FOURTH AMENDMENT TO AGREEMENT TO OPERATE CITY WATER SYSTEM

This Amendment No. 4 to the Agreement to Operate City Water System is made and entered into as of November 14, 2011, between the City of Bellflower, a general law city ("City") and Bellflower-Somerset Mutual Water Company, a California corporation operated as a mutual water company under California law ("Operator"). City and Operator are each a "Party" and are collectively the "Parties."

RECITALS:

A. City and Operator have previously entered into the Agreement to Operate City Water System (Agreement File No. 320.4, the "Operating Agreement") pursuant to which Operator operates the City’s municipal water system.

B. The Operating Agreement has been amended by the First Amendment to the Operating Agreement dated June 25, 2007, the Second Amendment to the Operating Agreement dated February 20, 2008 and the Third Amendment to the Operating Agreement dated August 22, 2008. The Operating Agreement and the First, Second and Third Amendments are hereinafter referred to as the "Amended Operating Agreement."

C. The Operating Agreement provided for a working capital loan from the City to the Operator. The City and the Operator desire to extend the time for repayment of the working capital loan.

D. The Operating Agreement provided for a license for the Operator to use the Office Building (as defined in the Agreement) for a limited period of time. The city and the Operator desire to extend the term of the license.

NOW, THEREFORE, it is agreed by and between City and Operator the Amended Operating Agreement is further amended as provided below:

1. Definitions. The definition of “Transfer Date” set forth in Section 1 of the Amended Operating Agreement, entitled “DEFINITIONS,” is deleted and replaced in its entirety by the following:

"Transfer Date" means January 12, 2007, the date on which the transfer of possession of the Water System from Peerless to the City occurred.

2. Extension of Term of License to Use Office Building.
(a) Section 4.B. of the Amended Operating Agreement is hereby deleted and replaced in its entirety by the following:

B. City's Obligations. The City agrees that from and after the Transfer Date the Operator shall have such access to the Water Facilities as the Operator determines is necessary to perform the Facilities Operations, subject to any requirement to obtain a permit as set forth in Subsection A of this Section 4. In addition, for a ten (10) year period beginning on the Transfer Date, the City grants to the Operator a license to use the Office Building for the purposes of Facilities Operations, under the terms and conditions set forth in Attachment E to this Agreement.

(b) Section 4 of Attachment E to the Amended Operating Agreement is deleted and replaced in its entirety by the following:

4. **EFFECTIVE DATE OF LICENSE:** This License shall be effective upon the Transfer Date and remain in effect for a period of ten (10) years from such date, unless earlier terminated pursuant to the terms hereof.

3. **Extension of Time to Repay Initial Operating Capital.**

Section 13 of the Amended Operating Agreement is deleted and replaced in its entirety by the following:

The Parties understand and agree that the provisions of this Agreement requiring the Operator to provide for the Facilities Operations at its own cost and expense would place an undue hardship on the Operator during the initial months of the Facilities Operations, both because Water Rates will initially remain as established by Peerless and because there will be a delay between the Transfer Date and the collection of revenues from customers. The City therefore agrees that notwithstanding any provision of this Agreement to the contrary, on the Transfer Date it shall pay to the Operator the sum of Two Hundred Fifty Thousand Dollars ($250,000), the Operator's use of which shall be restricted to the payment of work, labor, services, materials and supplies in connection with the Facilities Operations under this Agreement. The City further agrees to negotiate with the Operator in the event additional amounts of initial capital are necessary for the payment of such work, labor, services, materials and supplies. The Operator shall reimburse such sum(s) to the City from revenue received from Water Rates, without interest, by such payments or lump sum as the Operator determines in its sole discretion, provided, however, that the total sum of Two Hundred Fifty
Thousand Dollars ($250,000), and any additional amounts advanced, shall be reimbursed to the City on or before the tenth anniversary of the Transfer Date. The City understands and agrees that the Operations Component of the Water Rates will include an amount necessary to provide for such reimbursement.

4. **Authority.** Each person executing this Amendment No. 4 represents that he/she has full power and authority to do so and that the respective governing body of each Party has approved this Amendment No. 4 and authorized its execution. The Parties each represent that they have the power and authority to enter into this Amendment No. 4, and that, to the best of their respective knowledge, entering into this Amendment No. 4 does not violate any agreement to which either is a party.

5. **Continuation of Amended Operating Agreement.** Except as expressly provided or the context requires otherwise, all terms and conditions of the Amended Operating Agreement shall remain in full force and effect.

6. **Effective Date.** The effective date of this Amendment No. 4 shall be the date first stated above.

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

**CITY OF BELLFLOWER**
A general law city

---

Leo L. Mingle, Jr., Interim City Manager

ATTEST:

Debra D. Bauchop, City Clerk

Approved As To Form:

Joseph W. Pannone, City Attorney

[signatures continue on following page]
Bellflower-Somerset Mutual Water Company, a California mutual water company

By: ________________________________
Its: ________________________________

Approved As To Form:

James D. Ciampa, Legal Counsel

Doc 249974