedule of major repairs and replacements is the schedule mentioned in subparagraph 7B of the Contract.

Item	Estimated Costs of Major Repairs and Replacements During Five-Year Periods Shown (Based on 1974 Costs in $1000)						
	0-5	5-10	10-15	15-20	20-25	25-30	30-35
Chemical Feeders	5	15	25	25	25	25	25
Electrical and Instrumentation	10	40	60	60	60	60	60
Natural Gas Engines	5	20	5	20	5	20	5
Chemical Mixers	3	6	6	6	6	6	6
Pumps and Motors	30	40	50	50	50	50	50
Chlorine Equipment	5	10	10	10	10	10	10
Air Conditioning	-	-	8	-	-	8	-
Flocculators	5	10	14	14	14	14	14
Valves	4	8	8	8	8	8	8
Miscellaneous	5	11	11	11	11	12	12
Sub-total	72	160	197	204	189	213	190

Total = $1,225,000.00

Cost Per Year = $ 35,000.00

RESOLUTION NO. 87-88-10

RESOLUTION OF THE BOARD OF DIRECTORS OF THE STOCKTON-EAST WATER DISTRICT APPROVING AND AUTHORIZING EXECUTION OF SECOND AMENDED CONTRACT WITH CITY OF STOCKTON, LINCOLN VILLAGE MAINTENANCE DISTRICT, COLONIAL HEIGHTS MAINTENANCE DISTRICT, AND CALIFORNIA WATER SERVICE COMPANY.

IT IS HEREBY RESOLVED that the Second Amended Contract between the Stockton-East Water District, the California Water Service Company, the City of Stockton, the Lincoln Village Maintenance District, and the Colonial Heights Maintenance District providing for the sale of treated water, for a term extending until April 1, 2035, be, and it hereby is, approved.

BE IT FURTHER RESOLVED that the President and Secretary of this Board of Directors be, and they hereby are, authorized and directed to execute said Second Amended Contract on behalf of the STOCKTON-EAST WATER DISTRICT.

PASSED AND ADOPTED this 15th day of September, 1987, by the following vote of the Board of Directors, to wit:

AYES: BOZZANO, DONDERO, HUCKINS, LAVEN, and SOLARI

NOES: TONE

ABSENT: MACNEAR

Roger M. Huckins

ROGER M. HUCKINS, President
Board of Directors
Stockton-East Water District

ATTEST:

EDWARD M. STEFFANI, Secretary
Board of Directors
Stockton-East Water District

I hereby certify that I am the Secretary of the Stockton-East Water District and that the foregoing is a true and correct copy of a resolution which was duly adopted by the vote of the Board of Directors of the Stockton-East Water District shown above on September 15th, 1987.

Dated at Stockton, California, on the 25th day of September, 1987.

EDWARD M. STEFFANI, Secretary
Stockton-East Water District

Exhibit "E"
Sheet 1 of 2

RESOLUTION AUTHORIZING SECOND AMENDED CONTRACT WITH STOCKTON EAST WATER DISTRICT, ET AL.

WHEREAS, there has been presented to this Board of Directors and made a part of the minutes of this meeting a proposed agreement among California Water Service Company, Stockton East Water District, a political subdivision of the State of California, the City of Stockton, a municipal corporation of the State of California, the Lincoln Village Maintenance District, a political subdivision of the State of California governed by the Board of Supervisors of San Joaquin County, and Colonial Heights Maintenance District, a political subdivision of the State of California governed by the Board of Supervisors of San Joaquin County, dated September 25, 1987, which amends the provisions of that certain contract made and entered into under date of February 11, 1975, by and among the parties to said Second Amended Contract; and,

WHEREAS, the Board deems it to be in the best interests of the Company to approve said Second Amended Contract and authorize its execution,

NOW, THEREFORE, BE IT RESOLVED that this Board of Directors hereby approves the form of said Second Amended Contract, as heretofore presented to this Board and made a part of the minutes of this meeting, and authorizes, empowers and directs (a) the execution thereof by the President, or a Vice President, and the Secretary, or an Assistant Secretary,

of the Company, for and on behalf of the Company and in its corporate name and as its corporate act and deed in as many counterparts as said officers executing the same shall deem desirable, with such amendments, revisions, modifications and changes therein as said officers shall approve, such approval to be evidenced conclusively by their execution thereof, and (b) the delivery thereof to the other parties thereto.

----oOo----

I, LESTER E. SAXE, Secretary of California Water Service Company, a California corporation, do hereby certify that the foregoing is a full, true and correct copy of certain resolutions adopted by the Board of Directors of said corporation at a regular meeting of said Board duly called and held on September 21, 1987, at which a quorum was present; that all Directors present voted in favor of said resolutions; and that said resolutions have never been annulled or revoked but are still in force and effect.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the seal of said California Water Service Company this 22nd day of September, 1987.

Lester E. Saxe

Secretary of
CALIFORNIA WATER SERVICE COMPANY

Before the Board of Supervisors

County of San Joaquin, State of California

B- 87-1419

MOTION: SOUSA/CARTER

SECOND AMENDED CONTRACT FOR SALE OF TREATED WATER

IT IS HEREBY RESOLVED that the Board of Supervisors approve the Second Amended Contract between Stockton East Water District, California Water Service Company, City of Stockton, and Lincoln Village and Colonial Heights Maintenance Districts and authorize the Chairman of the Board to execute the Contract.

I HEREBY CERTIFY that the above order was passed and adopted on September 15, 1987 by the following vote of the Board of Supervisors, to wit:

AYES: WILHOIT, COSTA, SOUSA, CARTER, BARBER

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

JORETTA J. HAYDE
Clerk of the Board of Supervisors
County of San Joaquin
State of California

Joretta J. Hayde

COB 12 (2/87)

1201-304-001

Resolution No. 87-0508

Exhibit "G"

STOCKTON CITY COUNCIL

RESOLUTION AUTHORIZING THE EXECUTION OF A SECOND AMENDED CONTRACT FOR THE SALE OF TREATED WATER BETWEEN THE CITY OF STOCKTON, STOCKTON EAST WATER DISTRICT, CALIFORNIA WATER SERVICE COMPANY, LINCOLN VILLAGE MAINTENANCE DISTRICT AND COLONIAL HEIGHTS MAINTENANCE DISTRICT

WHEREAS, in order to meet the water needs of the parties hereto, the original contract was made February 11, 1975, and amended May 31, 1977, allocating certain water entitlements among the parties; and

WHEREAS, such agreements were executed in order to protect the groundwater basin in and around the City of Stockton from overdraft and saline intrusion; and

WHEREAS, in order to further those considerations enunciated in the original contracts, it has become necessary to reapportion certain surface water entitlements, and to make provisions for the expansion of certain water conveyance, storage and treatment facilities; now therefore

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

That the Mayor is hereby authorized to execute on behalf of the City of Stockton the Second Amended Four Party Contract attached hereto as Exhibit "A" and by reference made a part hereof.

INTRODUCED SEPTEMBER 14, 1987.

PASSED, APPROVED and ADOPTED this 21st day of September, 1987.

/S/ BARBARA FASS

BARBARA FASS, Mayor
of the City of Stockton

ATTEST:

/s/ FRANCES HONG

FRANCES HONG, City Clerk
of the City of Stockton

I, Frances Hong, certify that this document is a true and correct copy of Reso No. 87-0508 adopted by the City Council of the City of Stockton on Sept 21, 1987 and on file in the office of the City Clerk of the City of Stockton.

87-0508

Date: Sept 22, 1987

Frances Hong
City Clerk of the City of Stockton
By Peggy B. Jackson
Deputy

Before the Board of Supervisors

County of San Joaquin, State of California

B- 87-1419

MOTION: SOUSA/CARTER

SECOND AMENDED CONTRACT FOR SALE OF TREATED WATER

IT IS HEREBY RESOLVED that the Board of Supervisors approve the Second Amended Contract between Stockton East Water District, California Water Service Company, City of Stockton, and Lincoln Village and Colonial Heights Maintenance Districts and authorize the Chairman of the Board to execute the Contract.

I HEREBY CERTIFY that the above order was passed and adopted on September 15, 1987 by the following vote of the Board of Supervisors, to wit:

AYES: WILHOIT, COSTA, SOUSA, CARTER, BARBER

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

JORETTA J. HAYDE
Clerk of the Board of Supervisors
County of San Joaquin
State of California

Joretta J. Hayde

COB 12 (2/87)