APPENDIX A

SETTLEMENT AGREEMENT

BY AND BETWEEN

GOLDEN STATE WATER COMPANY,

COUNTY OF SUTTER,

SUTTER COUNTY WATER AGENCY,

SUTTER POINTE DEVELOPERS

AND

ROBBINS AD-HOC COMMITTEE

DATED

MARCH 14, 2011

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SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into as of March 14, 2011 by and between Golden State Water Company ("GSWC"), the County of Sutter and Sutter County Water Agency (jointly, the "County"), the Sutter Pointe Developers, as defined below, and the Robbins Ad-Hoc Committee ("Robbins AHC"), as defined below, each of which is a "Party" and which together are the "Parties."

RECITALS

A. GSWC is a California corporation and a public utility water corporation as defined by California Public Utilities Code sections 216 and 241, and provides water utility service to approximately 260,000 customer connections in thirty-eight (38) service areas throughout California, subject to regulation by the California Public Utilities Commission ("CPUC").

B. The County of Sutter is a California general law county and operates pursuant to California Government Code sections 23000 *et seq.* Sutter County Water Agency is a public agency formed to develop and promote the beneficial use and regulation of the water resources of Sutter County pursuant to the Sutter County Water Agency Act, Stats.1959, c. 2088, p. 4819, compiled at California Water Code Appendix chapter 86.

C. The Sutter Pointe Developers consist of South Sutter Investors, LLC, a California limited liability company, South Sutter, LLC, a California limited liability company, and Riego 1700, LLC, a California limited liability company. The Sutter Pointe Developers are landowners or have options on land and are developers of residential and industrial land development projects within the Sutter Pointe Specific Plan area in south Sutter County, California. The Sutter Pointe Developers are not all of the landowners within the Sutter Pointe Specific Plan area. The Sutter Pointe Developers are the only landowners or development interests that have intervened in the CPUC proceedings described in more detail below.

D. The Robbins AHC is an unincorporated association of residents of the unincorporated community of Robbins in Sutter County, formed to represent the interests of roughly 100 residents. The Robbins community currently receives water service from Sutter County Water Works District No. 1, which is a dependent district of the County.

E. Natomas Central Mutual Water Company ("Natomas") is a California corporation and a mutual water company that currently provides agricultural water service exclusively to its shareholders at cost. The Natomas corporate boundaries include approximately 55,000 acres of south Sutter County and north Sacramento County, and its shareholders are also property owners within that area. Natomas is not a Party to this Agreement.

F. On February 4, 2005, Natomas and American States Water Company ("ASWC"), a public utility holding company of which GSWC is a wholly-owned subsidiary, entered into that certain Water Transfer Agreement, pursuant to which Natomas agreed to transfer up to 30,000 acre-feet of water per year to GSWC, for GSWC to distribute to its customers for municipal and industrial purposes within a new "South Sutter County

Service Area" to be established within the Natomas corporate boundaries in south Sutter County. In exchange, GSWC agreed to apply to the CPUC for a certificate of public convenience and necessity ("CPCN") to establish the South Sutter County Service Area. The Water Transfer Agreement was amended on November 20, 2009, January 21, 2010, March 30, 2010, June 23, 2010 and September 20, 2010 to extend certain deadlines.

G. The Sutter Pointe Specific Plan area is located within the proposed South Sutter County Service Area. On May 31, 2006, GSWC filed an application with the CPUC for a CPCN to serve the Sutter Pointe Specific Plan area. GSWC filed an amended application ("Application 08-08-022") on August 29, 2008.

H. On October 3, 2008, the County filed a timely protest to Application 08-08-022 and is a party to the CPUC proceedings. The County opposed Application 08-08-022 on several grounds based on its interest in insuring provision of a safe, affordable and reliable water supply within the Sutter Pointe Specific Plan area. Any settlement that the County enters into, including this Agreement, will need to insure a safe, affordable and reliable water supply for the Sutter Pointe Specific Plan area.

I. The Sutter Pointe Developers filed a motion to become a party to the CPUC Application 08-08-022 proceedings on September 28, 2009. The Administrative Law Judge granted that motion for party status, and the Sutter Pointe Developers became parties to the proceedings on October 22, 2009. In this regard they joined in the concerns raised by the County. In addition, the Sutter Pointe Developers have indicated that they intend to assert, in litigation to be filed in Superior Court, claims against ASWC and Natomas, with respect to their respective actions and activities, including those associated with the Water Transfer Agreement.

J. On January 7, 2009, Robbins AHC submitted an Amended Pre-Hearing Conference Statement, seeking party status in the CPUC proceeding related to Application 08-08-022. Robbins AHC supports Application 08-08-022 and desires that GSWC acquire the water system owned and operated by Sutter County Water Works District No. 1. Upon the closing of such acquisition, it is expected that the Robbins AHC will disband and cease to exist as an association.

K. The Parties desire to settle their disputes in the Application 08-08-022 proceeding, as well as other potential disputes and claims between themselves and Natomas, and intend for this Agreement to resolve such disputes and claims on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained in this Agreement, the Parties hereby agree as follows:

Article 1
STATEMENT OF INTENT AND PURPOSE

1.1. **Purpose.** The purpose of this Agreement is to settle all protests, disputes and claims related to Application 08-08-022, the provision of water service to the South Sutter

County Service Area and the Water Transfer Agreement, to meet the goal of providing a safe, reliable and affordable water supply for the Sutter Pointe Specific Plan area, and to provide for the terms and conditions upon which the CPUC will grant a CPCN for GSWC to provide water service to the South Sutter County Service Area. Nothing herein shall adversely affect the rights or obligations of the Sutter Pointe Developers or the County with respect to the development agreements approved for the Sutter Pointe Specific Plan area.

1.2. **Incorporation of Recitals.** The Recitals set forth above are incorporated into this Agreement and made a part hereof.

Article 2
DEFINITIONS, INTERPRETATION AND MODIFICATION

2.1. **Definitions.** In addition to the terms defined elsewhere in this Agreement, the definitions of certain terms used in this Agreement with initial letters capitalized are as set forth in this section.

2.1.1 "Agreement" means this Settlement Agreement, together with the Exhibits attached hereto, as the same may be amended or otherwise modified from time to time as provided herein.

2.1.2 "Application 08-08-022" has the meaning set forth in Recital G.

2.1.3 "ASWC" has the meaning set forth in Recital F.

2.1.4 "Buildout" means the expiration of the development agreement for the Sutter Pointe Specific Plan area between the Sutter Pointe Developers and the County.

2.1.5 "County" has the meaning set forth in the introductory paragraph to this Agreement.

2.1.6 "CPCN" has the meaning set forth in Recital F.

2.1.7 "CPUC" has the meaning set forth in Recital A.

2.1.8 "Day" means a twenty-four (24) hour period beginning and ending at 12:00 midnight.

2.1.9 "Default" has the meaning set forth in Section 8.1.

2.1.10 "Effective Date" means the first date on which all the Parties have executed this Agreement.

2.1.11 "Force Majeure" means an act of God, governmental restriction, shortage, failure or inability to secure materials or labor, strike, lockout, regulation, order, action or inaction of any Governmental Entity, war, civil disturbance, fire, unavoidable casualties, act of third parties or any other cause beyond the reasonable control of a Party.

2.1.12 "Governmental Entity" means any local, state, regional, central or national government administrative, judicial or executive agency or any similar foreign or multinational entity that has or purports to have or asserts or attempts to assert, jurisdiction to legislate, decree, adjudicate or enforce any decision related to, or bearing on, the subject matter of this Agreement. In this context, in order to insure that it shall not exercise its general powers in a manner that is inconsistent with this Agreement, the County shall not be considered a Governmental Entity.

2.1.13 "GSWC" has the meaning set forth in the introductory paragraph to this Agreement.

2.1.14 "Insolvency Event" means a Party commencing a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under the United States Bankruptcy Code or under any other applicable bankruptcy, insolvency or similar Law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors.

2.1.15 "Law" means any constitutional provision, statute, ordinance, case law or other law, rule or regulation or order of any Governmental Entity.

2.1.16 "MGD" means million gallons per day.

2.1.17 "Natomas" has the meaning set forth in Recital E.

2.1.18 "Party" and "Parties" have the meanings set forth in the introductory paragraph to this Agreement.

2.1.19 "Proceeding" means any claim, suit, demand, cause of action, administrative investigation, allegation, arbitration, dispute or other action process, or proceeding whether actual or threatened.

2.1.20 "Robbins AHC" has the meaning set forth in Recital D.

2.1.21 "South Sutter County Service Area" is that area shown on the map attached hereto as Exhibit A, as it may be amended from time to time by the CPUC.

2.1.22 "Sutter Pointe Developers" has the meaning set forth in Recital C.

2.1.23 "Year" means the period beginning on January 1 and ending on the next following December 31.

2.2. **Interpretation.** The provisions of this Agreement should be liberally interpreted to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against any Party, as each

Party has participated in the drafting of this Agreement and had the opportunity to have their counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa. The word "including" means without limitation, and the word "or" is not exclusive. Unless the context otherwise requires, references herein: (i) to Articles, Sections and Exhibits mean the Articles and Sections of, and the Exhibits attached to, this Agreement; (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement; and (iii) to a statute means such statute as amended from time to time and includes any successor legislation thereto. The subject headings of the articles and sections of this Agreement are included for convenience only and shall not affect the construction or interpretation of any of its provisions.

2.3. **Entire Agreement; Modification.** This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the Parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all of the Parties; provided, however, that following approval of the Agreement by the CPUC and except in connection with Section 6.3.1, the consent or agreement of the Robbins AHC will not be needed for the other Parties to supplement, modify, amend or assign this Agreement.

2.4. **No Precedent.** The Parties acknowledge that this Agreement is a negotiated compromise of issues unique to the facts and circumstances related to the subject matter of this Agreement. Nothing contained in this Agreement shall be deemed an admission or acceptance by any Party of any fact, principle or position for any purpose other than for the purpose of complying with and implementing this Agreement. Other than for the purpose of implementing this Agreement, this Agreement shall not be relied upon by any Party as precedent in any other proceeding, whether before the CPUC or otherwise.

Article 3
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

3.1. **Final Settlement Agreement.** This Agreement, if it is adopted without modification by the CPUC, shall constitute the settlement of all protests, disputes and claims between and among the Parties related to the subject matter hereof, including Application 08-08-022. Within fourteen (14) days following its execution, the Parties will present this Agreement to the CPUC for approval in the Application 08-08-022 proceedings. It is the intention of the Parties that the CPUC will issue a CPCN to GSWC for the South Sutter County Service Area in accordance with the terms and conditions of this Agreement. When this Agreement is submitted to the CPUC, the County and Sutter Pointe Developers will conditionally withdraw their protests without prejudice, support the granting of Application 08-08-022, as modified by the terms and conditions of this Agreement, and support the issuance of a CPCN to GSWC for the South Sutter County Service Area.

3.2. **Approval of the Agreement.** When submitting this Agreement to the CPUC for approval, the Parties will request that the CPUC either approve this Agreement without

modification or reject this Agreement in its entirety. In the event that the Agreement is not approved in its entirety by the CPUC, then the Parties will meet and confer with respect to how best to proceed. In any event, non-approval of the Agreement in its entirety will terminate the Agreement, and the Parties will not be bound by any of its provisions. In the event that no order from the CPUC approving this Agreement in its entirety has become final and no longer subject to appeal within thirty-six (36) months of when it is submitted for approval, then GSWC, the County or the Sutter Pointe Developers may terminate this Agreement upon written notice to the other Parties; provided, that if no such notice is given within thirty-seven (37) months of when this Agreement is submitted for approval, each of GSWC, the County and the Sutter Pointe Developers will have waived its right to terminate this Agreement as provided in this sentence.

3.3. Modification of the Agreement. Following the issuance of a CPCN for the South Sutter County Service Area to GSWC by the CPUC, none of the Parties (including the individual Sutter Pointe Developers that have executed this Agreement) will seek modification of the CPCN, or modification or reversal of any related CPUC decisions or orders, that would materially modify the terms and conditions of this Agreement, without the prior written agreement of the other Parties; provided, however, that except in connection with Section 6.3.1 the prior written agreement of Robbins AHC shall not be necessary.

Article 4
PROVISION OF WATER SERVICE BY GSWC

4.1. Service Area. GSWC will provide water utility service to the South Sutter County Service Area subject to the terms and conditions of this Agreement and the jurisdiction of the CPUC.

4.2. Design and Construction of Water Infrastructure.

4.2.1 ***Water Master Plan.*** GSWC and the Sutter Pointe Developers agree that all backbone water infrastructure for the South Sutter County Service Area shall be designed and constructed based on the *Sutter Pointe Specific Plan – Water Supply Master Plan* dated December 17, 2008. The Sutter Pointe Developers may—after meeting and conferring with GSWC regarding the modification to be made and any additional environmental review or regulatory approvals that might be required—modify the backbone infrastructure as part of a value engineering review of development of the Sutter Pointe Specific Plan area as long as the modifications meet the standards set forth in Section 4.2.2 below. For any work pursuant to this Section 4.2.1 that may require County review and/or approval, the Sutter Pointe Developers (or any other party requesting such work) shall be responsible for entering into an agreement with the County to cover the County's costs related to such work, which may include indemnification and upfront deposits. The County shall have no obligation to review and/or approve any work or modifications without such an agreement in place.

4.2.2 ***Design Standards.*** The design standards for all water infrastructure will be those of the County of Sutter, those contained in CPUC General Order 103-A or the California Department of Public Health ("DPH") Waterworks Standards, as applicable, whichever is most stringent.

4.2.3 ***Design and Construction.*** The Sutter Pointe Developers will be responsible for determining whether GSWC will undertake the design and construction of water infrastructure facilities within Sutter Pointe, or whether the Sutter Pointe Developers will be responsible for designing and constructing the infrastructure and conveying it to GSWC. GSWC and the Sutter Pointe Developers will develop a method to ensure timely infrastructure delivery. The Party that designs and constructs the water infrastructure will provide the other Party an opportunity to review, comment on and approve the design before it is finalized, for purposes of: (1) ensuring compliance with the design standards set forth in Section 4.2.2; (2) minimizing life cycle costs of the water infrastructure, considering capital, operations, maintenance, repair and replacement costs; (3) maintaining competitive rates; and (4) ensuring adequate water service quality based on the operating experience of GSWC. The review, comment and approval noted above for items (1)-(4) shall consider prevailing industry standards and relative sources of water supply, size of the water system, mix of customer types and age of the system. If a dispute arises based on design of the water infrastructure, the Parties will submit the dispute to arbitration pursuant to Section 8.9.3; provided, that the arbitrators shall develop a process for resolving disputes that is cost effective and shall result in a decision within a reasonable time, but in no event longer than thirty (30) Days from the date a dispute is submitted to it.

4.2.4 ***Coordination.*** Representatives of GSWC and the Sutter Pointe Developers shall meet when either Party requests a meeting to coordinate the design and construction of water infrastructure for the South Sutter County Service Area with land use development within the Sutter Pointe Specific Plan area.

4.3. **Rates and Charges.** GSWC rates for service to customers in the South Sutter County Service Area shall be set, except as otherwise provided for in this Agreement, under the prevailing processes established by the CPUC. Nothing herein is intended to preclude, at their discretion, the County, Sutter Pointe Developers or customers within the South Sutter County Service Area from participating in the CPUC ratemaking processes.

4.4. **Reimbursement.** The design and construction of all water infrastructure for serving Sutter Pointe will be paid for by the Sutter Pointe Developers, subject to reimbursement from GSWC or third parties as provided in this Section 4.4. The infrastructure cost reimbursement schedule will be agreed upon by the Sutter Pointe Developers and GSWC and involve a combination of the following mechanisms: (a) reimbursement by GSWC pursuant to Rule 15; (b) incremental acquisition of water infrastructure by GSWC according to occupancy of Sutter Pointe; (c) hook-up fees paid by builders to the Sutter Pointe Developers through a collection process in which those fees are collected by Sutter County or through another means acceptable to the Sutter Pointe Developers. With respect to backbone infrastructure, the Sutter Pointe Developers will utilize mechanisms (a), (b) or (c) above. With respect to "in tract" infrastructure, the Sutter

Pointe Developers will utilize mechanisms (a) or (b) above. Mechanism (b) above will be used to reimburse the Sutter Pointe Developers in an amount no greater than Eighty-One Million Dollars ($81,000,000).

4.5. **Franchise.** Pursuant to an agreement substantially in conformance with the [Draft] Franchise Ordinance attached as Exhibit B, the County will grant GSWC access to and use of all public rights-of-way as necessary or convenient for the provision of water utility service to the South Sutter County Service Area, whether such rights-of-way are located within that area or elsewhere in Sutter County.

4.6. **Real Property.** The Sutter Pointe Developers shall provide to GSWC either fee title to or easements across, as appropriate, all real property within the Sutter Pointe Specific Plan Area, as needed to locate water facilities that are necessary or convenient for the provision of water utility service to the South Sutter County Service Area. This dedication of land will be subject to reimbursement pursuant to the incremental acquisition methodology set forth in Section 4.4(b), with the price to be at fair market value as determined by an appraisal, subject to the cap on the maximum amount of incremental acquisition in Section 4.4.

4.7. **Environmental Review.** In order for the CPUC to issue a CPCN to GSWC in the Application 08-08-022 proceedings, the CPUC will need to complete environmental review pursuant to the California Environmental Quality Act ("CEQA"). The Sutter Pointe Developers acknowledge that the terms and conditions of this Agreement fully resolve the comments provided in their June 14, 2010 letter on the draft environmental impact report prepared by the CPUC, and that upon execution of this Agreement by all Parties, they will withdraw their comment letter from any further consideration or action under CEQA.

Article 5
WATER SUPPLIES

5.1. **Groundwater.** The *Sutter Pointe Specific Plan – Water Supply Master Plan* identified three water supply program options for the Sutter Pointe Specific Plan. Each program has an initial use of groundwater, but in varying quantities. Beginning with the initial phase of development in the Sutter Pointe Specific Plan, GSWC will provide water service to customers within the South Sutter County Service Area based on groundwater supplies in quantities and on a schedule to be agreed upon by the Sutter Pointe Developers and GSWC as development occurs, in order to insure a safe, reliable and affordable water supply for the Sutter Pointe Specific Plan area. The County will impose as a condition on all tentative subdivision maps for lands within the South Sutter County Service Area, or if no subdivision map is required for a particular development, any grading, building or other applicable land development permits, that the applicants for such map or permit shall execute in favor of GSWC a Groundwater Forbearance and Estoppel Agreement substantially in conformance with the draft attached as Exhibit C.

5.2. **Surface Water from Natomas.** On a schedule and in quantities to be agreed upon by the Sutter Pointe Developers and GSWC as development occurs, in order to insure a safe, reliable and affordable water supply for the Sutter Pointe Specific Plan area, GSWC will

provide water service to customers within the South Sutter County Service Area based on the conjunctive use of groundwater and surface water supplies. Simultaneous with execution of this Agreement, the Water Transfer Agreement between ASWC and Natomas is being terminated and replaced by the Water Wholesale Agreement attached as Exhibit D. GSWC will obtain surface water supplies for use in the South Sutter County Service Area from Natomas pursuant to the Water Wholesale Agreement.

5.3. Other Water Supplies. In the event that the groundwater and surface water supplies described in Sections 5.1 and 5.2, respectively, become unavailable due to physical constraints, contamination, environmental restrictions, operation of Law, action by a Governmental Entity or any other cause outside the control of GSWC, GSWC shall locate, acquire, take delivery of and distribute to its customers within the South Sutter County Service Area other water supplies as may be necessary or convenient to provide its customers with a safe, reliable and affordable water supply. The Parties acknowledge that GSWC is under no obligation to obtain or seek to obtain water supplies from GSWC's affiliate, American States Utility Services ("ASUS"), including supplies that ASUS obtained from Natomas.

5.4. Status of Natomas. As part of the proceeding on Application 08-08-022, the Parties shall request that the CPUC make findings of fact and conclusions of law to the effect that, based upon implementation of the Water Wholesale Agreement, Natomas shall not become or be deemed to be a public utility pursuant to California Public Utilities Code section 216, but shall remain an exempt mutual water company pursuant to California Public Utilities Code section 2705.

Article 6
COORDINATION WITH OTHER SERVICE AREAS

6.1. Expansion of Service Area. Prior to Buildout of the Sutter Pointe Specific Plan area, GSWC will make no filing with the Commission seeking to expand, for ratemaking purposes, the South Sutter County Service Area with any adjacent areas within Sutter or Sacramento Counties. To the extent that GSWC proposes an expansion, such an expansion shall not occur because of a request by GSWC or otherwise, without the agreement of the Sutter Pointe Developers.

6.2. Merger with Other Service Areas. Except as otherwise permitted in Section 6.3.2, prior to Buildout of the Sutter Pointe Specific Plan area, GSWC will make no filing with the Commission seeking to merge the South Sutter County Service Area with any of GSWC's other water service area(s) for ratemaking purposes. To the extent that GSWC proposes a merger of any other water service area(s) with the South Sutter County Service Area, such merger(s) shall not occur because of a request by GSWC or otherwise, without the agreement of the Sutter Pointe Developers.

6.3. Robbins Water System.

6.3.1 ***Acquisition.*** Subject to prior CPUC approval, the water system owned and operated by Sutter County Water Works District No. 1 in the Robbins community will be acquired by GSWC pursuant to the Water System Purchase and Sale

Agreement attached as Exhibit E. Within fourteen (14) days following the approval of this Agreement by the CPUC, which approval has become final and no longer subject to appeal, GSWC shall submit an appropriate request with the CPUC for approval of the Water System Purchase and Sale Agreement. None of the Parties shall oppose GSWC's request. If this Agreement is not approved by the CPUC, the Water System Purchase and Sale Agreement shall be void and of no effect.

6.3.2 ***Merger with South Sutter County Service Area.*** Upon approval of the CPCN for the South Sutter County Service Area and commencement of water utility service to a sufficient number of customers to limit the impact on water rates for non-Robbins customers in the South Sutter County Service Area to less than one dollar ($1.00) per month per residential customer, GSWC may seek to merge the Robbins system into the South Sutter County Service Area for ratemaking purposes; provided, that the Sutter Pointe Developers and then-existing customers in the South Sutter County Service Area reserve their rights to protest and participate in any CPUC proceedings related to such merger.

6.4. **Cross-Subsidization.** The South Sutter County Service Area shall be operated for ratemaking purposes so that there is no cross-subsidization of water service rates in, by or across the South Sutter County Service Area and other service areas owned and operated by GSWC, except as permitted under Section 6.3.2 or as required by the CPUC on a non-discriminatory basis.

Article 7
TERM AND TERMINATION

7.1. **Term; Continuing Obligations.** The term of this Agreement shall commence upon the Effective Date and terminate upon Buildout of the Sutter Pointe Specific Plan area, unless this Agreement is subject to early termination pursuant to Section 3.2.

7.2. **No Termination of Service.** Termination of this Agreement, other than termination pursuant to Section 3.2, shall not relieve GSWC of its obligation to continue service to the South Sutter County Service Area.

Article 8
DEFAULT AND DISPUTE RESOLUTION

8.1. **Default; Cure.** The failure by any Party to perform its obligations under this Agreement, which continues for more than thirty (30) Days after receipt of written notice from the other Party stating the existence and nature of such default, shall constitute a "Default", unless the default cannot be cured in thirty (30) Days, and in that event, if the defaulting Party fails to continuously and diligently remedy the default.

8.2. **Enforcement by Robbins AHC.** Due to the limited interest of the Robbins AHC in Application 08-08-022 and the provision of water service to the South Sutter County Service Area, Robbins AHC shall not possess any enforcement rights with regard to the provisions of Articles 4, 5 and 6, excepting Section 6.3.1.

8.3. **Waiver.** The failure of any Party at any time or times to enforce or require performance of any provision hereof shall in no way operate as a waiver or affect the right of such Party at a later time to enforce the same. No waiver by either Party of any condition or the breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any other breach of any term, covenant, representation or warranty contained in this Agreement.

8.4. **Equitable Remedies.** The Parties agree that irreparable damage would occur and that the Parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. The Parties shall be entitled to all forms of equitable relief, including restraining orders, injunctions and specific performance to prevent breaches and to enforce specifically the terms and provisions of this Agreement in addition to any other remedy to which they are entitled at law or in equity. The Parties waive any requirement for the securing or posting of any bond in connection with the obtaining of any equitable relief.

8.5. **Accumulation of Remedies.** The Parties agree that in the event of a Default or breach of this Agreement, the other Parties shall have all remedies in law or equity available to them, including specific performance and termination of this Agreement, and no remedy or election shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

8.6. **Time of Essence.** Time is of the essence of this Agreement; provided, however, that whenever under the terms of this Agreement the time for performance of a covenant or condition falls upon a Saturday, Sunday or a federal, state or local holiday, such time for performance shall be extended to the next business Day.

8.7. **Governing Law.** This Agreement and any ancillary documents shall be deemed to have been made in the State of California and the validity of this Agreement and any ancillary documents, and the construction, interpretation and enforcement thereof, and the rights of the Parties thereto shall be determined under, governed by and construed in accordance with the internal laws of the State of California, without regard to the conflicts of law rules of the forum in which suit is initiated pertaining to this Agreement. The Parties acknowledge that this provision is mandatory and not permissive in nature, and was expressly bargained for and considered by the Parties in establishing the terms and conditions set forth in this Agreement.

8.8. **Submission to Jurisdiction.** Each Party irrevocably and unconditionally agrees that the courts of the State of California in the County of Sacramento shall have exclusive jurisdiction to hear and decide any Proceeding relating to this Agreement to enforce a decision rendered in a Proceeding described in Section 8.9, and, for these purposes, each Party irrevocably submits to the jurisdiction and venue of such courts. Each Party hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that such Party may have now or hereafter to the laying of the venue or the jurisdiction or the convenience of the forum of any such legal suit, action or Proceeding.

8.9. Dispute Resolution.

8.9.1 ***Settlement by Mutual Agreement.*** The Parties desire that this Agreement operate between them fairly and reasonably. If during the term of this Agreement a dispute arises between two or more of the Parties, or one Party perceives another as acting unfairly or unreasonably, or a question of interpretation arises hereunder, then the Parties shall cause their respective representatives to promptly confer and exert their good faith efforts to reach a reasonable and equitable resolution of the issue. If the Parties' representatives are unable to resolve the issue within fourteen (14) Days, the matter shall be referred within two (2) Days of the lapse of such period to the Parties' responsible officers for resolution. A Party shall not seek resolution by mediation or arbitration of any dispute arising in connection with this Agreement until all Parties' responsible officers, who shall be identified by each Party from time to time, have had at least fourteen (14) Days to resolve the dispute following referral of the dispute to such responsible officers. If the Parties fail to settle such dispute within such period (including a failure to identify their respective responsible officers and make necessary referrals within such period), the provisions of Section 8.9.2 shall apply unless the Parties agree that the dispute is to be resolved according to the provisions of Section 8.9.3.

8.9.2 ***Mediation.*** If a dispute under this Agreement is not resolved by the Parties pursuant to Section 8.9.1, upon the request of a Party, the relevant Parties shall try in good faith to settle the dispute by nonbinding mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to arbitration. Unless otherwise agreed upon by the Parties, the mediation shall be held in Sacramento, California. Each Party will bear the cost and expense of preparing and presenting its own case, including its own attorney fees and costs of witnesses. Payment of the mediator and other costs and expenses of the mediation will be divided equally among the participating Parties.

8.9.3 ***Arbitration.*** If a dispute under this Agreement is not resolved by the Parties pursuant to Section 8.9.2 within thirty (30) Days from the date on which either Party first requested mediation, or if the Parties agree that the dispute is to be resolved through arbitration, then such dispute shall be finally settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules. Unless otherwise agreed upon by the Parties, the arbitration shall be held in Sacramento, California.

8.9.4 ***Arbitration Procedure.*** Notice of the demand for arbitration shall be delivered to the other Party or Parties and the dispute shall be referred to a panel of arbitrators within ten (10) Days of receipt of demand, such panel to consist of the number of participating Parties plus either one or two as needed to achieve an odd number of arbitrators. One arbitrator shall be appointed by each Party, within ten (10) Days of receipt of demand, each of such arbitrators to have knowledge and experience in the water utilities field, both in technical matters as well as in the implementation and interpretation of agreements similar to this Agreement, and the remaining one or two independent arbitrators appointed by the arbitrators

appointed by the Parties. If a Party fails to appoint an arbitrator within the aforementioned term, then the other Parties' appointees shall become the sole arbitrators. The Parties shall proceed with the arbitration expeditiously and shall conclude all proceedings thereunder in order that a decision may be rendered within sixty (60) Days from service of the demand for arbitration. Each Party shall bear its own expenses in connection with any arbitration, including but not limited to attorney fees, and all joint expenses shall be apportioned equally among the participating Parties.

8.9.5 ***Pending Disputes.*** Notwithstanding any provision of this Section 8.9 to the contrary, a Party may commence litigation within thirty (30) Days prior to the date after which the commencement of litigation could be barred by any applicable statute of limitations or other law, rule, regulation, or order of similar import or in order to request injunctive or other equitable relief in connection with any bankruptcy or insolvency proceeding or otherwise necessary to prevent irreparable harm. In such event, the Parties will (except as may be prohibited by judicial order) nevertheless continue to follow the procedures set forth herein. While any disputes under this Agreement are pending, including the commencement and pendency of any of the dispute resolution procedures set forth in this Section 8.9, the Parties shall abide by all their obligations under this Agreement without prejudice to a final determination in accordance with the foregoing provisions of this Section 8.9.

8.9.6 ***Awards.*** Each Party agrees that any final award against it in any proceedings of the nature referred to in Section 8.9.2 or 8.9.3 shall be final, conclusive and binding upon it and may be enforced in any court of competent jurisdiction, by suit on the award or otherwise, a certified copy of which award shall be conclusive evidence thereof and of the amount of its liability, or by any other means provided by law.

Article 9
GENERAL PROVISIONS

9.1. **Force Majeure.** No Party shall be held liable for a failure to perform hereunder due to the occurrence of an event of Force Majeure. This section shall not act to excuse any financial obligations of the Parties.

9.1.1 ***Consequences of Force Majeure.*** Upon an occurrence of an event of Force Majeure that materially and adversely affects the performance by a Party of its obligations or the enjoyment by that Party of its rights pursuant to this Agreement, provided that any such material adverse effect has not occurred due to the material failure of the Party to comply with its obligations hereunder, then:

(a) The non-performing Party shall use its reasonable efforts to give the other Parties within seventy-two (72) hours of such Party learning of the occurrence of such event or circumstance written notice describing the particulars of the occurrence or circumstance;

(b) The non-performing Party shall be excused from performance provided that such excused performance is of no greater scope and of no longer duration than is required by the event of Force Majeure;

(c) The non-performing Party shall use its reasonable efforts to remedy its inability to perform; and

(d) When the non-performing Party is able to resume performance of its obligations under this Agreement, that Party shall use its reasonable efforts to promptly give the other Parties written notice to that effect and shall promptly resume performance.

9.1.2 Liability. Except for the obligations of either Party to make any required payment then due and owing under this Agreement, a Party shall not be liable for any failure or delay in complying with its obligations hereunder to the extent that such failure or delay has been caused, or contributed to, by one or more events of Force Majeure or its or their effects or by any combination thereof. The periods allowed for the performance by the Parties of such obligations shall be extended as required, but in no event less than on a Day-for-Day basis, for so long as one or more Force Majeure events continues to affect materially and adversely the performance of such Party of such obligations under or pursuant to this Agreement.

9.2. Indemnification and Hold Harmless. GSWC and the Sutter Pointe Developers shall indemnify and hold harmless the County and its officers, employees and agents against all liabilities, claims, demands, damages and costs (including but not limited to attorney fees and litigation costs) that arise in any way from the County's approval of this Agreement and Exhibits or GSWC's and the Sutter Pointe Developers' performance under this Agreement or the Exhibits. This section shall survive termination of the Agreement.

9.3. Notice. Any notices or communications permitted or required hereunder shall be in writing and: (i) hand delivered (including via air express courier); (ii) sent postage pre-paid by registered or certified mail, return receipt requested, to the respective Party as set forth below, or to such other address as any Party may notify the others of in writing; or (iii) sent by electronic mail to the respective Party as set forth below, as long as such notice or communication is also sent by one of the other means set forth above within twenty-four (24) hours of the sending of the electronic mail:

To GSWC: Golden State Water Company
Attn: Senior Vice President of Regulated Utilities
630 East Foothill Boulevard
San Dimas, CA 91773

To the County:	County of Sutter Attn: County Administrative Officer 1130 Civic Center Boulevard, Suite A Yuba City, CA 95991
To the Sutter Pointe Developers:	South Sutter, LLC and Riego 1700, LLC Attn: Larry Gualco c/o Lennar Communities 1420 Rocky Ridge, Suite 320 Roseville, CA 95678 and South Sutter Investors, LLC Attn: Mark Enes 7700 College Town Drive, Suite 101 Sacramento, CA 95826
To Robbins AHC:	Robbins Ad Hoc Committee Attn: Frank Alonso P.O. Box 254 Robbins, CA 95676

A notice or communication permitted or required hereunder shall be deemed to have been served as follows: (i) if hand delivered, at the time of delivery; (ii) if sent by mail, 72 hours after it was posted; or (iii) one business Day after deposit with an overnight express courier. In providing service by mail, it shall be sufficient to prove that the letter containing the notice was properly addressed, stamped and posted.

9.4. **Additional Documents.** Each Party shall, at the request of another Party, execute and deliver such other reasonable instruments and do and perform such other reasonable acts and things for effecting complete consummation of this Agreement and the transaction contemplated by this Agreement in the manner reasonably contemplated by this Agreement, and no Party shall unreasonably refuse to execute such documents herein contemplated.

9.5. **Expenses.** Regardless of whether or not the transaction contemplated hereby is consummated, each Party shall pay its own respective expenses incurred in the Application 08-08-022 proceedings, including, without limitation, the fees, disbursements and expenses of its attorneys and accountants, in connection with the negotiation, preparation and execution of this Agreement.

9.6. **Successors and Assigns.** This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns, except as restricted by this Agreement. A Party shall not voluntarily or by operation of law assign, hypothecate, give, transfer, mortgage, sublet, license or otherwise transfer or encumber all or any part of its rights, duties or other interests in this

Agreement (collectively "Assignment"), without the other Parties' prior written consent, which consent shall not be unreasonably withheld; provided, that if another public entity succeeds by operation of law to the powers and duties of the County under this Agreement, then no written consent shall be required. Any attempt to make an Assignment in violation of this provision shall be a material Default under this Agreement and shall be null and void. Absent an express signed written agreement between the Parties to the contrary, no Assignment shall result in a novation or in any other way release the assignor from its obligations under this Agreement.

9.7. **No Third Party Rights.** Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties to this Agreement and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligations or liability of any third persons to any Party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over or against any Party to this Agreement.

9.8. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the Parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all of the Parties.

9.9. **Execution in Counterparts; Signature.** This Agreement may be executed in counterparts, each of which shall be deemed an original (including copies sent to a Party by facsimile transmission or PDF) as against the Party signing such counterpart, but which together shall constitute one and the same instrument. This Agreement may be executed by faxed or scanned and emailed signatures.

9.10. **Authority.** All individuals executing this and other documents on behalf of the respective Parties certify and warrant that they have the capacity and have been duly authorized to so execute the documents on behalf of the entity so indicated. Each signatory shall also indemnify the other Parties to this Agreement, and hold them harmless, from any and all damages, costs, attorney fees and other expenses, if the signatory is not so authorized.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the dates set forth below their respective signatures.

GOLDEN STATE WATER COMPANY

Robert J. Sprowls
By: Robert J. Sprowls
President and Chief Executive Officer

March 11, 2011
Date

COUNTY OF SUTTER

By: James Gallagher
Chairman, Board of Supervisors

March 13, 2011
Date

SUTTER COUNTY WATER AGENCY

By: James Gallagher
Chairman, Board of Directors

March 13, 2011
Date

SOUTH SUTTER LLC
a California limited liability company

By: LNR California Investments, Inc.
a Florida corporation
Its Day-to-Day Manager

By: Lennar Communities, Inc.
a California corporation
Its authorized Delegatee

By: _____
Larry Gualco
Vice President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the dates set forth below their respective signatures.

GOLDEN STATE WATER COMPANY

By: Robert J. Sprowls
President and Chief Executive Officer

Date

COUNTY OF SUTTER

By: James Gallagher
Chairman, Board of Supervisors

Date

SUTTER COUNTY WATER AGENCY

By: James Gallagher
Chairman, Board of Directors

Date

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a California limited liability company

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a Florida corporation
Its Day-to-Day Manager

By: Lennar Communities, Inc.
a California corporation
Its authorized Delegatee

By: Larry Gualco
Vice President

RIEGO 1700, LLC
a Delaware limited liability company

By: Lennar Homes of California, Inc.
a California corporation
Its Managing Member

By: _____
Larry Gualco
Vice President

By: TW Investments, LLC
a California limited liability company
Its Member

By: Tom Winn Communities, Inc.
a California corporation
Its Manager

By: _____
Thomas P. Winn
President

SOUTH SUTTER INVESTORS, LLC
a California limited liability company

By: SS Management, LLC
a California limited liability company
Its Managing Member

By: AKT Investments, Inc.
a California Corporation
Its Managing Member

By: _____
Name: Angelo K. Tsakopoulos
Title: Chairman

RIEGO 1700, LLC
a Delaware limited liability company

By: Lennar Homes of California, Inc.
a California corporation
Its Managing Member

By: _____
Larry Gualco
Vice President

By: TW Investments, LLC
a California limited liability company
Its Member

By: Tom Winn Communities, Inc.
a California corporation
Its Manager

By: _____
Thomas P. Winn
President

SOUTH SUTTER INVESTORS, LLC
a California limited liability company

By: SS Management, LLC
a California limited liability company
Its Managing Member

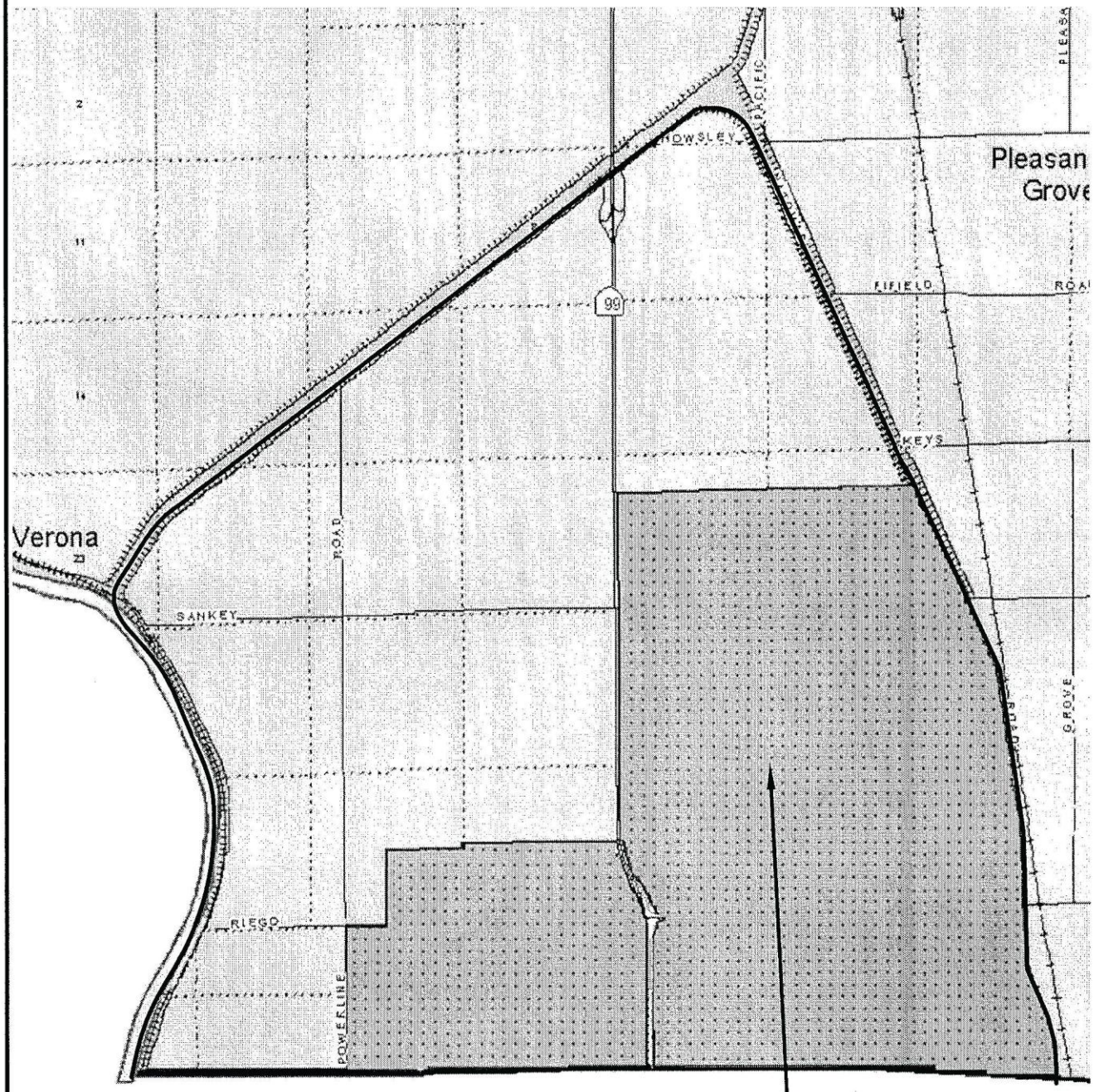
By: AKT Investments, Inc.
a California Corporation
Its Managing Member

By: _____
Name: _____
Title: _____

ROBBINS AD-HOC COMMITTEE

Frank Amyot Member Date 3-11-2011

EXHIBIT A
SOUTH SUTTER COUNTY SERVICE AREA



SOUTH SUTTER
COUNTY SERVICE
AREA

EXHIBIT B
[DRAFT] FRANCHISE ORDINANCE

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNTY OF SUTTER GRANTING TO GOLDEN STATE WATER COMPANY, A CORPORATION, THE NON-EXCLUSIVE RIGHT, PRIVILEGE AND FRANCHISE TO LAY AND USE PIPES AND APPURTENANCES FOR TRANSMITTING AND DISTRIBUTING WATER FOR ANY AND ALL PURPOSES UNDER, ALONG, ACROSS OR UPON THE PUBLIC STREETS, WAYS, ALLEYS AND PLACES, AS THE SAME NOW OR MAY HEREAFTER EXIST, WITHIN SAID COUNTY.

THE BOARD OF SUPERVISORS OF THE COUNTY OF SUTTER ORDAINS AS FOLLOWS:

SECTION ONE

Whenever in this ordinance the words or phrases hereinafter in this section defined are used, they shall have the respective meanings assigned to them in the following definitions (unless, in the given instance, the context wherein they are used shall clearly import a different meaning):

(a) The word "Grantee" shall mean Golden State Water Company, a California corporation, and its lawful successors or assigns;

(b) The word "County" shall mean Sutter County, California;

(c) The word "streets" shall mean the public streets, ways, alleys and places as the same now or may hereafter exist within said County;

(d) The word "Franchise" shall mean and include any authorization granted hereunder in terms of a franchise, privilege, permit, license or otherwise to lay and use pipes and appurtenances for transmitting and distributing water for any and all purposes under, along, across or upon the public streets, ways, alleys and places in the County, and shall include and be in lieu of any existing or future County requirement to obtain a license or permit for the privilege of transacting and carrying on a business within the County;

(e) The word "water" shall mean water of any type, including, without limitation, potable water, reclaimed water and wastewater;

(f) The phrase "pipes and appurtenances" shall mean pipe, pipelines, main, service, trap, vent, vault, manhole, meter, gauge, regulator, pump, valve, conduit, ditch, flume, appliance, attachment, appurtenance and any other property located or to be located in, upon, along, across, under or over the streets of the County, and used or useful in transmitting and distributing water; and

(g) The phrase "lay and use" shall mean to excavate, lay, construct, erect, install, operate, maintain, use, repair, replace or remove.

SECTION TWO

Subject to each and all of the terms and conditions contained in this ordinance, and pursuant to the provisions of the Public Utilities Code of the State of California, known as the Franchise Act of 1937, the non-exclusive right, privilege and franchise is hereby granted to Golden State Water Company as Grantee to lay and use pipes and appurtenances for transmitting and distributing water for any and all purposes, under, along, across or upon the streets of the County for 50 years from and after the effective date hereof.

SECTION THREE

(a) The Grantee shall pay to the County at the times hereunder specified, in lawful money of the United States, a franchise fee annually which shall be equal to two percent (2%) of the gross annual receipts of the Grantee arising from the use, operation or possession of this Franchise, except that this payment shall be not less than one percent (1%) of Grantee's gross annual receipts derived from the sale of water within the County. The gross annual receipts of the Grantee arising from the use, operation or possession of the Franchise for each period shall be calculated as follows:

(1) gross receipts from operations of Grantee within the County for such period shall be multiplied by a fraction, the numerator of which is the amount of Grantee's investment in distribution facilities in the County at the end of such period and the denominator of which is the amount of Grantee's investment in physical properties in the County at the end of such period, and

(2) the result of the calculation in subsection (1) shall be multiplied by the total gross receipts, less uncollectible bills, of Grantee within the County for such period.

(b) Upon notice by the County that payments shall be made in accordance with subdivision (c) of this SECTION THREE, Grantee shall pay the franchise fee calculated under SECTION THREE (c).

(c) In the event the legislature amends the Franchise Act of 1937 (Public Utilities Code sections 6201-6302) or enacts any other state law which increases the franchise payment to general law counties to a level greater than that provided in Section THREE (a) above, then the County shall have the option of prospectively employing the legislative formula, which shall apply for the remaining term of this agreement. If the County exercises said option, the legislative formula shall be prospectively applied hereto on the later of: (1) the effective date of the legislation; or (2) January 1 of the calendar year in which the County exercised said option.

(d) Any notices under this SECTION THREE shall be in writing and be delivered by courier service or by certified mail, return receipt requested, to the other party at the address shown below or at such other address as the party may designate by written notice delivered in the manner provided for herein:

County of Sutter
1160 Civic Center Drive, Yuba City, CA 95993
Attn: County Administrator and County Attorney

Golden State Water Company
630 East Foothill Boulevard, San Dimas, CA 91773
Attn: Senior Vice President—Regulated Utilities

SECTION FOUR

(a) Within ninety (90) days after the expiration of each calendar year, or fractional calendar year, during the term of this Franchise and ninety (90) days after the expiration of the term of this Franchise, the Grantee shall file with the County Clerk of the County, the original, and with the County Administrator or his or her designee, one copy of a verified statement showing the following:

(1) The total gross revenue under SECTION THREE received by the Grantee from the use, operation or possession of this Franchise during the preceding calendar year, or fractional calendar year.

(2) The total gross revenue under SECTION THREE received by the Grantee from the sale of water within the County.

(3) The method and supporting calculations used to calculate the franchise fees which are payable to the County in accordance with this Franchise.

(4) Such other data or information as the County may reasonably need to calculate or determine the amounts which Grantee is obligated to pay the County pursuant to SECTION THREE, provided that the County shall request such data and information from Grantee in writing and shall deliver said request no less than 60 days prior to the due date of the above-described statement.

(b) Said statement shall be verified by an authorized officer of the Grantee, and shall be in such form and detail as from time to time shall be reasonably prescribed by the County Administrator or his or her designee.

(c) Within fifteen (15) days after the filing of said statement, the Grantee shall pay to the County, at the address above, in lawful money of the United States, the sum of money required to be paid by Grantee to the County under SECTION THREE for the calendar year or fractional calendar year covered by the statement. Grantee shall pay interest to County, to the extent allowed by law, at the rate of the Consumer Price Index for United States Department of Labor's Bureau of Labor Statistics for all items, all urban consumers San Francisco-Oakland-San Jose Metropolitan Area on any unpaid amount after the expiration of the 15-day period.

(d) Any neglect, omission or refusal by Grantee to file the verified statement required under subsection (a) above, or to pay any required payments under SECTION THREE at the time and in the manner specified shall be grounds for the declaration of a forfeiture of this Franchise and of all rights and privileges of Grantee hereunder, provided that Grantee shall not

have cured said neglect, omission, or refusal to file or pay within ten (10) days following written notice from the County of such failure to file or pay, or, if such neglect, omission or refusal is not reasonably subject to cure within such ten (10) day period, Grantee has not commenced to cure such neglect, omission or refusal within such ten (10) day period and has not continued to prosecute such cure to completion.

SECTION FIVE

This grant is made in lieu of all other franchises owned by the Grantee, or by any successor of the Grantee to any rights under this Franchise, for transmitting and distributing water within the limits of the County, as said limits now or may hereafter exist, except any franchise derived under Section 19 of Article XI of the Constitution of the State of California as that section existed prior to the amendment thereof adopted October 10, 1911, and the acceptance of the Franchise hereby granted shall operate as an abandonment of all such franchises within the limits of this County, as such limits now or may hereafter exist, in lieu of which this Franchise is granted.

SECTION SIX

The Franchise granted hereunder shall not become effective until written acceptance thereof shall have been filed by the Grantee with the County Clerk of the County.

SECTION SEVEN

(a) Grantee shall construct, install and maintain all pipes and appurtenances in accordance with all of the ordinances, rules and regulations theretofore, or hereafter adopted by the legislative body of this County in the exercise of its police powers and not in conflict with the paramount authority of the State of California, and, as to State highways, subject to the provisions of general laws relating to the location and maintenance of such facilities;

(b) Grantee shall pay to the County, on demand, the cost of all repairs to public property made necessary by any operations of the Grantee under this Franchise;

(c) Grantee shall indemnify, defend and hold harmless the County and its officers, employees and agents, from any and all claims, suits, liabilities, damages and costs, including but not limited to attorney fees, proximately resulting from any operations under this Franchise; and be liable to the County for all damages proximately resulting from the failure of Grantee well and faithfully to observe and perform each and every provision of this Franchise and each and every provision of Division 3, Chapter 2 of the California Public Utilities Code.

(d) Upon abandonment of any of Grantee's facilities or equipment located above or below the surface of any street, Grantee shall notify the County Administrator in writing of such abandonment within ninety (90) days thereafter. The Grantee, upon being given sixty (60) days notice, shall promptly at no expense to the County remove from the streets or public places all such facilities or equipment other than any which the County Public Works Director may permit to be abandoned in place. In the event of such removal, the Grantee shall promptly restore the street or other area from which such facilities or equipment has been removed to a condition satisfactory to the County Public Works Director, subject to any prevailing wage

standards that might be applicable to the work that is to be undertaken. If the Grantee fails to remove abandoned facilities or equipment and perform restoration as requested by the County, then at the County's sole discretion, the County may perform such removal and restoration at Grantee's sole expense. Grantee shall pay the County within thirty (30) days of invoice. Any property of the Grantee that the County allows to be abandoned in place shall be abandoned in such a manner as the County Public Works Director shall prescribe.

(e) The County shall have the right to change the grade, width or location of any street, or improve any street in any manner, including but not limited to the laying of any sewer, storm drain, conduit or pipe, or construct and install any pedestrian tunnel, traffic signal, street lighting facility or other public improvement. Grantee shall remove or relocate any facilities installed, used or maintained under this Franchise if and when made necessary by any such lawful change or improvement without expense to the County; provided, however, that Grantee shall not be required to bear the expense of such work done at the request of the County if and to the extent that such request is on behalf, or for the benefit, of any private developer or other non-governmental entity. Nothing herein, however, is intended to modify or limit the provisions of Public Utilities Code sections 1501-1507 or 6297 (and as amended in the future) or the judicial appellate decisions of the State of California interpreting Public Utilities Code sections 1501-1507 or 6297 (and as amended in the future).

(f) This Franchise may not be transferred (voluntarily, involuntarily or by operation of law), leased or assigned by the Grantee, unless the County consents in writing and the transferee or assignee thereof shall covenant and agree to perform and be bound by each and all of the terms hereof. The Grantee shall file with the County Clerk and the County Administrator within ninety (90) days after any sale, transfer, assignment or lease of this Franchise, or any part hereof, or of any of the rights or privileges granted hereby, written evidence of the same, certified thereto by the Grantee or its duly authorized officers.

SECTION EIGHT

The County Treasurer, or any certified public accountant, or qualified person designated by the County Administrator, at any reasonable time during business hours, may make examination at the Grantee's offices of its books, accounts and records, germane to and for the purpose of verifying the data set forth in the statement required by SECTION FOUR hereof and to and for any other purpose relating to the payments to be made by Grantee hereunder.

SECTION NINE

(a) The County Public Works Director shall have the right to give the Grantee such directions for the location of any pipes and appurtenances as may be reasonably necessary to avoid sewers, pipes, conduits or other structures lawfully in or under the streets; and before the work of constructing any pipes and appurtenances is commenced by Grantee, the Grantee shall file with said County Public Works Director plans showing the location thereof. All street work performed in the public right of way, including street coverings or openings of traps, vaults, valves and manholes, as well as work affecting the street, including backfilling of trenches, shall be constructed in accordance with the then most current version of the County Improvement/ Design Standards as approved by the Board of Supervisors.

(b) All new work, installations, repairs or maintenance performed in the public right of way shall be done under a permit to be granted by the County Public Works Director upon application therefore, and Grantee shall restore such street, or portion of street, to as good a condition as existed before such work was done, and such restoration shall be completed to the reasonable satisfaction of the County Public Works Director.

(c) Grantee shall pay all fees applicable to public utilities for permits, plan reviews, inspections and other work performed as set by resolution of ordinance of the Board of Supervisors and in effect at the time application is made to the County.

SECTION TEN

(a) If any portion of any street shall be damaged by reason of failure or defects in any of the pipes and appurtenances maintained or constructed under this grant, or the operation thereof, said Grantee shall, at its own cost and expense, immediately repair any such damage and restore such portion of street, to as good condition as existed before such defect or other damage caused by Grantee occurred, such work to be done under the direction of the County Public Works Director, and to his or her reasonable satisfaction. Damage to streets and hazards to the public in the public right-of-way shall be immediately reported to the County Public Works Department through the contact methods provided by that department. In the event of such damage, the Grantee shall establish, within two hours notice by any person of such damage, such immediate traffic control as is necessary to protect the public from hazards created by the damage. Further, the Grantee shall perform, within six hours notice of such damage, such interim repairs as are necessary to keep the street open to traffic and free from hazard. Grantee shall promptly restore the street damaged, within seven calendar days, to a condition satisfactory to the County Public Works Director. If the Grantee fails to perform repairs and restoration as required by the County, then at the County's sole discretion, the County may perform such repairs and restoration at Grantee's sole expense. Additionally, Grantee shall pay for any costs for the County to respond to street/road hazards caused by Grantee's facilities within thirty (30) days of invoice.

(b) Grantee, as a water system operator, if so requested by the County, agrees to establish a common billing system for potable water and sewage services. Grantee agrees to make a good faith effort to agree on terms and charges acceptable to the County as executed through a separate agreement. Further, the Grantee agrees not to provide or to discontinue water service to any premises with dwelling units or commercial or industrial facilities, which lacks an adequate and functional sanitary sewer service, upon notification by the County.

SECTION ELEVEN

(a) If the Grantee shall fail, neglect or refuse to comply with any of the provisions or conditions hereof (other than the provisions of SECTION THREE), and shall not, within ten (10) days after written demand for compliance, begin the work of compliance, or after such beginning shall not prosecute the same with due diligence to completion, then the County, by its legislative body, may declare this Franchise forfeited as provided herein.

(b) The County may sue in its own name for the forfeiture of this Franchise in the event of noncompliance by the Grantee, its successors or assigns with any of the conditions hereof.

SECTION TWELVE

The Grantee shall pay to the County a sum of money sufficient to reimburse it for all publication expenses incurred by it in connection with the granting of this Franchise, such payment to be made within thirty (30) days after the County shall furnish Grantee with a written statement of such expenses.

SECTION THIRTEEN

Not later than thirty (30) days after the publication of this ordinance, the Grantee shall file with the County Clerk a written acceptance of the provisions of this ordinance, or this ordinance shall become null and void and of no effect.

SECTION FOURTEEN

If any section, subsection, sentence, clause, phrase or portion of this ordinance is held by a court of competent jurisdiction to be invalid or unconstitutional, that portion shall be deemed a separate, distinct and independent provision, and the holding shall not affect the validity of the remaining portions of this ordinance.

SECTION FIFTEEN

This ordinance shall take effect thirty (30) days after the date of its adoption and before the expiration of fifteen (15) days from the date of passage thereof shall be published at least once in the Appeal-Democrat, a newspaper of general circulation, printed and published in the County of Sutter, State of California, together with the names of the members of the Board of Supervisors voting for and against the same.

ATTEST
DONNA M. JOHNSTON, CLERK

By:_____ _____
Deputy James Gallagher
Chairman, Board of Supervisors

006774\0194\570504.1

EXHIBIT C
[DRAFT] GROUNDWATER FORBEARANCE AND ESTOPPEL AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED, RETURN TO:

C. Wesley Strickland, Esq.
Brownstein Hyatt Farber Schreck, LLP
21 East Carrillo Street
Santa Barbara, CA 93101

THIS SPACE RESERVED FOR RECORDER ONLY
(Govt. Code § 27361.6)

APN(s): _____

GROUNDWATER FORBEARANCE AND ESTOPPEL AGREEMENT

This GROUNDWATER FORBEARANCE AND ESTOPPEL AGREEMENT (hereinafter the "Agreement") is made and entered into on _____, 20__, by and between _____, a _____ (hereinafter referred to as "Landowner"), and Golden State Water Company, a California corporation (hereinafter referred to as the "Company").

RECITALS

A. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California, with corporate power to own property and carry on its business as contemplated by this Agreement, with its principal office and place of business at 630 East Foothill Boulevard, San Dimas, CA 91773.

B. The Company is a public utility, as defined in California Public Utilities Code section 216, engaged in the business of supplying water to customers within its certificated service area.

C. On _____ the California Public Utilities Commission ("CPUC") granted Company a certificate of public convenience and necessity ("CPCN") to establish the South Sutter County Service Area.

D. Landowner is the owner of certain land located within the South Sutter County Service Area, commonly referred to as APN(s)_____with a physical address of _____ and more particularly described in "Exhibit A" attached hereto and made a part hereof (hereinafter referred to as the "Property").

E. The Property overlies the North American Subbasin of the Sacramento Valley Groundwater Basin (hereinafter referred to as the "Basin") and includes as part and parcel of the Property overlying rights for the extraction, distribution and use of groundwater from the Basin (hereinafter referred to as "Groundwater") on the Property

F. Landowner, without transferring any overlying water right or any other water right or privilege pertaining to the Property, does desire, in partial consideration of Company's obligation to provide water to the Property consistent with its CPCN, to provide Company with a priority to the use of any and all overlying rights and/or any other water right in and to Groundwater, including the rights to extract, store and divert Groundwater and to distribute and supply the same to the Property and all other land having, under the laws of the State of California or pursuant to any judgment or contract, a legal right to have said water applied thereon.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, which are fully made an operative part of this Agreement, and the mutual promises and agreements herein contained, the parties hereto agree as follows:

1. Landowner hereby agrees, as long as Company or its successors or assigns provides municipal and industrial water to the Property, to forbear in favor of Company from taking any actions related to the Property that are adverse to Company's ability to extract, divert, store, blend and distribute a portion of or all Groundwater upon or under the Property as long as the purpose of Company's use of Groundwater is for the purpose of putting said Groundwater to beneficial use to the fullest extent of which it is capable for the benefit of the Property and the inhabitants and users thereof and all other lands on which Groundwater now and hereafter may be legally applied, consistent with the Company's obligation to provide water within its South Sutter County Service Area. It is the intention of Landowner and Company by this Agreement to maintain a binding and permanent arrangement whereby Groundwater shall be properly maintained and be perpetually delivered and distributed to the Property and subdivisions thereof for the use of Landowner and other owners of such other lands on which Groundwater now and hereafter may be legally applied, consistent with the Company's obligation to provide water within its South Sutter County Service Area. Notwithstanding the foregoing, certain lands within the South County Service Area may remain in agricultural production. Landowner specifically excludes from this Agreement any portion of the Property that is in agricultural production and is not directly provided water service pursuant to the Company's CPCN.

2. Landowner hereby grants to the Company a priority in the use of Groundwater in order for it to blend Groundwater with other sources of supplemental water, to distribute such supplemental water to Landowner in lieu of or in addition to the distribution of Groundwater and to store, at no charge to the Company, such supplemental water under the Property.

3. Landowner agrees that all Groundwater to be used by Landowner on the Property, for municipal and industrial purposes, shall be obtained from the Company. Landowner shall not divert or extract any Groundwater from on or below the Property for municipal or industrial use on the Property or any other place, or divert or extract Groundwater from the Basin or a tributary source by any facilities not on the Property for use by Landowner or others on the Property, unless the Landowner has the written approval of the

Company. Landowner reserves to itself, and to its assigns and successors in interest, all water rights and privileges presently owned and which may be hereinafter acquired pertaining to the Property and nothing in this Agreement shall be construed as appropriating or dedicating said water rights or any water to public use.

4. This forbearance and estoppel shall be effective and irrevocable in perpetuity. Upon any final determination, if any, by any court of competent jurisdiction in an appropriate action that the method of extraction and distribution of said Groundwater herein provided is not the proper method of exercising the overlying and/or other water rights of Landowner, this Agreement shall be deemed to constitute a covenant by Landowner not to exercise said overlying and/or other water rights of Landowner and a waiver of objections to the appropriation, extraction and distribution of Groundwater, as provided for herein, by the Company.

5. Under this Agreement, at the sole option and discretion of the Company, the Company may represent Landowner, in common with all other landowners who have entered into similar forbearance and estoppel agreements with the Company, in any court adjudication, administrative proceeding, groundwater management plan or other determination or management of the rights of the Landowners or the Company in and to the waters contained in or tributary to the Basin to the extent that such representation is necessary to defend or exercise the Company's rights granted herein. The Company shall insure that Landowner is informed of the initiation of any such adjudication or other proceeding. This forbearance and estoppel is based upon the mutuality of interest of the Landowner, the Company and other landowners who have entered into similar forbearance and estoppel agreements with the Company, in the protection and assertion of their collective overlying correlative and other water rights in and to the Basin. This forbearance and estoppel shall not extend to any action at law wherein the interests of the Landowner and the Company, or the interests of the Landowner and another landowner who has entered into a similar forbearance and estoppel agreement, are adverse to each other; provided, that type of adversity caused by the fact that the water rights of the Landowner and every other owner of land overlying the Basin are correlative, as set forth in the case of *City of Pasadena v. City of Alhambra*, 33 Cal.2d 908, 926, 207 P.2d 17 (1949), *cert. denied sub nomine California-Michigan Land & Water Co. v. City of Pasadena*, 339 U.S. 937, 70 S.Ct. 671, 94 L.Ed. 1354 (1950), shall not be deemed to constitute adversity for purposes of limiting the scope of representation under this Section.

6. The Company agrees to divert, extract, store and distribute Groundwater for the benefit of Landowner and acquire by purchase, gift or otherwise all wells and water distribution facilities useful and necessary to extract, store and distribute Groundwater to the lands and inhabitants entitled thereto in accordance with this Agreement. Nothing contained herein shall prevent the Company from exercising any of the powers contained in its Articles of Incorporation or By-Laws, nor shall the Company be prohibited from acquiring supplemental water for distribution to all lands within the South Sutter County Service Area, including the Property.

7. Neither the Company nor the Landowner warrants the quantity or quality of the Groundwater to be extracted and distributed by the Company.

8. This Agreement shall inure to the benefit of and be binding on third-party assigns and successors in interest of the Company and Landowner and is intended to constitute a covenant and servitude running with and upon the Property. Landowner hereby consents to the filing of this Agreement with the Recorder of the County in which the Property is located.

9. Whenever the context and construction so require, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa. Any controversy or claim arising out of or relating to this Agreement shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

10. This Agreement constitutes the final agreement among the Parties and can only be modified or amended in writing, executed by all Parties to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

_____	_____
(Landowner)	(Company)
_____	_____
ATTEST	ATTEST

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EXHIBIT D
WATER WHOLESALE AGREEMENT

WATER WHOLESALE AGREEMENT

This Water Wholesale Agreement ("Agreement") is made and entered into as of March 14, 2011 (the "Effective Date") by and between American States Water Company ("ASWC"), Golden State Water Company ("GSWC"), American States Utility Services, Inc. ("ASUS"), the Natomas Central Mutual Water Company ("Natomas"), and the Sutter Pointe Developers, as defined below, each of which is a "Party" and which together are the "Parties."

RECITALS

A. GSWC is a California corporation and a public utility water corporation as defined by California Public Utilities Code sections 216 and 241, and provides water utility service to approximately 260,000 customer connections in thirty-eight (38) service areas throughout California, subject to regulation by the California Public Utilities Commission ("CPUC").

B. Natomas is a California corporation and a mutual water company that currently provides agricultural irrigation water service exclusively to its shareholders at cost. The Natomas corporate boundaries include approximately 55,000 acres of south Sutter County and north Sacramento County, and its shareholders are also property owners within that area.

C. The Sutter Pointe Developers consist of South Sutter Investors, LLC, a California limited liability company, South Sutter, LLC, a California limited liability company, and Riego 1700, LLC, a Delaware limited liability company. The Sutter Pointe Developers are landowners or have options on land and are developers of residential and industrial land development projects within the Sutter Pointe Specific Plan Area in south Sutter County, California, as shown on the map attached to this Agreement as Exhibit A ("Sutter Pointe Specific Plan Area Map"). The Sutter Pointe Developers are not all of the landowners within the Sutter Pointe Specific Plan Area. The Sutter Pointe Developers are the only landowners or development interests that have intervened in the CPUC proceedings described in more detail below.

D. Natomas is the owner of water rights on the Sacramento River, as recognized by the State Water Resources Control Board ("SWRCB") in License 1050 (Application 534), License

2814 (Application 1056), License 3109 (Application 1203), License 3110 (Application 1413), License 3794 (Application 15572), License 9989 (Application 22309) and Permit 19400 (Application 25727). Those water rights were further recognized by the U.S. Bureau of Reclamation ("USBR") in Settlement Contract No. 14-06-200-885A-R-1 ("Contract"), which has both Base Supply and Project Water components.

E. On February 4, 2005, Natomas and ASWC, a public utility holding company of which GSWC is a wholly-owned subsidiary, entered into that certain Water Transfer Agreement, pursuant to which Natomas agreed to transfer up to 30,000 acre-feet of water per year to GSWC, for GSWC to distribute to its customers for municipal and industrial purposes within a new "South Sutter County Service Area" to be established within the Natomas corporate boundaries in south Sutter County. In exchange, GSWC agreed to apply to the CPUC for a certificate of public convenience and necessity ("CPCN") to establish the South Sutter County Service Area. The Water Transfer Agreement was amended on November 20, 2009, January 21, 2010 and March 30, 2010, June 23, 2010 and September 20, 2010 to extend certain deadlines. It is the intent of Natomas, ASWC and GSWC that the Water Transfer Agreement be terminated and replaced in its entirety by this Agreement.

F. Natomas is presently a defendant in *Natural Resources Defense Council v. Salazar*, United States District Court, Eastern District of California, Case No. 1:05-CV-01207 OWW (TAG), currently on appeal to the Ninth Circuit Court of Appeals, Docket No. 09-17661. In this case, the environmental advocate plaintiffs are seeking rescission of the Contract between Natomas and USBR on the principal ground that the USBR allegedly failed to comply with the requirements of Section 7(a)(2) of the federal Endangered Species Act in connection with renewal of the Sacramento River Settlement Contracts, including the Contract with Natomas. In the course of appellate briefing, the federal defendants have asserted that USBR has authority to reduce deliveries of Project Water under the Contract, below the twenty-five (25) percent maximum reduction stated in the Contract, in order to meet the needs of endangered fish species. Natomas is contesting these assertions.

G. The Sutter Pointe Specific Plan Area is located within the proposed South Sutter County Service Area. On May 31, 2006, GSWC filed an application with the CPUC for a CPCN to serve the South Sutter County Service Area, including the Sutter Pointe Specific Plan Area. GSWC filed an amended application ("Application 08-08-022") on August 29, 2008.

H. The Sutter Pointe Developers filed a motion to become a party to the Application 08-08-022 proceeding on September 28, 2009. The Administrative Law Judge granted that motion for party status, and the Sutter Pointe Developers became parties to the proceeding on October 22, 2009. The Sutter Pointe Developers indicated that as shareholders in Natomas, they expected to obtain water service on an "economic basis" from Natomas through ownership of their proportional shares of Natomas. In addition, the Sutter Pointe Developers indicated that they intended to assert, in litigation to be filed in Superior Court, claims against ASWC and Natomas, with respect to their respective actions and activities, including those associated with the Water Transfer Agreement.

I. Simultaneous with execution of this Agreement, GSWC, the County of Sutter and Sutter County Water Agency (jointly, the "County"), the Sutter Pointe Developers and a committee comprised of an unincorporated association of residents in the community of Robbins in Sutter County ("Robbins Ad-Hoc Committee") are entering into that certain Settlement Agreement to settle their disputes in the Application 08-08-022 proceeding, as well as other potential disputes and claims between themselves. Natomas is not a party to, nor does it assume, any obligations whatsoever under the Settlement Agreement, and the signatories to the Settlement Agreement shall not be able to assert any rights against Natomas thereunder.

J. The Parties now desire to settle any and all remaining disputes and claims between them related to the Water Transfer Agreement and other concerns of the Sutter Pointe Developers, and intend for this Agreement to resolve such disputes and claims on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained in this Agreement, the Parties hereby agree as follows:

Article 1
CANCELLATION OF WATER TRANSFER AGREEMENT

1.1. ***Cancellation of the Water Transfer Agreement.*** By execution of this Agreement, Natomas, ASWC and GSWC hereby forever cancel and terminate the Water Transfer Agreement and replace it in its entirety with this Agreement.

Article 2
PROVISIONS GOVERNING TRANSFER AND USE OF WATER

2.1. ***Water Quantity.*** Natomas will transfer to GSWC surface water from the Sacramento River, pursuant to Natomas' water rights and its USBR Contract, in maximum monthly and annual quantities as listed in Exhibit B ("Table of Transferred Water") in the column labeled Normal Year Max. In the event that Natomas' Base Supply or Project Water supplies are reduced by 25 percent based on the occurrence of a Critical Year (as defined in the Contract), then the maximum monthly and annual quantities shall be as listed in Exhibit B in the column labeled Critical Year Max. The numbers set forth in Exhibit B are based upon buildout of the Sutter Pointe Specific Plan Area with 31,583 EDUs (as defined in Section 8.1.3); during the development period, the numbers set forth on Exhibit B shall be adjusted based on the number of EDUs then being serviced on a reasonable basis.

2.2. ***Shortage Conditions.***

(a) In the event that Natomas' Project Water supplies are reduced by between zero and 25 percent based on an action by the USBR other than declaration of a Critical Year, then Natomas and GSWC will share such reduction proportionately. For examples of such proportional reductions, see Exhibit C ("Table of Shortage

Condition Examples"). The examples set forth in Exhibit C shall be adjusted based on the number of EDUs then being serviced on a reasonable basis.

(b) In the event that Natomas' Project Water supplies are reduced by more than 25 percent, then the quantities of water to be delivered to GSWC as specified in Exhibit B in the column labeled Critical Year Max will be reduced by the number of acre-feet that such reduction causes to Natomas' Project Water supplies in excess of the 25 percent reduction. For examples of such reductions, see Exhibit C ("Table of Shortage Condition Examples"). The examples set forth in Exhibit C shall be adjusted based on the number of EDUs then being serviced on a reasonable basis. Notwithstanding the foregoing, the Parties do not believe Natomas' Project Water supplies can be reduced by more than 25 percent.

(c) In the event that there is a reduction of Project Water in excess of 25 percent, Natomas will assist GSWC in addressing deficiencies created by these reductions by diverting and conveying to GSWC any non-Natomas surface water supplies that GSWC acquires to replace the surface water supplies that are unavailable from Natomas due to shortage conditions, at the marginal operational cost to Natomas of such diversion and conveyance, to the extent Natomas has diversion and conveyance capacity surplus to the needs of its shareholders.

(d) In addition, or in the alternative, GSWC may construct at its cost, wells sufficient to provide enough water to replace surface water supplies that are unavailable because of the reductions dealt with in this Section 2.2. GSWC shall have sole responsibility for acquiring all real property interests for such wells. Natomas shall use supplies made available from the wells in lieu of reducing the quantities provided for in Section 2.1; provided that GSWC will be solely responsible for, and will bear all costs associated with, the siting of wells at locations where Natomas can reasonably utilize groundwater produced by the wells in its water delivery system.

(e) GSWC shall include in its rate structure a provision that deals with these shortage conditions.

2.3. ***Base Supply Preference.*** Natomas will, to the maximum extent feasible, satisfy its water delivery obligations under this Agreement by delivering to GSWC Base Supply, rather than Project Water, as defined in the Contract.

2.4. ***Surface Water as Sole Supply.*** The sole supply of water to be provided by Natomas to GSWC is surface water. Natomas is not obligated to provide any groundwater to GSWC, and GSWC is not obligated to purchase any groundwater from Natomas. GSWC is entitled to extract and use groundwater from wells located within the Sutter Pointe Specific Plan Area without any approval from or limitation imposed by Natomas; provided that GSWC or the Sutter Pointe Developers shall have responsibility for acquiring all real property interests for such wells. GSWC and Natomas will cooperate to ensure that use of groundwater by GSWC for water service within the Sutter Pointe Specific Plan Area will be deemed equivalent to a reasonable and beneficial use of surface water by Natomas pursuant to California Water Code section 1011.5(b).

2.5. ***Water Price.***

(a) Once GSWC begins to serve retail customers in the South Sutter County Service Area, GSWC shall pay Natomas $4.61 per EDU per month as an availability payment. The number of EDUs will be counted at the end of each calendar quarter for use as the basis for calculating the availability payments due for the following quarter.

(b) GSWC shall also pay Natomas $59.24 per acre-foot of surface water delivered to GSWC; provided, that GSWC will pay Natomas for at least the number of acre-feet of surface water listed in Exhibit D ("Table of Minimum Purchase Quantity") in the column labeled Minimum Purchase Quantity, based on the number of EDUs being served by GSWC, as determined pursuant to Section 2.5(a). The quantities listed in Exhibit D will be reduced by the same percentage as the reduction of water supplies to GSWC in Sections 2.1 and 2.2 of this Agreement.

(c) Both components of the foregoing water price shall be adjusted annually by the United States Bureau of Labor Statistics Producer Price Index for intermediate

materials less food and feed ("Materials PPI"), using January 1, 2011 as the base index date. The adjustment will be made on January 1 of each calendar year in which this Agreement remains in effect based on any percentage increase in the Materials PPI for the immediately preceding calendar year.

(d) In addition to the annual adjustments described in Section 2.5(c), the Parties intend to develop an adjustment to the water price to account for any substantial difference between inflation and the PPI.

(e) GSWC shall make monthly payments to Natomas based on the water price set forth in Sections 2.5(a) and (b). Payments for water transferred to GSWC in a given month shall be due and payable to Natomas within 30 days following the close of such month. GSWC will include with each payment an explanation of the method of calculating the amount due and payable, with sufficient detail to allow Natomas to determine its accuracy.

2.6. ***Delivery and Conveyance of Water.*** Natomas shall deliver surface water to GSWC from the Sacramento River at the Conveyance Facilities (as defined in Section 8.1.1). In addition, Natomas will pump and convey all water to GSWC through the Conveyance Facilities. All modifications to the Conveyance Facilities for delivery of surface water to the Sutter Pointe Specific Plan Area shall be designed and constructed by Natomas in consultation with GSWC and paid for in advance by the Sutter Pointe Developers. Subject to the election of the Sutter Pointe Developers in Section 4.2.3 of the Settlement Agreement, GSWC will design and construct all facilities related to the connection of its raw water conveyance system to the Conveyance Facilities, to be located immediately adjacent to the Conveyance Facilities.

2.7. ***Operation of Conveyance Facilities.***

(a) Natomas will be responsible for owning, operating and maintaining the Conveyance Facilities.

(b) If Natomas does not adequately operate or maintain the Conveyance Facilities according to applicable industry standards, or operates or maintains the

Conveyance Facilities in a manner that causes Natomas to fail or threaten to fail in its conveyance obligations, then GSWC may provide written notice to Natomas of such failure or threatened failure together with a demand ("Demand") to correct such failure or threatened failure within a time period that will ensure reliable conveyance of water supplies to GSWC through the Conveyance Facilities. Natomas will meet and confer with GSWC related to the Demand within 48 hours of receipt, at the Natomas headquarters or other location as mutually agreed upon by the Parties.

(c) Any dispute arising out of or relating to a Demand, which is not resolved through the meet and confer process, shall be settled by arbitration pursuant to Sections 7.8.3 and 7.8.5.

2.8. ***No Conveyance Fee.*** Natomas will not charge a separate wheeling or separate conveyance fee to GSWC for conveyance or wheeling the water transferred by Natomas to GSWC; the wheeling or conveyance fee is included in the water price set forth in Section 2.5.

2.9. ***Dominion and Control.*** Upon taking delivery of the surface water available by Natomas, GSWC will exercise full dominion and control over the transferred water, and GSWC shall indemnify Natomas for any injuries to persons or property caused by water delivered by Natomas to GSWC, in accordance with Section 2.16 of this Agreement.

2.10. ***No Public Use.*** The Parties acknowledge and agree that Natomas is willing to supply water to GSWC as a corporation on a wholesale basis and not to GSWC's customers, other than as the water may be supplied by GSWC to its customers through GSWC's own distribution system and under its own exclusive control, and that Natomas does not hereby dedicate its water supplies to public use by GSWC, GSWC's customers or any other person.

2.11. ***Surplus Water.*** The Parties acknowledge and agree that Natomas' sale of water pursuant to this Agreement is of water that is surplus to the needs of Natomas' shareholders, and

that Natomas may also supply such surplus water to the County of Sacramento or Sacramento County Water Agency.

2.12. ***Natomas Surface Water Rights.*** Natomas shall retain all rights to use of its surface water (including, without limitation, water held by Natomas pursuant to water rights or Base Supply or Project Water under the Contract), including the right to transfer, for one or more years, all or any portion of its surface water, so long as the transfer or use does not interfere with the ability of Natomas to deliver surface water to GSWC in accordance with this Agreement. Natomas shall not enter into any third-party water transfer agreements that would preclude Natomas' ability to meet its obligations under this Agreement.

2.13. ***Water Supply Requirement Projections.*** Within 180 days of the CPUC's issuance of a CPCN, GSWC shall provide to Natomas projected municipal and industrial water supply requirements for the Sutter Pointe Specific Plan Area for a 25-year period broken out on an annual basis. The water supply requirement projections shall be updated thereafter in every year with a last digit of "0" or "5" and shall be consistent with GSWC's urban water management plan prepared during the same time period for the Sutter Pointe Specific Plan Area. In addition, prior to December 15 of each year, GSWC shall provide Natomas with a proposed delivery schedule for its municipal and industrial water supply requirements for the following year. The schedule shall include projected annual and monthly demands, as well as average and maximum daily demands on a monthly basis. Such projections are intended by the Parties to serve planning purposes only and shall have no effect on the quantities of water that may be transferred to GSWC pursuant to Sections 2.1, 2.2 and 2.16.

2.14. ***Regulatory Approvals; Condition Precedent.***

(a) The Parties acknowledge and agree that Natomas' surface water rights and Contract entitlements currently may not be used for municipal and industrial purposes in the Sutter Pointe Specific Plan Area without regulatory approvals by certain agencies including, without limitation, the SWRCB and USBR and that Natomas' ability to transfer surface water is dependent upon obtaining such

regulatory approvals. In addition, the Parties agree that regulatory approvals may be required for Natomas to transfer surface water to GSWC during the months from November through March. GSWC will have primary responsibility for obtaining approvals from the SWRCB and USBR for the transfer of water from Natomas to GSWC. Natomas agrees to cooperate with GSWC in its efforts to obtain the approvals and to participate in SWRCB and/or USBR approval processes as appropriate. GSWC shall reimburse Natomas for reasonable expenses incurred by Natomas in connection with obtaining such approvals, including but not limited to reasonable attorney fees and consultant fees. Obtaining such approvals on or before April 30, 2014 shall be a condition precedent to Natomas' obligation to transfer water under this Agreement.

(b) The Parties acknowledge and agree that GSWC must obtain CPUC approval of a CPCN for the South Sutter County Service Area, this Agreement and the Settlement Agreement in order for GSWC to be able to provide water service as contemplated by this Agreement. GSWC will have responsibility for obtaining approvals from the CPUC, and the Sutter Pointe Developers and Natomas agree to cooperate and to participate in the CPUC approval process as appropriate. GSWC shall reimburse Natomas for reasonable expenses incurred by Natomas in connection with obtaining such approvals, including but not limited to reasonable attorney fees and consultant fees. Obtaining such approvals on or before April 30, 2014 shall be a condition precedent to Natomas' obligation to transfer water under this Agreement.

(c) Within thirty (30) days of execution of this Agreement, the Parties' reaching agreement (in their respective sole and absolute discretion) as set forth in Section 2.5(d) shall be a condition precedent to Natomas' obligation to transfer water under this Agreement.

2.15. ***Term; Termination.*** The term of this Agreement shall be coextensive with the term of Natomas' Contract and any renewals thereof. This Agreement is subject to early termination by Natomas, GSWC or the Sutter Pointe Developers only if: (1) the

conditions precedent contained in Sections 2.14(a) and 2.14(b) have not been satisfied by April 30, 2014; (2) the condition precedent contained in Section 2.14(c) has not been satisfied within thirty (30) days of execution of this Agreement; or (3) as of December 31, 2026, (i) neither (a) has there been a sale of community facilities district bonds in the aggregate amount of $10 million, the revenue from which has been used or will be used to pay for any grading or backbone infrastructure to serve the South Sutter County Service Area, nor (b) has grading or construction commenced on water supply infrastructure to serve the South Sutter County Service Area, which cost has exceeded $10 million; and (ii) Natomas provides notice to GSWC and the Sutter Pointe Developers of termination within ninety (90) days of condition (i) arising.

2.16. ***Future Contract Renewal.*** In the event of any modification of the quantities of Base Supply or Project Water under the Contract as a result of any future contract renewal, shortages that occur as a result of a future contract, if any, will be allocated based upon the nature of the reduction provided for in the new Contract, including the relative reduction of agricultural and municipal water supplies under the Contract, if any, and shall be mutually agreed upon by the Parties through written amendment to this Agreement. Nothing in this Agreement shall be construed as an admission, express or implied, by Natomas or any other Party that USBR has any legal authority whatsoever to modify the quantities of Base Supply or Project Water under the Contract or any renewal of the Contract

2.17. ***Pending Litigation.*** The Parties acknowledge that the Contract, which Natomas uses as a portion of the basis for the transfer of water to GSWC pursuant to this Agreement, is subject to pending litigation in the case of *Natural Resources Defense Council v. Salazar*, Case No. 1:05-CV-01207 OWW (E.D. Cal.), now on appeal to the United States Court of Appeals for the Ninth Circuit, Docket No. 09-17661. GSWC and the Sutter Pointe Developers hereby release and forever waive all claims against Natomas from any liability related to the outcome of that litigation, so long as Natomas prosecutes legal arguments in the litigation in support of Natomas' ability to fully perform its obligations under this Agreement.

2.18. ***Indemnification.*** To the fullest extent permitted by law, GSWC shall indemnify, hold harmless and defend Natomas, its directors, officers, shareholders, employees and agents, from and against any and all challenges, liabilities, damages, costs or expenses, including reasonable attorney and expert consultant fees, associated with this Agreement, including but not limited to any litigation or claims arising under or related to: (i) the California Environmental Quality Act; (ii) the Settlement Agreement; or (iii) this Agreement or the actions of Natomas or its board of directors in connection with this Agreement.

2.19. ***Acknowledgment of Legality.*** On or before April 30, 2011, GSWC shall provide the Sutter Pointe Developers and Natomas with a reasoned legal opinion that this Agreement conforms to the applicable laws of the State of California relating to mutual water companies and with the Natomas Articles of Incorporation and Bylaws. Upon GSWC's provision of such reasoned legal opinion to Natomas and the Sutter Pointe Developers, and in no case later than May 31, 2011, Natomas and the Sutter Pointe Developers will each execute a document providing their full written concurrence and consent and shall waive all legal objections to this Agreement.

Article 3
OTHER WATER SUPPLIES

3.1. ***Natomas Use of GSWC Wells.***

3.1.1 ***Use of GSWC Wells for Natomas Shareholders.*** To the extent GSWC does not require the entire capacity of its groundwater wells located within the Sutter Pointe Specific Plan Area for municipal and industrial service, GSWC will make such wells available for use by Natomas to meet the reasonable water supply needs of Natomas shareholders.

3.1.2 ***Use of GSWC Wells for Water Transfers.*** Natomas shall also have the right to utilize excess capacity in GSWC groundwater wells within the Sutter Pointe Specific Plan Area to facilitate temporary (one-year or less) groundwater substitution-based water transfers conducted by Natomas. The use of GSWC wells to facilitate water transfers shall be limited to 2,000 acre-feet of

groundwater per calendar year and shall not be a precedent for any additional transfers.

3.1.3 ***Costs and Permits.*** Natomas will bear all operation and maintenance costs associated with use of the wells for all purposes provided for in this Section 3.1, and will be responsible for complying with all applicable Law and obtaining any permits required for Natomas' use of the wells or water.

3.1.4 ***Limitation to Safe Yield.*** Natomas' extraction of groundwater pursuant to this Section 3.1 may not exceed the safe yield of, or contribute to adverse impacts on, the aquifers underlying the South Sutter County Service Area.

3.2. ***No Impact on Water Rights.*** Nothing in this Agreement shall affect the relative rights to groundwater or the use of relevant groundwater basins or their capacity that may exist among or between the Parties.

Article 4
NATOMAS CORPORATE SHARES AND EASEMENTS

4.1. ***Cancellation of Shares.*** Assuming no other written agreement or modification of the current Natomas Bylaws, shares of stock in Natomas appurtenant to the area of proposed development within the South Sutter County Service Area will be cancelled at recording of a final map for a small lot subdivision or a final map resulting in parcel sizes of less than one acre, and upon such recordation, there will be no separate fee or charge for share cancellation.

4.2. ***Capital Assessments.*** Properties within the South Sutter County Service Area will not be subject to separate assessments for capital improvements (except for any post-construction assessments relating to the new diversion) after cancellation of shares of stock in Natomas. Prior to any such cancellation, the shareholders of the properties within the South Sutter County Service Area will pay separate assessments for capital improvements in the same manner as all other shareholders of Natomas. If the shareholders of properties within the South Sutter County Service Area cancel their shares within ten (10) years after the separate assessments for capital improvements are

made, the shareholders will receive a pro-rata reimbursement of the separate assessment for capital improvements (except for any post-construction assessments relating to the new diversion) they paid at the time of share cancellation in equal annual installments without interest. The number of annual installments shall equal the same number of years (10 or less) which were used to compute the amount of reimbursement. This provision does not apply to the usual capital improvement assessment that is part of the Natomas Administration Fee. The total obligations of properties within the South Sutter County Service Area for assessments related to the new diversion are included in the water price set forth in Section 2.5.

4.3. ***Interim Fee.*** Because there is an anticipated gap in cash flow between the cancellation of shares and the date the new municipal and industrial customers take water from GSWC, Natomas will be paid an "Interim Fee" assuming that agricultural irrigation water is not being delivered to a particular shareholder. The Interim Fee shall be the same amount that Natomas then charges to its shareholders for the tariffs which are currently referred to as the "Administration Fee" and "Stand-by Fee," which will be increased for tax consequences. Natomas and the Sutter Pointe Developers will cooperate to set up a mutually agreeable mechanism for collection and payment of the Interim Fee. The intention of the Interim Fee is to compensate Natomas for a portion of tariffs that would otherwise be paid by the owner of the property had the shares not been cancelled and the property remained in agricultural use. As the property is developed for municipal and industrial use, the Interim Fee shall be abated in proportion to payment of the water price for that property. For example, assume that the property is 100 acres, will utilize 100 EDUs when developed, and is being charged Interim Fees for 100 shares of stock. As the property is being developed and users with 10 EDUs start paying the water price, then the Interim Fee will be reduced by 10 percent.

4.4. ***Cancellation of Easements.*** Natomas will cooperate with developer/landowners within the South Sutter County Service Area and cancel/quitclaim easements when requested by developer/landowners to accommodate development, provided such cancellation/release of an easement does not affect Natomas' ability to efficiently and cost-effectively operate its water system. Natomas will not charge a separate fee for cancellation of easements.

Upon request that an easement be cancelled, Natomas will determine the costs to modify its water delivery system and whether new or additional facilities and/or easements must be constructed or acquired to allow Natomas to continue to efficiently and cost-effectively operate its water system. The party requesting cancellation shall pay for all costs incurred in connection with the cancellation, removal of facilities, construction of new facilities necessary to continue water deliveries, acquisition of new easements, compliance with regulatory requirements, as well as any other items that may be required under circumstances then existing.

Article 5
MUTUAL RELEASE OF ALL CLAIMS

5.1. ***Mutual Release.*** The Parties, for themselves and anyone claiming under them including but not limited to their partners, employees, agents, representatives, heirs, successors, and assigns, for and in consideration of the mutual covenants set forth in this Agreement, hereby mutually, unconditionally and forever release all other Parties, their past and present owners, partners, officers, associates, employees, agents, representatives, heirs, successors, and assigns, from any and all causes of actions, complaints, costs, claims, demands, obligations, and liabilities of any kind whatsoever, including but not limited to causes of action, complaints, costs, claims, demands, obligations, and liabilities relating to the subject matter of this Agreement or the prior Water Transfer Agreement.

5.2. ***No Admission.*** The terms and conditions of this Release of All Claims are for the purpose of settlement of actual and potential claims and disputes, and are not to be construed or deemed to be admissions of liability or wrongdoing.

5.3. ***General Release.*** The Parties understand and agree that this Release of All Claims shall apply to all unknown and unanticipated damages suffered by them resulting from or based upon or in any way related to or connected with this Agreement or the prior Water Transfer Agreement. Fully understanding its meaning, and having been advised of the right to review this Mutual Release of All Claims with an independent attorney of their choosing, the Parties expressly waive the provisions and application of California Civil Code Section 1542, which provides:

> **A general release does not extend to claims which the creditor does not know or expect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor.**

The Parties expressly acknowledge that they have read and fully understand the terms of this Mutual Release of All Claims and that they execute it freely.

Article 6
OTHER LANDOWNERS

6.1. ***Adding Landowners as Signatories.*** The Parties acknowledge and agree that the Sutter Pointe Developers are landowners or have options to purchase only a portion of the lands within the Sutter Pointe Specific Plan Area. The Sutter Pointe Developers, GSWC and Natomas shall use reasonable efforts to encourage other landowners within the Sutter Pointe Specific Plan Area who intend to develop their lands to become signatories to this Agreement, and Natomas shall allow them to become signatories.

6.2. ***Sutter County.*** The Sutter Pointe Developers and GSWC shall use reasonable efforts to have the County of Sutter impose the developer-related covenants provided for in this Agreement as a condition on any future entitlements granted within the Sutter Pointe Specific Plan Area. Natomas agrees to reasonably cooperate with such efforts, to the extent necessary to protect Natomas' interests.

6.3. ***Non-Signatory Landowners.*** To the extent that landowners within the South Sutter County Service Area other than the Sutter Pointe Developers do not become signatories to this Agreement, the Parties acknowledge and agree that such non-signatory landowners shall receive none of the benefits of this Agreement, including, without limitation, the benefits of Article 4 of this Agreement unless and until they become signatories to this Agreement.

6.4. ***Most Beneficial Treatment.*** In the event that either Natomas or GSWC enters into an agreement or other arrangement with landowners/developers within the South Sutter

County Service Area, other than the Sutter Pointe Developers, on terms and conditions that are materially better than those contained in this Agreement, then the Sutter Pointe Developers, at their discretion, shall be entitled to such more beneficial treatment.

Article 7
DEFAULT AND DISPUTE RESOLUTION

7.1. ***Default; Cure.*** The failure by any Party to perform its obligations under this Agreement, which continues for more than thirty (30) days after receipt of written notice from the other Party stating the existence and nature of such default, shall constitute a "Default", unless the default cannot be cured in thirty (30) days, and in that event, if the defaulting Party fails to continuously and diligently remedy the default.

7.2. ***Waiver.*** The failure of any Party at any time or times to enforce or require performance of any provision hereof shall in no way operate as a waiver or affect the right of such Party at a later time to enforce the same. No waiver by a Party of any condition or the breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any other breach of any term, covenant, representation or warranty contained in this Agreement.

7.3. ***Equitable Remedies.*** The Parties agree that irreparable damage would occur and that the Parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. The Parties shall be entitled to all forms of equitable relief, including restraining orders, injunctions and specific performance to prevent breaches and to enforce specifically the terms and provisions of this Agreement in addition to any other remedy to which they are entitled at law or in equity. The Parties waive any requirement for the securing or posting of any bond in connection with the obtaining any equitable relief.

7.4. ***Accumulation of Remedies.*** The Parties agree that in the event of a Default or breach of this Agreement, the other Parties shall have all remedies in law or equity available to them, including specific performance and termination of this Agreement, and no remedy or election shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

7.5. ***Time of Essence.*** Time is of the essence of this Agreement; provided, however, that whenever under the terms of this Agreement the time for performance of a covenant or condition falls upon a Saturday, Sunday or a federal, state or local holiday, such time for performance shall be extended to the next business day.

7.6. ***Governing Law.*** This Agreement and any ancillary documents shall be deemed to have been made in the State of California and the validity of this Agreement and any ancillary documents, and the construction, interpretation and enforcement thereof, and the rights of the Parties thereto shall be determined under, governed by and construed in accordance with the internal laws of the State of California, without regard to the conflicts of law rules of the forum in which suit is initiated pertaining to this Agreement. The Parties acknowledge that this provision is mandatory and not permissive in nature, and was expressly bargained for and considered by the Parties in establishing the terms and conditions set forth in this Agreement.

7.7. ***Submission to Jurisdiction.*** Each Party irrevocably and unconditionally agrees that the courts of the State of California in the County of Sacramento shall have exclusive jurisdiction to hear and decide any Proceeding relating to this Agreement to enforce a decision rendered in a Proceeding described in Section 7.8 and, for these purposes, each Party irrevocably submits to the jurisdiction and venue of such courts. Each Party hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that such Party may have now or hereafter to the laying of the venue or the jurisdiction or the convenience of the forum of any such legal suit, action or Proceeding. This provision is not intended to limit or affect the jurisdiction of the CPUC over matters involving GSWC.

7.8. ***Dispute Resolution.***

7.8.1 ***Settlement by Mutual Agreement.*** The Parties desire that this Agreement operate between them fairly and reasonably. If during the term of this Agreement a dispute arises between two or more of the Parties, or one Party perceives another as acting unfairly or unreasonably, or a question of interpretation arises hereunder, then the Parties shall cause their respective representatives to promptly confer and exert their good faith efforts to reach a reasonable and equitable resolution of the issue. If the Parties' representatives are unable to resolve the issue within fourteen (14) days, the matter shall be referred within two (2) days of the lapse of such period to the Parties' responsible officers for resolution. A Party shall not seek resolution by mediation or arbitration of any dispute arising in connection with this Agreement until all Parties' responsible officers, who shall be identified by each Party from time to time, have had at least fourteen (14) days to resolve the dispute following referral of the dispute to such responsible officers. If the Parties fail to settle such dispute within such period (including a failure to identify their respective responsible officers and make necessary referrals within such period), the provisions of Section 7.8.2 shall apply unless the Parties agree that the dispute is to be resolved according to the provisions of Section 7.8.3.

7.8.2 ***Mediation.*** If a dispute under this Agreement is not resolved by the Parties pursuant to Section 7.8.1, upon the request of a Party, the relevant Parties shall try in good faith to settle the dispute by nonbinding mediation administered by the AAA under its Commercial Mediation Rules before resorting to arbitration. Unless otherwise agreed upon by the Parties, the mediation shall be held in Sacramento, California. Each Party will bear the cost and expense of preparing and presenting its own case, including its own attorney fees and costs of witnesses. Payment of the mediator and other costs and expenses of the mediation will be divided equally among the participating Parties.

7.8.3 ***Arbitration.*** If a dispute under this Agreement is not resolved by the Parties pursuant to Section 7.8.2 within thirty (30) days from the date on which either Party first requested mediation, or if the Parties agree that the dispute is to be resolved through arbitration, then such dispute shall be finally settled by arbitration administered by the AAA in accordance with its Commercial Arbitration Rules. Unless otherwise agreed upon by the Parties, the arbitration shall be held in Sacramento, California. Mandatory arbitration pursuant to this Section 7.8.3 shall apply only to issues of an operational or technical nature including but not limited to disputes arising under Section 2.7. As to all other disputes relating to the interpretation or enforcement of this Agreement, the parties retain all judicial remedies.

7.8.4 ***Arbitration Procedure.*** Notice of the demand for arbitration shall be delivered to the other Party or Parties and the dispute shall be referred to a panel of arbitrators within ten (10) days of receipt of demand, such panel to consist of the number of participating Parties plus either one or two as needed to achieve an odd number of arbitrators. One arbitrator shall be appointed by each Party, within ten (10) days of receipt of demand, each of such arbitrators to have knowledge and experience in the water utilities field, both in technical matters as well as in the implementation and interpretation of agreements similar to this Agreement, and the remaining one or two independent arbitrators appointed by the arbitrators appointed by the Parties. If a Party fails to appoint an arbitrator within the aforementioned term, then the other Parties' appointees shall become the sole arbitrators. The Parties shall proceed with the arbitration expeditiously and shall conclude all proceedings thereunder in order that a decision may be rendered within sixty (60) days from service of the demand for arbitration. Each Party shall bear its own expenses in connection with any arbitration, including but not limited to attorney fees, and all joint expenses shall be apportioned equally among the participating Parties.

7.8.5 ***Expedited Arbitration Procedure.*** Any dispute arising out of or relating to a Demand under Section 2.7(b), which is not resolved through the meet and confer

process, shall be settled by arbitration administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules, using Expedited Procedures, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The parties also agree that the AAA Optional Rules for Emergency Measures of Protection shall apply to the proceedings. The arbitrator(s) may award such relief as they deem appropriate under the circumstances to ensure reliable operation and maintenance of the Conveyance Facilities, including, but not limited to, allowing a neutral third party with expertise in water operations to step in and assume temporary responsibility for operation and maintenance of the Conveyance Facilities until Natomas is able to do so. GSWC and Natomas shall each nominate three (3) neutral third parties and shall attempt to select one from the lists. If they cannot agree, then the neutral third party shall be selected by the arbitrator. GSWC and Natomas will share equally the costs of the arbitration. GSWC shall pay the costs of the neutral third party, but shall be entitled to an equal credit against payments otherwise due to Natomas under Section 2.5.

7.8.6 ***Pending Disputes.*** Notwithstanding any provision of this Section 7.8 to the contrary, a Party may commence litigation within thirty (30) days prior to the date after which the commencement of litigation could be barred by any applicable statute of limitations or other law, rule, regulation, or order of similar import or in order to request injunctive or other equitable relief in connection with any bankruptcy or insolvency proceeding or otherwise necessary to prevent irreparable harm. In such event, the Parties will (except as may be prohibited by judicial order) nevertheless continue to follow the procedures set forth herein. While any disputes under this Agreement are pending, including the commencement and pendency of any of the dispute resolution procedures set forth in this Section 7.8, the Parties shall abide by all their obligations under this Agreement without prejudice to a final determination in accordance with the foregoing provisions of this Section 7.8.

7.8.7 ***Awards.*** Each Party agrees that any final award against it in any proceedings of the nature referred to in Section 7.8.2, 7.8.3 or 7.8.5 shall be final, conclusive, and binding upon it and may be enforced in any court of competent jurisdiction, by suit on the award or otherwise, a certified copy of which award shall be conclusive evidence thereof and of the amount of its liability, or by any other means provided by law.

Article 8
DEFINITIONS, INTERPRETATION AND MODIFICATION

8.1. ***Definitions.*** In addition to the terms defined elsewhere in this Agreement, the definitions of certain terms used in this Agreement with initial letters capitalized are as set forth in this section.

8.1.1 "Conveyance Facilities" shall mean the Sankey Diversion, or the Bennett Pumping Plant if the Sankey Diversion has not been constructed and placed into operation.

8.1.2 "Critical Year" has the meaning set forth in the Contract.

8.1.3 "EDU" means an equivalent dwelling unit in the Sutter Pointe Specific Plan Area to which water service from GSWC has commenced. One EDU represents the amount of development that is expected to use 0.7979 acre-feet of water per year.

8.1.4 "Force Majeure" means an act of God, governmental restriction, shortage, failure or inability to secure materials or labor, strike, lockout, regulation, order, action or inaction of any Governmental Entity, war, civil disturbance, fire, unavoidable casualties, act of third parties or any other cause beyond the reasonable control of a Party which could not be reasonably anticipated and prevented. In no event shall Force Majeure extend or apply to the provisions of Sections 2.14 or 2.15 relating to early termination without the written agreement and consent of Natomas.

8.1.5 "Governmental Entity" means any local, state, regional, central or national government administrative, judicial or executive agency or any similar foreign or multinational entity that has or purports to have or asserts or attempts to assert, jurisdiction to legislate, decree, adjudicate or enforce any decision related to or bearing on the subject matter of this Agreement.

8.1.6 "Law" means any constitutional provision, statute, ordinance, case law or other law, rule or regulation or order of any Governmental Entity.

8.1.7 "Proceeding" means any claim, suit, demand, cause of action, administrative investigation, allegation, arbitration, dispute or other action process, or proceeding whether actual or threatened.

8.1.8 "South Sutter County Service Area" is that area shown on the map attached as Exhibit A, as it may be amended from time to time by the CPUC.

8.2. ***Interpretation.*** The provisions of this Agreement should be liberally interpreted to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against any Party, as each Party has participated in the drafting of this Agreement and had the opportunity to have its counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa. The word "including" means without limitation, and the word "or" is not exclusive. Unless the context otherwise requires, references herein: (i) to Articles, Sections and Exhibits mean the Articles and Sections of, and the Exhibits attached to, this Agreement; (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement; and (iii) to a statute means such statute as amended from time to time and includes any successor legislation thereto. The subject headings of the articles and sections of this Agreement are included for convenience only and shall not affect the construction or interpretation of any of its provisions.

8.3. ***Entire Agreement; Modification.*** Other than the Settlement Agreement and related agreements attached thereto, this Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the Parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all of the Parties.

8.4. **Recitals.** The Recitals are hereby incorporated in the body of this Agreement and made a part hereof.

Article 9
GENERAL PROVISIONS

9.1. ***Force Majeure.*** Neither Party shall be held liable for a failure to perform hereunder due to the occurrence of an event of Force Majeure. This section shall not act to excuse any financial obligations of the Parties.

9.1.1 ***Consequences of Force Majeure.*** Upon an occurrence of an event of Force Majeure that materially and adversely affects the performance by a Party of its obligations or the enjoyment by that Party of its rights pursuant to this Agreement, provided that any such material adverse effect has not occurred due to the material failure of the Party to comply with its obligations hereunder, then:

(a) The non-performing Party shall use its reasonable efforts to give the other Parties within 72 hours of such Party learning of the occurrence of such event or circumstance written notice describing the particulars of the occurrence or circumstance;

(b) The non-performing Party shall be excused from performance provided that such excused performance is of no greater scope and of no longer duration than is required by the event of Force Majeure;

(c) The non-performing Party shall use its reasonable efforts to remedy its inability to perform; and

(d) When the non-performing Party is able to resume performance of its obligations under this Agreement, that Party shall use its reasonable efforts to promptly give the other Parties written notice to that effect and shall promptly resume performance.

9.1.2 ***Liability.*** Except for the obligations of either Party to make any required payment then due and owing under this Agreement, a Party shall not be liable for any failure or delay in complying with its obligations hereunder to the extent that such failure or delay has been caused, or contributed to, by one or more events of Force Majeure or its or their effects or by any combination thereof. The periods allowed for the performance by the Parties of such obligations shall be extended as required, but in no event less than on a day-for-day basis, for so long as one or more Force Majeure events continues to affect materially and adversely the performance of such Party of such obligations under or pursuant to this Agreement.

9.2. ***Notice.*** Any notices or communications permitted or required hereunder shall be in writing and: (i) hand delivered (including via air express courier); (ii) sent postage pre-paid by registered or certified mail, return receipt requested, to the respective Party as set forth below, or to such other address as any Party may notify the others of in writing; or (iii) sent by electronic mail to the respective Party as set forth below, as long as such notice or communication is also sent by one of the other means set forth above within twenty-four (24) hours of the sending of the electronic mail:

To ASWC, GSWC and ASUS:	Golden State Water Company Attn: Senior Vice President—Regulated Utilities 630 East Foothill Boulevard San Dimas, CA 91773

To the Sutter Pointe Developers:	South Sutter, LLC and Riego 1700, LLC Attn: Larry Gualco c/o Lennar Communities 1420 Rocky Ridge, Suite 320 Roseville, CA 95678 and South Sutter Investors, LLC Attn: Mark Enes 7700 College Town Drive, Suite 101 Sacramento, CA 95826
To Natomas:	Natomas Central Mutual Water Company Attn: General Manager 2601 West Elkhorn Boulevard Rio Linda, CA 95673

A notice or communication permitted or required hereunder shall be deemed to have been served as follows: (i) if hand delivered, at the time of delivery; (ii) if sent by mail, 72 hours after it was posted; or (iii) one business day after deposit with an overnight express courier. In providing service by mail, it shall be sufficient to prove that the letter containing the notice was properly addressed, stamped and posted.

9.3. ***Additional Documents.*** Each Party shall, at the request of another Party, execute and deliver such other reasonable instruments and do and perform such other reasonable acts and things for effecting complete consummation of this Agreement and the transaction contemplated by this Agreement in the manner reasonably contemplated by this Agreement, and no Party shall unreasonably refuse to execute such documents herein contemplated.

9.4. ***Successors and Assigns.*** This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns, except as restricted by this Agreement. A Party shall not voluntarily or by operation of law assign, hypothecate, give, transfer, mortgage, sublet, license or otherwise transfer or encumber all or any part of its rights, duties or other interests in this Agreement (collectively "Assignment"), without the other Parties' prior written consent, which consent shall not be unreasonably withheld; provided, that if another public entity

succeeds by operation of law to the powers and duties of the County under this Agreement, then no written consent shall be required. Any attempt to make an Assignment in violation of this provision shall be a material Default under this Agreement and shall be null and void. Absent an express signed written agreement between the Parties to the contrary, no Assignment shall result in a novation or in any other way release the assignor from its obligations under this Agreement. The Parties intend that the benefits and the burdens of this Agreement shall be applicable to landowners and option holders of land within the Sutter Pointe Specific Plan Area, Natomas and GSWC. To the extent that there is an attempted assignment to any person other than a landowner, or a person who has a contractual right to acquire land, or a successor in interest to Natomas or GSWC, that alone will be sufficient for the Parties to withhold consent to assign.

9.5. ***No Third Party Rights.*** Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties to this Agreement and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligations or liability of any third persons to any Party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over or against any Party to this Agreement.

9.6. ***Relationship of Parties.*** Nothing contained in this Agreement shall be construed to create an association, joint venture, trust or partnership, or impose a trust or partnership obligation or liability on or with regard to any of the Parties.

9.7. ***Execution in Counterparts; Signature.*** This Agreement may be executed in counterparts, each of which shall be deemed an original (including copies sent to a party by facsimile transmission or PDF) as against the party signing such counterpart, but which together shall constitute one and the same instrument. This Agreement may be executed by faxed or scanned and emailed signatures.

9.8. ***Authority.*** All individuals executing this and other documents on behalf of the respective Parties certify and warrant that they have the capacity and have been duly authorized to

so execute the documents on behalf of the entity so indicated. Each signatory shall also indemnify the other Parties to this Agreement, and hold them harmless, from any and all damages, costs, attorney fees and other expenses, if the signatory is not so authorized.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the dates set forth below their respective signatures.

AMERICAN STATES WATER COMPANY

Robert J. Sprowls
By: Robert J. Sprowls
President and Chief Executive Officer

March 14, 2011
Date

GOLDEN STATE WATER COMPANY

Robert J. Sprowls
By: Robert J. Sprowls
President and Chief Executive Officer

March 14, 2011
Date

NATOMAS CENTRAL MUTUAL WATER COMPANY

By: Dee Swearingen
General Manager

3-13-11
Date

SOUTH SUTTER LLC
a California limited liability company

By: LNR California Investments, Inc.
a Florida corporation
Its Day-to-Day Manager

By: Lennar Communities, Inc.
a California corporation
Its authorized Delegatee

By: _____
Larry Gualco
Vice President

RIEGO 1700, LLC
a Delaware limited liability company

By: Lennar Homes of California, Inc.
a California corporation
Its Managing Member

By: _____
Larry Gualco
Vice President

By: TW Investments, LLC
a California limited liability company
Its Member

By: Tom Winn Communities, Inc.
a California corporation
Its Manager

By: _____
Thomas P. Winn
President

SOUTH SUTTER INVESTORS, LLC
a California limited liability company

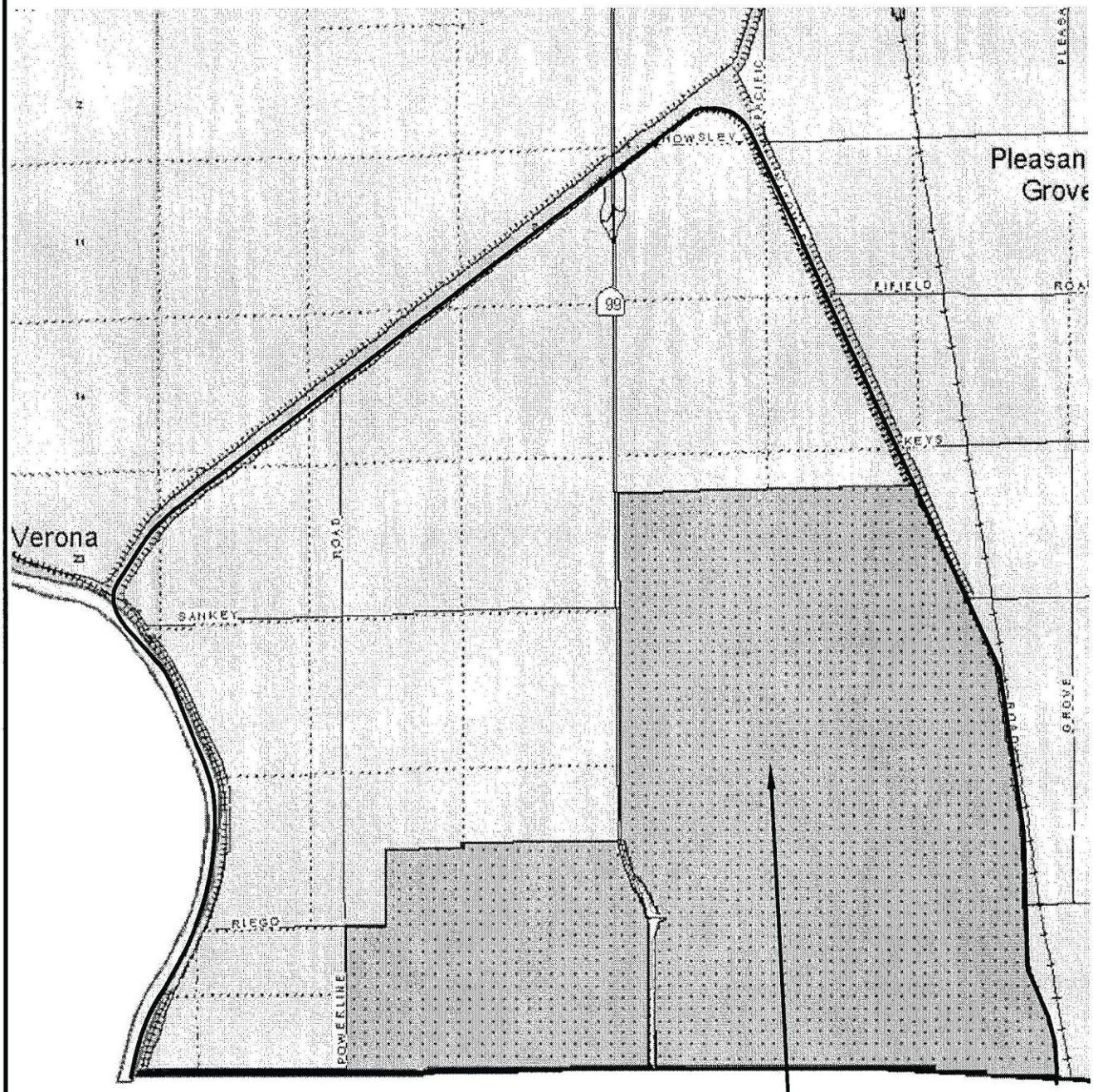
By: SS Management, LLC
a California limited liability company
Its Managing Member

By: AKT Investments, Inc.
a California Corporation
Its Managing Member

By: _____
Name: Angelo K. Tsakopoulos
Title: Chairman

EXHIBIT A
SUTTER POINTE SPECIFIC PLAN AREA MAP

EXHIBIT A
SOUTH SUTTER COUNTY SERVICE AREA



SOUTH SUTTER
COUNTY SERVICE
AREA

EXHIBIT B
TABLE OF TRANSFERRED WATER

Period	Normal Year Max (AF)	Critical Year Max (AF)
January	850	750
February	750	700
March	950	650
April	1,300	550
May	1,700	1,250
June	2,200	1,750
July	2,900	2,350
August	2,850	2,350
September	2,200	1,800
October	1,600	1,250
November	1,250	700
December	950	850
Annual	19,500	14,950

EXHIBIT C
TABLE OF SHORTAGE CONDITION EXAMPLES

Project Water Reduction	NCMWC Project Water (AF)		Sutter Pointe Demand Project Water (AF)		NCMWC Project Water Remaining after SP Demand (AF)	
	July	August	July	August	July	August
0%	4,582	9,418	2,753	2,728	1,829	6,690
25%	3,437	7,064	2,350	2,350	1,087	4,714
30%	3,207	6,593	2,121	1,879	1,087	4,714
35%	2,978	6,122	1,892	1,408	1,087	4,714
40%	2,749	5,651	1,663	937	1,087	4,714
50%	2,291	4,709	1,205	0	1,087	4,709
60%	1,833	3,767	746	0	1,087	3,767

Note: The Parties may revise this table in order to better reflect the intent of the Parties.

EXHIBIT D
TABLE OF MINIMUM PURCHASE QUANTITY

Number of EDUs	Minimum Purchase Quantity (AFY)
0 to 10,999	0
11,000	2,200
12,014	2,900
13,496	4,100
14,979	5,200
16,461	6,300
17,943	7,400
19,365	8,500
20,788	9,600
22,210	10,700
24,002	12,000
25,795	13,400
26,065	13,600
26,336	13,800
26,601	14,000
26,866	14,200
27,130	14,400
27,395	14,600
27,660	14,800
27,925	15,000
28,190	15,200
28,454	15,400
28,719	15,600
28,984	15,800
29,220	16,000
29,456	16,200
29,693	16,300
29,929	16,500
30,165	16,700
30,402	16,900
30,638	17,000
30,874	17,200
31,110	17,400
31,347	17,600
31,583	17,800

EXHIBIT E
WATER SYSTEM PURCHASE AND SALE AGREEMENT

WATER SYSTEM PURCHASE AND SALE AGREEMENT

This Water System Purchase and Sale Agreement ("Agreement") is made and entered into as of March 14, 2011 by and between Sutter County Water Works District No. 1, a dependent district of the County of Sutter ("WWD1"), and Golden State Water Company, a California corporation ("GSWC"). WWD1 and GSWC are each a "Party" and together are the "Parties."

RECITALS

A. GSWC is a public water utility subject to regulation by the California Public Utilities Commission ("CPUC").

B. WWD1 owns and operates a potable water distribution system ("Robbins Water System"), which is located in the unincorporated community of Robbins and more particularly described in Exhibit A to this Agreement.

C. WWD1 does not possess the financial capacity to make capital improvements necessary for the Robbins Water System to be in compliance with state and federal drinking water standards, including arsenic limits established by the California Department of Public Health ("DPH").

D. WWD1 operates a water system serving 93 connections, is subject to an outstanding compliance order from DPH, has failed to adequately maintain and make necessary capital improvements to the Robbins Water System to provide water that meets state and federal drinking water standards, and is not financially capable of adequately addressing arsenic contamination in the Robbins Water System while still providing service to customers at a reasonable cost. Thus, the Robbins Water System is an inadequately operated and maintained small water system, as defined in CPUC Standard Practice U-24-W.

E. Upon execution of this Agreement, GSWC, the County of Sutter and Sutter County Water Agency are entering into a Settlement Agreement regarding GSWC's provision of water utility service to a new development known as Sutter Pointe. GSWC will be able to provide improved water service to the Robbins Water System at a reasonable cost based on economies of scale gained from operating the Sutter Pointe and other water systems throughout California.

F. In order to resolve the issues described in Recitals C and D for the benefit of the customers of the Robbins Water System and the public interest, the Parties desire to transfer ownership and operation of the Robbins Water System from WWD1 to GSWC subject to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained in this Agreement, the Parties hereby agree as follows:

Article 1
PURCHASE AND SALE OF ASSETS

1.1. Purchase and Sale of Assets. At the Closing, as defined in Section 3.1 below, and subject to the terms and conditions set forth in this Agreement, WWD1 shall sell, transfer, assign, convey and deliver to GSWC, and GSWC shall purchase from WWD1, the Robbins Water System, including the following assets, properties, rights and interests:

1.1.1 All infrastructure, concerning or relating to the Robbins Water System or the provision of potable water service, including without limitation the infrastructure set forth in Exhibit A;

1.1.2 All real property currently utilized by the WWD1 Water System as set forth in Exhibit B;

1.1.3 All contracts, easements, rights-of-way and similar instruments held by WWD1 and currently utilized by the WWD1 Water System, to the extent transferable or assignable, as set forth in Exhibit C;

1.1.4 All permits held by WWD1 in connection with its ownership of the Robbins Water System or the provision of potable water service, to the extent transferable or assignable;

1.1.5 Copies of all records held by WWD1 in connection with its ownership of the Robbins Water System or the provision of potable water service, including without limitation documents relating to: system operations, construction and repair; rates or financial matters; billing and customer information; expense analysis or budgeting; water quality evaluations or reports; and water quality compliance plans and related documents;

1.1.6 All insurance proceeds received by WWD1 or that WWD1 is entitled to receive to compensate it for damage to the Robbins Water System between the Effective Date and the Closing;

1.1.7 All other rights and assets owned by WWD1 in, or necessary for, the operation, maintenance and management of the Robbins Water System.

1.2. Subsequently Discovered Assets. It is the intention of the Parties that the assets to be transferred pursuant to Section 1.1 above include each and every right or asset that is currently utilized for the operation, maintenance or management of the Robbins Water System, or the provision of potable water service, and that all such assets be transferred and conveyed to GSWC pursuant to this Agreement. If, subsequent to the Closing, either Party discovers a right or asset that is or has been used in, or is necessary for, the operation, maintenance or management of the Robbins Water System, or the provision of potable water service, and that was not specifically and effectively transferred and conveyed to GSWC at the Closing, then such Party shall notify the other Party of such discovery and the Parties shall take such reasonable actions and execute and deliver such instruments and other documents as are necessary to specifically and effectively transfer and convey such right or asset to GSWC.

1.3. **Excluded Assets.** The Robbins Water System assets transferred from WWD1 to GSWC shall not include any rights or assets other than those that are currently used in the operation, maintenance or management of the Robbins Water System or the provision of potable water service. Certain abandoned assets that are no longer used and useful will not be transferred to GSWC, including the excluded assets set forth in Exhibit D. Further, GSWC shall not acquire any right, title or interest in the wastewater division of WWD1 located in the community of Robbins.

1.4. **Purchase Payment.** The purchase payment for the Robbins Water System (the "Purchase Payment") shall be $12,556.43, or the current balance of the existing loan from the County of Sutter general fund to WWD1 as of the Closing, whichever is less. GSWC shall tender the full Purchase Payment to WWD1, by wire transfer, at the Closing.

1.5. **Transfer Documentation.** At the Closing, WWD1 shall deliver to GSWC all necessary executed deeds, agreements, bills of sale and other instruments or documentation ("Transfer Documents") that are necessary to transfer, convey and assign full, complete and unimpaired title to the Robbins Water System to GSWC. If, subsequent to the Closing, either Party discovers that any of the Transfer Documents are ineffective in conveying such clean title to one or more Robbins Water System assets to GSWC, or that any requisite Transfer Document is missing, then such Party shall notify the other Party of such discovery and the Parties shall take such reasonable actions and execute and deliver such instruments and other documents as are necessary to rectify the ineffective or missing Transfer Document, as necessary to effectuate the conveyance and assignment of full, complete and unimpaired title to such Robbins Water System assets to GSWC.

Article 2
WATER SYSTEM OBLIGATIONS

2.1. **WWD1 Pre-Closing Obligations.** After the Effective Date and before Closing, WWD1 shall assume the following obligations:

2.1.1 ***Full Disclosure.*** To the best of its knowledge, WWD1 shall disclose any and all matters, concerns, issues or liabilities of any nature whatsoever that could adversely affect the ability of GSWC to provide potable water service to customers of the Robbins Water System in any material respect.

2.1.2 ***CPUC Documentation.*** WWD1 shall exercise good faith and reasonable efforts to provide to GSWC, to the extent allowed by law, WWD1 documents regarding the Robbins Water System that are necessary for the preparation, filing and processing of the advice letter to the CPUC to obtain the CPUC Approvals set forth in Section 3.2, along with any other filings which may be necessary or advisable, in the judgment of GSWC in connection with the consummation of the transaction contemplated by this Agreement. GSWC shall pay reasonable third party costs for actions taken by the WWD1 in accordance with this section, including, but not limited to, photocopies and postage. These costs shall be approved prior to their expenditure.

2.2. GSWC Pre-Closing Obligations. After the Effective Date and before Closing, GSWC shall assume the following obligations:

2.2.1 ***Capital Improvements Plan.*** Within sixty (60) days of execution of this Agreement, GSWC shall prepare and submit to DPH for approval a plan for all improvements ("Capital Improvements") to the Robbins Water System that are reasonably necessary to comply with CPUC, DPH and Sutter County potable water service standards, including without limitation, installation of facilities to comply with drinking water standards for arsenic. The Capital Improvements plan shall include an analysis of arsenic contamination in the Robbins Water System, potential treatment or avoidance options, time-line for construction of necessary Capital Improvements, and a good faith estimate of the associated costs to construct the Capital Improvements. GSWC shall provide a copy of the Capital Improvements to WWD1, and WWD1 shall cooperate with GSWC in the preparation of the Capital Improvements plan, subject to reimbursement by GSWC for any third party costs incurred by WWD1.

2.2.2 ***CPUC Approval.*** GSWC shall make and pay the costs for all appropriate filings with the CPUC to request the CPUC Approval, as defined in Section 3.2 below, and shall exercise commercially reasonable efforts to obtain CPUC Approval. GSWC shall file an advice letter or, if necessary, an application with the CPUC within fifteen (15) days of the CPUC's final and binding approval of the Settlement Agreement described in Recital E.

2.3. GSWC Post-Closing Obligations. As of the Closing, GSWC shall assume all responsibility for owning, operating and maintaining the Robbins Water System in compliance with all applicable laws and regulations, subject to the orders and directives of the CPUC and DPH. As of the Closing, GSWC shall assume all liability for owning, operating and maintaining the Robbins Water System, except as provided in Section 6.1.

Article 3
CLOSING; CONDITIONS PRECEDENT

3.1. Closing. The Closing for the purchase and sale of the Robbins Water System shall occur on a date that is mutually agreed upon by the Parties and that is within forty-five (45) days following completion or mutual waiver of all preconditions to the Closing set forth in this article or elsewhere within this Agreement.

3.2. CPUC Approval as a Condition of Closing. As a precondition of the Closing and the mutual obligations of the Parties, the CPUC must grant a final and binding approval of GSWC's purchase of the Robbins Water System based on its being an inadequately operated and maintained small water system, as defined in CPUC Standard Practice U-24-W ("CPUC Approval"). In the event that the CPUC conditionally approves GSWC's purchase of the Robbins Water System, the Parties shall modify this Agreement as necessary to conform to such CPUC conditions.

3.3. Other Conditions Precedent. The Closing of the transaction contemplated by this Agreement is conditioned upon the occurrence of the following events or waiver thereof by GSWC.

3.3.1 ***WWD1 Obligations.*** Satisfaction of all WWD1 obligations set forth in Section 2.1.

3.3.2 ***Environmental Review.*** Completion of all requisite environmental review pursuant to the California Environmental Quality Act ("CEQA") concerning the transactions contemplated by this Agreement, including all capital improvements requested by GSWC for the Robbins Water System pursuant to Section 2.2.1 above, if any. To the extent that environmental review is necessary, Sutter County may be the lead agency for any such CEQA review; GSWC shall bear all costs and provide advance payment for such CEQA review. WWD1 will cooperate with any entities identified as responsible agencies under CEQA, including but not limited to the CPUC and DPH. In the event that the CEQA review identifies needed modifications to the transactions contemplated by this Agreement, the Parties shall meet and confer in good faith to determine whether the proposed modifications are mutually acceptable, and whether amendments to this Agreement are necessary to conform to modifications approved by the Parties.

3.3.3 ***DPH Approval.*** Issuance by DPH of a community water system permit to GSWC for the Robbins Water System and approval by DPH of the Capital Improvements, including a time-line for construction and commencement of operations of the Capital Improvements. GSWC will exercise commercially reasonable efforts to obtain a community water system permit and produce a Capital Improvements plan that is acceptable to DPH, including any revisions that are required to meet DPH conditions for approval.

3.3.4 ***Franchise Ordinance.*** Execution by the County of Sutter of a franchise ordinance for GSWC's construction, maintenance and operation of water infrastructure within Sutter County's rights-of-way as necessary to provide water utility service within Sutter County, which is substantially the same as the [Draft] Franchise Ordinance attached to this Agreement as Exhibit E.

3.3.5 ***Wagner Easement Assignment.*** The Parties' obtaining the consent of Sunrise Dusters, Inc., or the current owner of the property, to assign the Wagner Well Site Easement Agreement between Wagner Aviation and WWD1 to GSWC.

3.4. The Parties shall exercise good faith and best efforts to satisfy the conditions precedent contained in Sections 3.2 and 3.3.

Article 4
REPRESENTATIONS AND WARRANTIES

4.1. By WWD1. WWD1 makes the following representations, warranties and covenants to GSWC:

4.1.1 ***Organization; Qualification and Power.*** WWD1 possesses all requisite power and authority to enter into this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

4.1.2 ***Authority.*** The execution, delivery and performance of this Agreement and any related agreements expressly contemplated hereby, and the consummation of the transactions provided for by this Agreement, have been duly authorized by the Board of Directors of WWD1. This Agreement, when executed by the Parties, will be valid and binding obligations of WWD1, enforceable in accordance with the terms set forth herein.

4.1.3 ***No Material Adverse Change.*** From the Effective Date through the Closing, if a material adverse change in the circumstances or condition of the Robbins Water System comes to the attention of WWD1, it shall promptly provide notice of such change to GSWC.

4.1.4 ***Disclosure.*** To the best of WWD1's knowledge, no representation or warranty by WWD1 contained in this Agreement, nor any statement, schedule or assignment furnished or to be furnished by WWD1 to GSWC pursuant to this Agreement contains or shall contain any untrue statement of a material fact.

4.1.5 ***Timing.*** All representations, warranties and covenants of WWD1 in this Agreement are made as of the Effective Date, and as of the Closing. It shall be a material default if WWD1 is unable to make such representations and warranties truthfully as of the Closing.

4.2. **By GSWC.** GSWC makes the following representations, warranties and covenants to WWD1:

4.2.1 ***Organization; Qualification and Power.*** GSWC is a corporation duly organized, existing and in good standing under the laws of the State of California and has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby.

4.2.2 ***Authority.*** The execution, delivery and performance of this Agreement and any related agreements expressly contemplated hereby, and the consummation of the transactions provided for by this Agreement, have been duly authorized by GSWC's Board of Directors. This Agreement, when executed by the Parties, will be valid and binding obligations of GSWC enforceable in accordance with the terms set forth herein. Neither the execution nor performance of this Agreement will: (i) conflict with or result in a breach of any provision of the general laws of the State of California; (ii) result in the creation or imposition of any claim, lien, pledge, charge, or other encumbrance whatsoever upon the Robbins Water System; or (iii) to the best of GSWC's knowledge, violate any law, statute, rule, regulation or order, writ, judgment, injunction or decree applicable to GSWC or the Robbins Water System. To the best of GSWC's knowledge, no consent or approval by, or any notification of or filing with, any governmental or public

body (other than the CPUC and DPH) is required in connection with the execution or performance of this Agreement, or the purchase of the Robbins Water System by GSWC as contemplated hereby.

4.2.3 ***Timing.*** All representations, warranties and covenants of GSWC in this Agreement are made as of the Effective Date, and as of the Closing. It shall be a material default if GSWC is unable to make such representations and warranties truthfully as of the Closing.

4.2.4 ***Disclosure.*** To the best of GSWC's knowledge, no representation or warranty by GSWC contained in this Agreement, nor any statement, schedule or assignment furnished or to be furnished by GSWC to WWD1 pursuant to this Agreement contains or shall contain any untrue statement of a material fact.

4.3. **Cure**. Each Party shall promptly notify the other of the occurrence of any event claimed to constitute a breach of any representation, warranty or covenant in this Agreement or giving rise to a claim for indemnification. Except with respect to the Purchase Payment, the Party to whom the notification is given shall have a reasonable time to evaluate the claim and to cure the cause of the claim. No cure shall be considered effective unless it is completed within thirty (30) days from the date of the notification.

Article 5
TERM AND TERMINATION

5.1. **Term; Effectiveness.** This Agreement shall become effective upon the CPUC's final and binding approval of the Settlement Agreement described in Recital E above, and shall terminate thirty (30) days following the Closing. If the Settlement Agreement is terminated early pursuant to Section 3.2 of that agreement, or if the CPUC does not grant final and binding approval of the Settlement Agreement, this Agreement shall be void and of no effect.

5.2. **Continuing Obligations.** All obligations of the Parties set forth in Sections 1.2, 1.5 and 2.3 related to the transfer, conveyance and assignment of the Robbins Water System to GSWC, the representations and warranties set forth in Article 4, and the indemnification provisions set forth in Article 6 shall survive the termination of this Agreement and shall remain in effect for a period of ten (10) years following the date of termination of this Agreement.

Article 6
INDEMNIFICATION

6.1. **WWD1**. WWD1 shall indemnify, defend and hold GSWC and its Affiliates, and the respective directors, officers and employees of GSWC and its Affiliates (each a "GSWC Indemnified Party"), harmless from and against any and all debts, claims, obligations, losses, costs, expenses, litigations, proceedings, arbitrations, investigations, damages, liabilities, payments or judgments incurred by any GSWC Indemnified Party due to any acts or omissions of WWD1, its directors, officers, agents, consultants or employees arising from or related to: (i) WWD1's ownership, operation, maintenance and management of the Robbins Water System prior to the Closing; (ii) any failure of the

Robbins Water System to meet drinking water standards, or any environmental, contamination or remediation liability based on or related to operation of the Robbins Water System, after the Closing and prior to the earlier of twenty-eight (28) months following the CPUC Approval or the date that all Capital Improvements have been constructed and placed into operation; (iii) WWD1's obligations under this Agreement, including its delivery obligations to GSWC; and (iv) any breach of any of WWD1's representations or warranties or covenants contained herein or in any document or instrument contemplated hereby or executed and delivered in connection herewith.

6.2. **GSWC**. GSWC shall indemnify, defend and hold WWD1, together with all of its directors, officers and employees (each a "County Indemnified Party"), harmless from and against any and all debts, claims, obligations, losses, costs, expenses, litigation, proceedings, arbitrations, investigations, damages, liabilities, payments or judgments incurred by any County Indemnified Party due to approval of this Agreement and any accompanying environmental review, and any acts or omissions of GSWC, its directors, officers, agents, consultants or employees arising from or related to: (i) GSWC's ownership, operation, maintenance and management of the Robbins Water System subsequent to the Closing; (ii) GSWC's obligations under this Agreement; and (iii) any breach of any of GSWC's representations or warranties or covenants contained herein or in any document or instrument contemplated hereby or executed and delivered in connection herewith. Notwithstanding the provisions of this paragraph, GSWC's obligation to indemnify a County Indemnified Party for water quality related claims shall not arise until the earlier of twenty-eight (28) months following the CPUC Approval or the date that all Capital Improvements have been constructed and placed into operation.

6.3. **Indemnification Claim Procedures**. Promptly after any Party has received notice of any claim or the commencement of any action or proceeding which would give rise to a claim for indemnification, or has knowledge of any such claim, such Party shall, if a claim with respect thereto is to be made against any Party obligated to provide indemnification hereunder (the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding, setting forth specifically the facts giving rise to, or alleged as a basis for, the claim, and the amount of liability asserted. Such notice shall attach any and all documentation of such claim. The Parties shall proceed in good faith to attempt to resolve any question of liability and the amount, if any, of damages thereby occasioned, as promptly as possible.

Article 7
GENERAL PROVISIONS

7.1. **Notice.** Any notices or communications permitted or required hereunder shall be in writing and: (i) hand delivered (including via overnight courier); (ii) sent postage pre-paid by registered or certified mail, return receipt requested, to the respective Party as set forth below, or to such other address as any Party may notify the other of in writing:

If to WWD1: Sutter County Water Works District No. 1
Attn: County Administrator
1160 Civic Center Boulevard, Suite A
Yuba City, CA 95993

If to GSWC: Golden State Water Company
Attn: Senior Vice President—Regulated Utilities
630 East Foothill Boulevard
San Dimas, CA 91773

A notice or communication permitted or required hereunder shall be deemed to have been served as follows: (i) if hand delivered, at the time of delivery; (ii) if sent by mail, 72-hours after it was posted; (iii) one business day after deposit with an overnight express courier. In providing service by mail, it shall be sufficient to prove that the letter containing the notice was properly addressed, stamped and posted.

7.2. **Expenses.** Regardless of whether or not the transaction contemplated hereby is consummated, GSWC and WWD1 shall pay their own respective expenses, including, without limitation, the fees, disbursements and expenses of their attorneys and accountants, in connection with the negotiation, preparation and execution of this Agreement, except as otherwise provided in this Agreement.

7.3. **Binding Effect.** This Agreement shall be binding upon and shall inure to the benefit of GSWC and WWD1 and each Party's respective successors, legal representatives and assigns to the extent permitted under the terms of this Agreement. Except as expressly provided with respect to the rights of indemnification under this Agreement, nothing herein shall create or be deemed to create any third-party beneficiary rights in any person or entity not a Party to this Agreement.

7.4. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the Parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all of the Parties.

7.5. **Severability.** This Agreement is subject to all applicable laws and regulations. If any provision of this Agreement is found by any court or other legal authority, or is agreed by the Parties, to be in conflict with any code or regulation governing its subject, the conflicting provision shall be considered null and void. If the effect of nullifying any conflicting provision is such that a material benefit of the Agreement to either Party is lost, the Agreement may be terminated at the option of the affected Party. In all other cases, the remainder of the Agreement shall continue in full force and effect.

7.6. **Effect of Headings.** The subject headings of the sections and subsections of this Agreement are included for convenience only and shall not affect the construction or interpretation of any of its provisions.

7.7. **Affiliates.** As used in this Agreement, the term "Affiliate" means any company controlling, controlled by, or under the common control of GSWC, where "control" is defined by the superior right or ability to direct the management and policy of the entity subject to control, regardless of whether such control is exercised through ownership, by contract, under statutory right or other method.

7.8. **Waiver.** The failure of any Party at any time or times to enforce or require performance of any provision hereof shall in no way operate as a waiver or affect the right of such Party at a later time to enforce the same. No waiver by either Party of any condition or the breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any other breach of any term, covenant, representation or warranty contained in this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the dates and years set forth below their respective signatures.

GOLDEN STATE WATER COMPANY

Robert J. Sprowls

Robert J. Sprowls
President and Chief Executive Officer
Date: March 11, 2011

Eva Tang

Eva Tang
Secretary
Date: March 11, 2011

SUTTER COUNTY WATER WORKS DISTRICT NO. 1

James Gallagher
Chairman, Board of Directors
Date: March 13, 2011

EXHIBIT A
ROBBINS WATER SYSTEM DESCRIPTION

The Sutter County Water Works District No. 1 (WWD #1) is responsible for providing water service to the unincorporated community of Robbins. The Robbins Water System currently consists of:

- One active groundwater well, known as the Wagner Well;
- A water treatment plant consisting of a chlorinator, a filter tank for the removal of iron and manganese, a backwash tank and a treated water storage tank; and
- One backup groundwater well, known as Sacramento Valley Boulevard No. 1, that provides the Community's residents with potable water.

Water is distributed through a system of mains ranging from 3" to 12" in diameter. The current system is comprised of approximately 4 miles of water piping and valves, and 93 lateral connections. Portions of the WWD1 are served by 30-year old galvanized iron pipe laterals and water mains, which should be replaced in the near future.

The Robbins Water System was acquired by WWD1 in 1986 at the request of the system users. The system was previously privately-owned, and WWD1 accepted ownership of the system to repair, maintain and upgrade the system as needed. WWD1 had to drill wells and install some new water mains. Documentation of the system layout prior to WWD1 ownership is limited; therefore, the location, size and materials used for water mains and laterals are not known at all locations throughout the system.

The attached Utility Map represents the best available information regarding the location and attributes of the water distribution system.

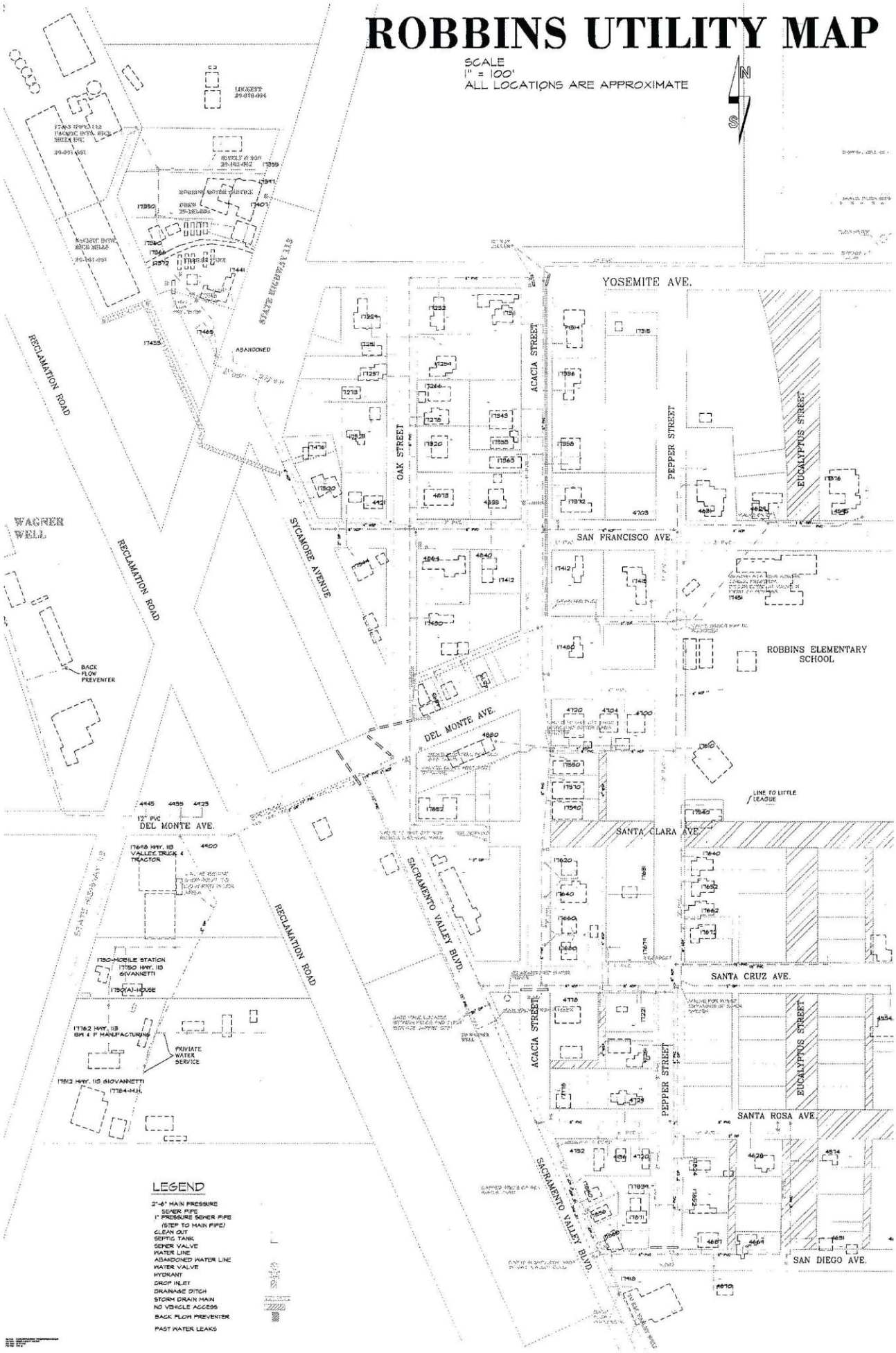

ROBBINS UTILITY MAP
SCALE
1" = 100'
ALL LOCATIONS ARE APPROXIMATE
N
S
YOSEMITE AVE.
SAN FRANCISCO AVE.
DEL MONTE AVE.
SANTA CLARA AVE.
SANTA CRUZ AVE.
SANTA ROSA AVE.
SAN DIEGO AVE.
ACACIA STREET
OAK STREET
PEPPER STREET
EUCALYPTUS STREET
SYCAMORE AVENUE
RECLAMATION ROAD
SACRAMENTO VALLEY BLVD.
WAGNER WELL
BACK FLOW PREVENTER
ABANDONED
ROBBINS ELEMENTARY SCHOOL
LINE TO LITTLE LEAGUE
12" PVC
PRIVATE WATER SERVICE
LEGEND
2"-6" MAIN PRESSURE SEWER PIPE
1" PRESSURE SEWER PIPE (STEP TO MAIN PIPE)
CLEAN OUT
SEPTIC TANK
SEWER VALVE
WATER LINE
ABANDONED WATER LINE
WATER VALVE
HYDRANT
DROP INLET
DRAINAGE DITCH
STORM DRAIN MAIN
NO VEHICLE ACCESS
BACK FLOW PREVENTER
PAST WATER LEAKS

EXHIBIT B
REAL PROPERTY CURRENTLY UTILIZED BY ROBBINS WATER SYSTEM

The only real property currently utilized by the Robbins Water System is the backup well location at 18318 Sacramento Valley Boulevard, Assessors Parcel Number 29-190-024. A legal description of that property is as follows:

PARCEL NO. 2:

Block 55 as shown on that certain Map entitled "Plat of Robbins, Sutter County, California, Unit No. 1" filed in the office of the County Recorder of Sutter County, California, on July 8, 1925 in Book 5 of Surveys, page 38.

EXCEPTING THEREFROM that portion thereof which lies within the following described parcel:

Beginning at a point on the East line of Block 55 of said Robbins Unit No. 1, said point bears North 380.93 feet from the Southeast corner of said Block 55; thence North 380.46 feet; thence West 23.00 feet; thence North 1750.00 feet to the intersection of the South line of San Diego Avenue and the East boundary of said Robbins Unit No. 1; thence West 972.47 feet; thence South 24° 09' 06" East 436.15 feet; thence South 24° 10' 19" East 1114.07 feet; thence South 65° 49' 41" West 120.00 feet; thence South 24° 10' 19" East 731.05 feet; thence East 170.97 feet to the point of beginning.

EXHIBIT C
CONTRACTS, EASEMENTS, RIGHTS-OF-WAY AND SIMILAR INSTRUMENTS HELD AND CURRENTLY USED BY ROBBINS WATER SYSTEM

The Wagner Well and groundwater treatment plant are located on an easement property located at 17690 Highway 113, Assessors Parcel Number 29-070-059. The Wagner Well location is leased from Sunrise Dusters, Inc. A copy of the lease is attached.

A separate easement exists for a water main located along the southern property line of the property located at 17750 Highway 113, Assessors Parcel Number 24-030-003. A copy of the easement is attached.

98 068

1/11

Indexed
Compared

Recorded at the request of:

SUTTER COUNTY WATERWORKS DISTRICT NO. 1

Recorded in Official Records, County of Sutter, Lonna B. Smith, Clerk/Recorder

No Fee

199804657 11:52am 04/02/98

005 30016205 10 06
X09 11 6.00 30.00 0.00 0.00 0.00 0.00

Return to:

Sutter County Public Works Director
1160 Civic Center Blvd., Ste. D
Yuba City, CA 95993

Document transfer tax: None

AGREEMENT FOR WELL SITE EASEMENT

This agreement is between Philip E. Wagner and Anna Mae Wagner, husband and wife (Wagners); Sutter County Waterworks District No. 1, a public agency formed under division 16 of the California Water Code (District); and the County of Sutter, a political subdivision of the State of California (County).

RECITALS

1. District is authorized to supply its inhabitants with water for irrigation, domestic, industrial, and fire-protection purposes, and may acquire and hold property to that end.

2. The Wagners own the real property identified in exhibit A (the burdened property), which is attached to this agreement and made part of it.

3. District wishes to construct and operate one or more water wells on the burdened property. The wells would be used to supply water to District inhabitants.

4. The Wagners wish to grant District the necessary easement for a well site and access road if, in return, District will supply them with water, free of charge.

TERMS AND CONDITIONS

5. Grant of Easement. The Wagners grant to District an easement on those areas of the burdened property identified as "well site" and "access road" on exhibit A, subject to the terms and conditions set forth below.

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6. **Description of Easement**. The easement is an easement in gross and consists of the right to use--

(a) the well site for constructing, operating, maintaining, and repairing one or more water wells (including all necessary pumps, pipes, fences, and other ancillary facilities and equipment) with which District can supply the water needs of its inhabitants while this agreement is in force; and

(b) the access road for ingress to and egress from the well site as well as for installing, maintaining, and repairing any pipes and utility connections (no overhead powerlines) needed to construct, operate, maintain, and repair the well or wells and supply water to District inhabitants and the Wagners.

The easement granted in the well site is exclusive. The Wagners shall not use the well site themselves, nor shall they grant or assign to others any easement or other right in the well site. The easement in the access road is nonexclusive. The Wagners may use the access road in any way that does not interfere unreasonably with District's use.

7. **Term of Easement**. The easement shall be perpetual, subject to the following:

(a) The Wagners may terminate this agreement and the easement granted under it if District fails to maintain insurance as required by section 12 or if--

(1) District uses the property for purposes other than those specified in section 6 or fails, through its own fault, to comply with sections 8 and 9;

(2) such use or failure continues after the Wagners serve District with written notice demanding compliance; and

(3) District has had a reasonable opportunity to comply.

(b) District may release the easement and terminate this agreement at any time by executing, delivering, and recording a quitclaim deed.

(c) Once the Wagners exercise their power of termination, or District releases the easement--

(1) this agreement shall terminate (except District's obligations under this section and section 9, and District's and County's obligations under section 11);

(2) all rights to the burdened property shall revert to the Wagners; and

(3) District shall abandon its well or wells, remove its facilities and equipment (except well casing) from the burdened property, and, to the extent feasible, restore the well site and access road to pre-easement condition, all at its sole expense, unless District and the Wagners agree otherwise in writing.

8. Conditions on Use. District shall do the following at its sole expense:

(a) Enclose the well site with a fence.

(b) Install any pipes and equipment, including a water meter, needed to connect the existing water system on the burdened property to District's water system. The connection shall be at the existing water well on the burdened property. The existing well shall be left operational, and District's connections shall include all pipes and equipment needed so the Wagners can use the existing well alone or in combination with District's well or wells.

(c) Provide the Wagners with up to 2,880,000 gallons of water per year, commencing when District's first well on the burdened property is fully operational. If the Wagners need more than 2,880,000 gallons per year, and if District is able to meet that need while meeting the needs of District inhabitants, then District shall provide the Wagners with more than 2,880,000 gallons per year, and the Wagners shall pay District's commercial-use rates for such additional water.

(d) The Wagners have the exclusive right to use water from their existing well, and they may drill additional wells on the burdened property outside of the well site and access

road. The Wagners' use of water from the existing well and any additional wells they drill shall not relieve District and County of their obligations under this agreement, including District's obligation under section 8(c) to provide water.

9. **Compliance with Law**. District shall comply with all federal, state, and local laws, regulations, and orders that apply to its actions under this agreement.

10. **Disclaimer**. The Wagners make no warranties, guarantees, or assurances about the amount of water available or its quality. District acknowledges that the whole of the burdened property, including the well site and access road, has been designated as a suspected hazardous substance site by the Department of Toxic Substances Control of the California Environmental Protection Agency, as evidenced by exhibit B, which is attached to this agreement and made part of it.

11. **Indemnification**. District and County shall indemnify, defend (upon written request), protect, and hold the Wagners harmless against any liabilities, claims, demands, damages, and costs (including attorneys' fees and litigation costs) that arise from District's tortious acts or omissions when using the burdened property, except to the extent caused by the Wagners' tortious acts or omissions. District's and County's obligations under this section include--

(a) administrative actions brought by any federal, state, or local agency;

(b) third-party claims by users of the water District produces from the burdened property;

(c) "mixed claims" where both the District and the Wagners are jointly involved;

(d) any District conduct for which District is strictly liable; and

(e) any District conduct for which the Wagners may be derivatively liable as grantors of the easements or owners of the burdened property.

12. **Insurance**. While this agreement is in force, District shall maintain, at its sole cost, general liability insurance covering District's activities on the burdened property. The policy (or policies) shall name the Wagners as additional insureds and shall require the insuer (or insurers) to give the Wagners at least ten days advance written notice of cancellation.

13. **Effective Date**. This agreement shall be effective on the date when fully subscribed by the parties.

14. **Recordation**. This agreement shall be recorded in the official records of Sutter County.

15. **Interpretation and Litigation**. This agreement shall be interpreted in accordance with California law as if jointly prepared by the parties; any ambiguity or uncertainty shall not be interpreted against one party. Any litigation concerning this agreement shall be brought in the Consolidated Municipal and Superior Court of Sutter County.

16. **Notices**. Any correspondence regarding this agreement shall be directed to the following persons at the following addresses and phone numbers:

District and County: Sutter County Public Works Director
1160 Civic Center Boulevard, Suite D
Yuba City, CA 95993
FAX: (530) 822-7457
Phone: (530) 822-7450

Wagners: Philip Wagner
P. O. Box 98
Robbins, CA 95676
FAX: (530) 738-4452
Phone: (530) 738-4431

If written, correspondence shall be by personal delivery, including overnight delivery service; by U. S. Mail, postage prepaid; or by facsimile transmission during business hours. Notices must be actually received to be effective. The foregoing names, addresses, and phone numbers may be changed by written notice.

17. **Assignment**. Neither District nor County may assign this agreement without the Wagners' prior written consent.

18. **Binding Effect**. This agreement shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors-in-interest, and assigns of the parties.

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19. **Attorneys' Fees**. The prevailing party in any litigation that concerns this agreement is entitled to reasonable attorneys' fees and costs.

20. **Entire Agreement**. This agreement sets forth the entire understanding of the parties regarding the matters set forth in sections 1 through 19. It supersedes all prior agreements and representations, written and oral, and may be modified only by a written agreement signed by the parties.

SUTTER COUNTY WATERWORKS DISTRICT NO. 1

By _____
CHAIRMAN, BOARD OF DIRECTORS
DATE: 4-1-98

ATTEST:

LONNA B. SMITH

By _____
Deputy

COUNTY OF SUTTER

By _____
CHAIRMAN, BOARD OF SUPERVISORS
DATE: 4-1-98

Philip E. Wagner
Philip E. WAGNER
DATE: 3/23/98

Anna Mae Wagner
ANNA MAE WAGNER
DATE: 3/23/98

APPROVED FOR LEGAL FORM
SUTTER COUNTY COUNSEL

By _____

9

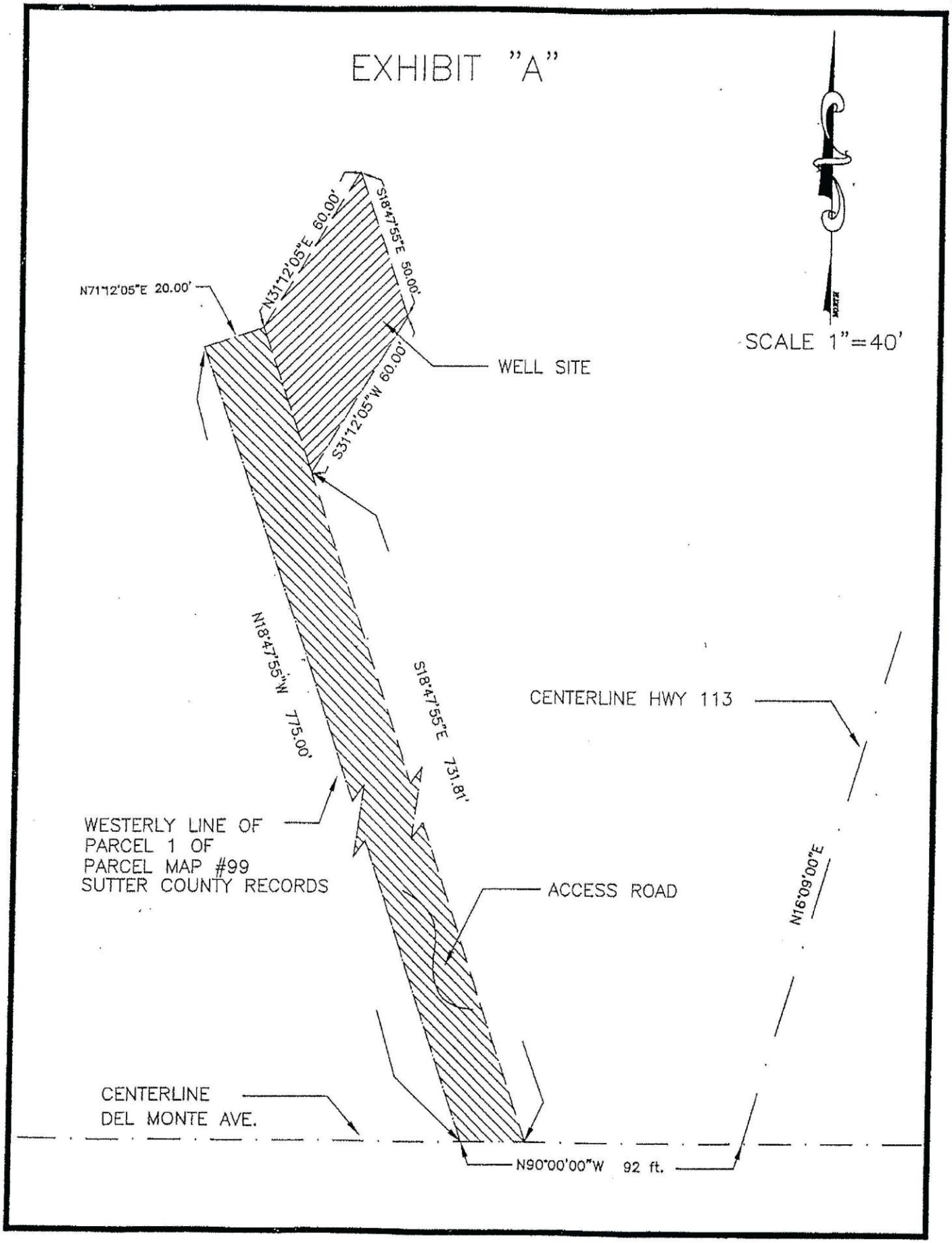


EXHIBIT "A"
SCALE 1"=40'
N71°12'05"E 20.00'
N31°12'05"E 60.00'
S18°47'55"E 50.00'
S31°12'05"W 60.00'
WELL SITE
N18°47'55"W 775.00'
S18°47'55"E 731.81'
CENTERLINE HWY 113
WESTERLY LINE OF
PARCEL 1 OF
PARCEL MAP #99
SUTTER COUNTY RECORDS
ACCESS ROAD
N16°09'00"E
CENTERLINE
DEL MONTE AVE.
N90°00'00"W 92 ft.

10

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of CALIFORNIA

County of SUTTER

On MARCH 23, 1998 (Date) before me, SATWANT SINGH TAKHAR, NOTARY PUBLIC (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared PHILIP E. WAGNER AND ANNA M. WAGNER (Name(s) of Signer(s)),

☐ personally known to me -- OR -- ☑ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

SATWANT SINGH TAKHAR
COMM. #1143074
NOTARY PUBLIC • CALIFORNIA
SUTTER COUNTY
Comm. Expires JUNE 22, 2001

WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: AGREEMENT FOR WELL SITE EASEMENT

Document Date: 3/23/98 Number of Pages: 9

Signer(s) Other Than Named Above: NONE

Capacity(ies) Claimed by Signer(s)

Signer's Name: PHILIP E. AND ANNA M. WAGNER

☑ Individual
☐ Corporate Officer
Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing:

Signer's Name: _____

☐ Individual
☐ Corporate Officer
Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing:

© 1995 National Notary Association • 8235 Remmet Ave., P.O. Box 7184 • Canoga Park, CA 91309-7184 Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

11

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of CALIFORNIA

County of SUTTER

On APRIL 1, 1998 (Date) before me, SATWANT SINGH TAKHAR, NOTARY PUBLIC, (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared LARRY MUNGER (Name(s) of Signer(s)),

☑ personally known to me – OR – ☐ proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(s) acted, executed the instrument.

SATWANT SINGH TAKHAR
COMM. #1143074
NOTARY PUBLIC - CALIFORNIA
SUTTER COUNTY
Comm. Expires JUNE 22, 2001

WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: AGREEMENT FOR WELL SITE EASEMENT

Document Date: 3/23/98 Number of Pages: 9

Signer(s) Other Than Named Above: ANNA & PHILIP WAGNER

Capacity(ies) Claimed by Signer(s)

Signer's Name: LARRY MUNGER

☑ Individual
☐ Corporate Officer
Title(s):
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other:

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing:

SUTTER COUNTY

Signer's Name:

☐ Individual
☐ Corporate Officer
Title(s):
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other:

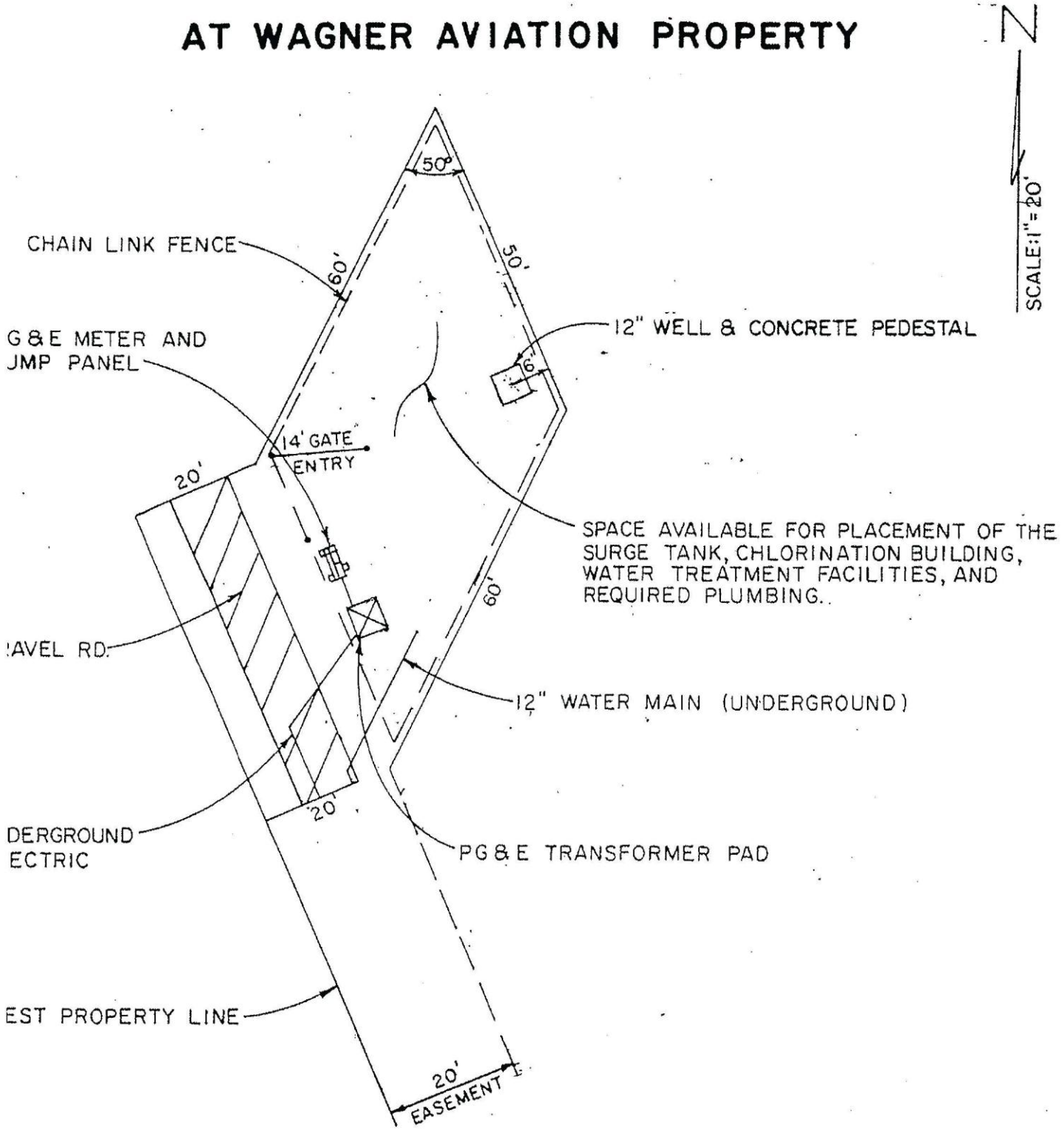
RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing:

© 1995 National Notary Association • 8236 Remmet Ave., P.O. Box 7184 • Canoga Park, CA 91309-7184 Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

END OF DOCUMENT

COMMUNITY OF ROBBINS WELL AT WAGNER AVIATION PROPERTY



WELL SITE LAYOUT

RECORDING REQUESTED BY:

AFTER RECORDING RETURN TO:

Sutter County Public Works
1130 Civic Center Blvd.
Yuba City, CA 95993

2010-0015049

Recorded
Official Records
County of
Sutter
Donna M. Johnston
Clerk Recorder

REC FEE 0.00

RB
10:52AM 06-Oct-2010 Page 1 of 4

EASEMENT DEED

A.P. NO. 24-030-008
DOCUMENTARY TRANSFER TAX $ 0
( ) Computed on full value of property conveyed, or
( ) Computed on full value less liens and encumbrances remaining thereon at time of sale.
(X) Unincorporated area & ( ) City of Yuba City

UNDERSIGNED GRANTOR DECLARES
Signature of Declarant or agent determining tax. Firm name

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

B. E. GIOVANNETTI & SONS, a partnership

Hereby GRANT(S) to **THE COUNTY OF SUTTER,** a political subdivision, and its assigns, an easement for waterline purposes, together with incidents thereto; on, over, under, through, and across the following described land to wit:

DESCRIPTION ATTACHED HERETO AS EXHIBIT "A" AND MADE A PART HEREOF.

B. E. GIOVANNETTI & SONS, a partnership

DATED: 6/25/10

BY: RICHARD MORFORD, PARTNER

STATE OF CALIFORNIA
COUNTY OF SUTTER
On June 25, 2010 before me, Lesley A Pitts
A notary public, personally appeared
Richard Morford,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Signature Lesley A Pitts

LESLEY A. PITTS
Commission # 1835952
Notary Public - California
Sutter County
My Comm. Expires Feb 12, 2013

P:\EN SURVEYOR\EASEMENTS\Robbins\Water_Giovannetti Jun 10.doc

2

EXHIBIT A

All that portion of Lot 48 as shown on that certain Map entitled "Map of Sutter Basin Subdivision No. 4" filed in the office of the County Recorder of Sutter County, California, on May 6, 1921 in Book 3 of Surveys, at page 88, more fully described as follows:

A strip of land ten (10') feet in width, the south line of which is more particularly described as follows:

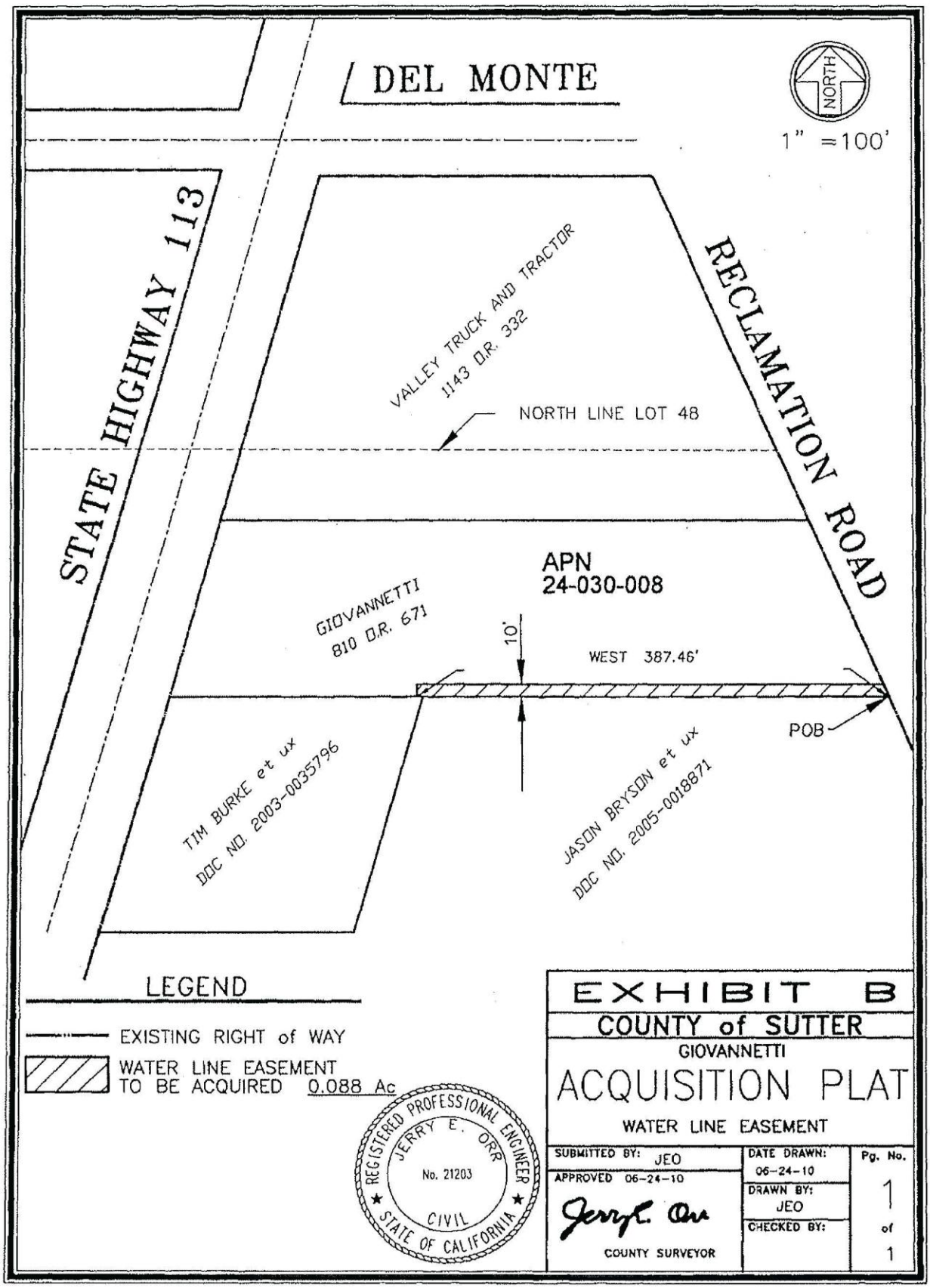
Commencing at the Northeast corner of said Lot 48, thence South 24° 21' 00" East along the easterly line of said lot 48 a distance of 221.05 feet to the southeasterly corner of that certain parcel of land as described in the deed to B. E. Giovannetti & Sons of record in Book 810 of Official Records page 671 records of Sutter County, California and being the TRUE POINT OF BEGINNING; thence West along the southerly line of said Giovannetti parcel a distance of 387.46 feet and there terminating

A plat labeled "Exhibit B" depicting the hereinabove described real property is attached hereto and made a part hereof.

End of Description

6-24-10

3


DEL MONTE
NORTH
1" =100'
STATE HIGHWAY 113
RECLAMATION ROAD
VALLEY TRUCK AND TRACTOR
1143 O.R. 332
NORTH LINE LOT 48
APN
24-030-008
GIOVANNETTI
810 O.R. 671
10'
WEST 387.46'
POB
TIM BURKE et ux
DOC NO. 2003-0035796
JASON BRYSON et ux
DOC NO. 2005-0018871
LEGEND
EXISTING RIGHT of WAY
WATER LINE EASEMENT
TO BE ACQUIRED 0.088 Ac
REGISTERED PROFESSIONAL ENGINEER
JERRY E. ORR
No. 21203
CIVIL
STATE OF CALIFORNIA
EXHIBIT B
COUNTY of SUTTER
GIOVANNETTI
ACQUISITION PLAT
WATER LINE EASEMENT
SUBMITTED BY: JEO
APPROVED 06-24-10
COUNTY SURVEYOR
DATE DRAWN: 06-24-10
DRAWN BY: JEO
CHECKED BY:
Pg. No.
1
of
1

4

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Easement Deed dated June 25, 2010 from B. E. Giovannetti & Sons, a partnership, to the County of Sutter is hereby accepted on behalf of the Board of Supervisors pursuant to authority conferred by Resolution No. 10-056 of said Board, on September 28, 2010, and grantee consents to recordation thereof by its duly authorized officer.

Date: 10/5/10

Douglas R. Gault
Director of Public Works

COUNTY SURVEYOR'S STATEMENT

I am satisfied that the description contained herein is technically correct.

Jerry E. Orr, County Surveyor
R.C.E. 21203, exp. 9-30-11

END OF DOCUMENT

EXHIBIT D
EXCLUDED ASSETS

Excluded assets are as follows:

1. The abandoned water tower and all appurtenances thereto located at the intersection of Acacia Street and Sacramento Valley Boulevard;

2. The real property located at the intersection of Acacia Street and Sacramento Valley Boulevard, Assessors Parcel Number 29-152-001; and

3. The "Old Sacramento Valley Boulevard Well" (isolated from the system by closing the valves to the system and removing control panel fuses), located on the property known as Assessors Parcel Number 29-190-082. Note: this is a different well than the Sacramento Valley Boulevard No. 1 Well located at 18318 Sacramento Valley Boulevard, Assessors Parcel Number 29-190-024, which is still used as a backup well and is listed in Exhibit A to this Agreement.

EXHIBIT E
[DRAFT] FRANCHISE ORDINANCE

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNTY OF SUTTER GRANTING TO GOLDEN STATE WATER COMPANY, A CORPORATION, THE NON-EXCLUSIVE RIGHT, PRIVILEGE AND FRANCHISE TO LAY AND USE PIPES AND APPURTENANCES FOR TRANSMITTING AND DISTRIBUTING WATER FOR ANY AND ALL PURPOSES UNDER, ALONG, ACROSS OR UPON THE PUBLIC STREETS, WAYS, ALLEYS AND PLACES, AS THE SAME NOW OR MAY HEREAFTER EXIST, WITHIN SAID COUNTY.

THE BOARD OF SUPERVISORS OF THE COUNTY OF SUTTER ORDAINS AS FOLLOWS:

SECTION ONE

Whenever in this ordinance the words or phrases hereinafter in this section defined are used, they shall have the respective meanings assigned to them in the following definitions (unless, in the given instance, the context wherein they are used shall clearly import a different meaning):

(a) The word "Grantee" shall mean Golden State Water Company, a California corporation, and its lawful successors or assigns;

(b) The word "County" shall mean Sutter County, California;

(c) The word "streets" shall mean the public streets, ways, alleys and places as the same now or may hereafter exist within said County;

(d) The word "Franchise" shall mean and include any authorization granted hereunder in terms of a franchise, privilege, permit, license or otherwise to lay and use pipes and appurtenances for transmitting and distributing water for any and all purposes under, along, across or upon the public streets, ways, alleys and places in the County, and shall include and be in lieu of any existing or future County requirement to obtain a license or permit for the privilege of transacting and carrying on a business within the County;

(e) The word "water" shall mean water of any type, including, without limitation, potable water, reclaimed water and wastewater;

(f) The phrase "pipes and appurtenances" shall mean pipe, pipelines, main, service, trap, vent, vault, manhole, meter, gauge, regulator, pump, valve, conduit, ditch, flume, appliance, attachment, appurtenance and any other property located or to be located in, upon, along, across, under or over the streets of the County, and used or useful in transmitting and distributing water; and

(g) The phrase "lay and use" shall mean to excavate, lay, construct, erect, install, operate, maintain, use, repair, replace or remove.

SECTION TWO

Subject to each and all of the terms and conditions contained in this ordinance, and pursuant to the provisions of the Public Utilities Code of the State of California, known as the Franchise Act of 1937, the non-exclusive right, privilege and franchise is hereby granted to Golden State Water Company as Grantee to lay and use pipes and appurtenances for transmitting and distributing water for any and all purposes, under, along, across or upon the streets of the County for 50 years from and after the effective date hereof.

SECTION THREE

(a) The Grantee shall pay to the County at the times hereunder specified, in lawful money of the United States, a franchise fee annually which shall be equal to two percent (2%) of the gross annual receipts of the Grantee arising from the use, operation or possession of this Franchise, except that this payment shall be not less than one percent (1%) of Grantee's gross annual receipts derived from the sale of water within the County. The gross annual receipts of the Grantee arising from the use, operation or possession of the Franchise for each period shall be calculated as follows:

(1) gross receipts from operations of Grantee within the County for such period shall be multiplied by a fraction, the numerator of which is the amount of Grantee's investment in distribution facilities in the County at the end of such period and the denominator of which is the amount of Grantee's investment in physical properties in the County at the end of such period, and

(2) the result of the calculation in subsection (1) shall be multiplied by the total gross receipts, less uncollectible bills, of Grantee within the County for such period.

(b) Upon notice by the County that payments shall be made in accordance with subdivision (c) of this SECTION THREE, Grantee shall pay the franchise fee calculated under SECTION THREE (c).

(c) In the event the legislature amends the Franchise Act of 1937 (Public Utilities Code sections 6201-6302) or enacts any other state law which increases the franchise payment to general law counties to a level greater than that provided in Section THREE (a) above, then the County shall have the option of prospectively employing the legislative formula, which shall apply for the remaining term of this agreement. If the County exercises said option, the legislative formula shall be prospectively applied hereto on the later of: (1) the effective date of the legislation; or (2) January 1 of the calendar year in which the County exercised said option.

(d) Any notices under this SECTION THREE shall be in writing and be delivered by courier service or by certified mail, return receipt requested, to the other party at the address shown below or at such other address as the party may designate by written notice delivered in the manner provided for herein:

County of Sutter
1160 Civic Center Drive, Yuba City, CA 95993
Attn: County Administrator and County Attorney

Golden State Water Company
630 East Foothill Boulevard, San Dimas, CA 91773
Attn: Senior Vice President—Regulated Utilities

SECTION FOUR

(a) Within ninety (90) days after the expiration of each calendar year, or fractional calendar year, during the term of this Franchise and ninety (90) days after the expiration of the term of this Franchise, the Grantee shall file with the County Clerk of the County, the original, and with the County Administrator or his or her designee, one copy of a verified statement showing the following:

(1) The total gross revenue under SECTION THREE received by the Grantee from the use, operation or possession of this Franchise during the preceding calendar year, or fractional calendar year.

(2) The total gross revenue under SECTION THREE received by the Grantee from the sale of water within the County.

(3) The method and supporting calculations used to calculate the franchise fees which are payable to the County in accordance with this Franchise.

(4) Such other data or information as the County may reasonably need to calculate or determine the amounts which Grantee is obligated to pay the County pursuant to SECTION THREE, provided that the County shall request such data and information from Grantee in writing and shall deliver said request no less than 60 days prior to the due date of the above-described statement.

(b) Said statement shall be verified by an authorized officer of the Grantee, and shall be in such form and detail as from time to time shall be reasonably prescribed by the County Administrator or his or her designee.

(c) Within fifteen (15) days after the filing of said statement, the Grantee shall pay to the County, at the address above, in lawful money of the United States, the sum of money required to be paid by Grantee to the County under SECTION THREE for the calendar year or fractional calendar year covered by the statement. Grantee shall pay interest to County, to the extent allowed by law, at the rate of the Consumer Price Index for United States Department of Labor's Bureau of Labor Statistics for all items, all urban consumers San Francisco-Oakland-San Jose Metropolitan Area on any unpaid amount after the expiration of the 15-day period.

(d) Any neglect, omission or refusal by Grantee to file the verified statement required under subsection (a) above, or to pay any required payments under SECTION THREE at the time and in the manner specified shall be grounds for the declaration of a forfeiture of this Franchise and of all rights and privileges of Grantee hereunder, provided that Grantee shall not have cured said neglect, omission, or refusal to file or pay within ten (10) days following written

notice from the County of such failure to file or pay, or, if such neglect, omission or refusal is not reasonably subject to cure within such ten (10) day period, Grantee has not commenced to cure such neglect, omission or refusal within such ten (10) day period and has not continued to prosecute such cure to completion.

SECTION FIVE

This grant is made in lieu of all other franchises owned by the Grantee, or by any successor of the Grantee to any rights under this Franchise, for transmitting and distributing water within the limits of the County, as said limits now or may hereafter exist, except any franchise derived under Section 19 of Article XI of the Constitution of the State of California as that section existed prior to the amendment thereof adopted October 10, 1911, and the acceptance of the Franchise hereby granted shall operate as an abandonment of all such franchises within the limits of this County, as such limits now or may hereafter exist, in lieu of which this Franchise is granted.

SECTION SIX

The Franchise granted hereunder shall not become effective until written acceptance thereof shall have been filed by the Grantee with the County Clerk of the County.

SECTION SEVEN

(a) Grantee shall construct, install and maintain all pipes and appurtenances in accordance with all of the ordinances, rules and regulations theretofore, or hereafter adopted by the legislative body of this County in the exercise of its police powers and not in conflict with the paramount authority of the State of California, and, as to State highways, subject to the provisions of general laws relating to the location and maintenance of such facilities;

(b) Grantee shall pay to the County, on demand, the cost of all repairs to public property made necessary by any operations of the Grantee under this Franchise;

(c) Grantee shall indemnify, defend and hold harmless the County and its officers, employees and agents, from any and all claims, suits, liabilities, damages and costs, including but not limited to attorney fees, proximately resulting from any operations under this Franchise; and be liable to the County for all damages proximately resulting from the failure of Grantee well and faithfully to observe and perform each and every provision of this Franchise and each and every provision of Division 3, Chapter 2 of the California Public Utilities Code.

(d) Upon abandonment of any of Grantee's facilities or equipment located above or below the surface of any street, Grantee shall notify the County Administrator in writing of such abandonment within ninety (90) days thereafter. The Grantee, upon being given sixty (60) days notice, shall promptly at no expense to the County remove from the streets or public places all such facilities or equipment other than any which the County Public Works Director may permit to be abandoned in place. In the event of such removal, the Grantee shall promptly restore the street or other area from which such facilities or equipment has been removed to a condition satisfactory to the County Public Works Director, subject to any prevailing wage standards that might be applicable to the work that is to be undertaken. If the Grantee fails to remove abandoned facilities or equipment and perform restoration as requested by the County,

then at the County's sole discretion, the County may perform such removal and restoration at Grantee's sole expense. Grantee shall pay the County within thirty (30) days of invoice. Any property of the Grantee that the County allows to be abandoned in place shall be abandoned in such a manner as the County Public Works Director shall prescribe.

(e) The County shall have the right to change the grade, width or location of any street, or improve any street in any manner, including but not limited to the laying of any sewer, storm drain, conduit or pipe, or construct and install any pedestrian tunnel, traffic signal, street lighting facility or other public improvement. Grantee shall remove or relocate any facilities installed, used or maintained under this Franchise if and when made necessary by any such lawful change or improvement without expense to the County; provided, however, that Grantee shall not be required to bear the expense of such work done at the request of the County if and to the extent that such request is on behalf, or for the benefit, of any private developer or other non-governmental entity. Nothing herein, however, is intended to modify or limit the provisions of Public Utilities Code sections 1501-1507 or 6297 (and as amended in the future) or the judicial appellate decisions of the State of California interpreting Public Utilities Code sections 1501-1507 or 6297 (and as amended in the future).

(f) This Franchise may not be transferred (voluntarily, involuntarily or by operation of law), leased or assigned by the Grantee, unless the County consents in writing and the transferee or assignee thereof shall covenant and agree to perform and be bound by each and all of the terms hereof. The Grantee shall file with the County Clerk and the County Administrator within ninety (90) days after any sale, transfer, assignment or lease of this Franchise, or any part hereof, or of any of the rights or privileges granted hereby, written evidence of the same, certified thereto by the Grantee or its duly authorized officers.

SECTION EIGHT

The County Treasurer, or any certified public accountant, or qualified person designated by the County Administrator, at any reasonable time during business hours, may make examination at the Grantee's offices of its books, accounts and records, germane to and for the purpose of verifying the data set forth in the statement required by SECTION FOUR hereof and to and for any other purpose relating to the payments to be made by Grantee hereunder.

SECTION NINE

(a) The County Public Works Director shall have the right to give the Grantee such directions for the location of any pipes and appurtenances as may be reasonably necessary to avoid sewers, pipes, conduits or other structures lawfully in or under the streets; and before the work of constructing any pipes and appurtenances is commenced by Grantee, the Grantee shall file with said County Public Works Director plans showing the location thereof. All street work performed in the public right of way, including street coverings or openings of traps, vaults, valves and manholes, as well as work affecting the street, including backfilling of trenches, shall be constructed in accordance with the then most current version of the County Improvement/ Design Standards as approved by the Board of Supervisors.

(b) All new work, installations, repairs or maintenance performed in the public right of way shall be done under a permit to be granted by the County Public Works Director

upon application therefore, and Grantee shall restore such street, or portion of street, to as good a condition as existed before such work was done, and such restoration shall be completed to the reasonable satisfaction of the County Public Works Director.

(c) Grantee shall pay all fees applicable to public utilities for permits, plan reviews, inspections and other work performed as set by resolution of ordinance of the Board of Supervisors and in effect at the time application is made to the County.

SECTION TEN

(a) If any portion of any street shall be damaged by reason of failure or defects in any of the pipes and appurtenances maintained or constructed under this grant, or the operation thereof, said Grantee shall, at its own cost and expense, immediately repair any such damage and restore such portion of street, to as good condition as existed before such defect or other damage caused by Grantee occurred, such work to be done under the direction of the County Public Works Director, and to his or her reasonable satisfaction. Damage to streets and hazards to the public in the public right-of-way shall be immediately reported to the County Public Works Department through the contact methods provided by that department. In the event of such damage, the Grantee shall establish, within two hours notice by any person of such damage, such immediate traffic control as is necessary to protect the public from hazards created by the damage. Further, the Grantee shall perform, within six hours notice of such damage, such interim repairs as are necessary to keep the street open to traffic and free from hazard. Grantee shall promptly restore the street damaged, within seven calendar days, to a condition satisfactory to the County Public Works Director. If the Grantee fails to perform repairs and restoration as required by the County, then at the County's sole discretion, the County may perform such repairs and restoration at Grantee's sole expense. Additionally, Grantee shall pay for any costs for the County to respond to street/road hazards caused by Grantee's facilities within thirty (30) days of invoice.

(b) Grantee, as a water system operator, if so requested by the County, agrees to establish a common billing system for potable water and sewage services. Grantee agrees to make a good faith effort to agree on terms and charges acceptable to the County as executed through a separate agreement. Further, the Grantee agrees not to provide or to discontinue water service to any premises with dwelling units or commercial or industrial facilities, which lacks an adequate and functional sanitary sewer service, upon notification by the County.

SECTION ELEVEN

(a) If the Grantee shall fail, neglect or refuse to comply with any of the provisions or conditions hereof (other than the provisions of SECTION THREE), and shall not, within ten (10) days after written demand for compliance, begin the work of compliance, or after such beginning shall not prosecute the same with due diligence to completion, then the County, by its legislative body, may declare this Franchise forfeited as provided herein.

(b) The County may sue in its own name for the forfeiture of this Franchise in the event of noncompliance by the Grantee, its successors or assigns with any of the conditions hereof.

SECTION TWELVE

The Grantee shall pay to the County a sum of money sufficient to reimburse it for all publication expenses incurred by it in connection with the granting of this Franchise, such payment to be made within thirty (30) days after the County shall furnish Grantee with a written statement of such expenses.

SECTION THIRTEEN

Not later than thirty (30) days after the publication of this ordinance, the Grantee shall file with the County Clerk a written acceptance of the provisions of this ordinance, or this ordinance shall become null and void and of no effect.

SECTION FOURTEEN

If any section, subsection, sentence, clause, phrase or portion of this ordinance is held by a court of competent jurisdiction to be invalid or unconstitutional, that portion shall be deemed a separate, distinct and independent provision, and the holding shall not affect the validity of the remaining portions of this ordinance.

SECTION FIFTEEN

This ordinance shall take effect thirty (30) days after the date of its adoption and before the expiration of fifteen (15) days from the date of passage thereof shall be published at least once in the Appeal-Democrat, a newspaper of general circulation, printed and published in the County of Sutter, State of California, together with the names of the members of the Board of Supervisors voting for and against the same.

ATTEST
DONNA M. JOHNSTON, CLERK

By:_____ _____
Deputy James Gallagher
Chairman, Board of Supervisors

SB 570979 v2:006774.0194

(END OF APPENDIX A)