
**LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY**

**AMENDED AND RESTATED
SEWER SERVICE CONTRACT**

Dated as of October 1, 2011

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This Amended and Restated Sewer Service Contract, dated as of October 1, 2011, by and among the Livermore-Amador Valley Water Management Agency ("LAVWMA"), the City of Livermore ("Livermore"), the City of Pleasanton ("Pleasanton"), and the Dublin San Ramon Services District ("District"), amends and restates in whole that certain Sewer Service Contract, dated as of March 1, 2001, among LAVWMA, Pleasanton, the District and Livermore (the "2001 Sewer Service Contract");

WITNESSETH

WHEREAS, LAVWMA acquired and constructed facilities for the disposal or reuse of Wastewater from the Livermore-Amador Valley in order to carry out the purposes for which it was established;

WHEREAS, to finance the cost of the acquisition and construction of such facilities LAVWMA issued its revenue bonds in the principal amount of \$142,385,000 on March 21, 2001 (the "2001 Bonds") pursuant to an Indenture of Trust, dated as of March 1, 2001, between The Bank of New York Mellon Trust Company, N.A. (formerly known as BNY Western Trust Company) (the "2001 Trustee") and LAVWMA (the "2001 Indenture"), as authorized by law;

WHEREAS, in order to complete such financing, LAVWMA required Livermore, Pleasanton and the District (the "Members") to agree to pay certain minimum payments for Sewer Service to be provided by LAVWMA, as provided in the 2001 Sewer Service Contract; and

WHEREAS, the Members recognize that it is in the public interest and necessity and will promote the public health, safety and welfare for LAVWMA to provide such Sewer Service;

WHEREAS, LAVWMA has determined that interest savings will be achieved if the 2001 Bonds are refunded through the issuance of its sewer revenue refunding bonds (the "2011 Bonds") and LAVWMA, Pleasanton, the District and Livermore have determined it is necessary to amend and restate the 2001 Sewer Service Contract in connection therewith; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes of this Contract have the meanings herein specified. Any term capitalized herein and not defined below shall have the meaning given to said term in the Indenture.

“Actual Rate Stabilization Fund Draw” means, for any period of computation, the actual amounts taken from the Rate Stabilization Fund to pay Expansion Project Debt Service pursuant to Section 4.08 or Section 4.04 of the Loan Agreement.

“Actual Fixed Costs” means, for any Fiscal Year, the actual Fixed Costs for such Fiscal Year as stated in the annual audited financial statement for the Enterprise prepared and submitted to Members in accordance with Section 3.08(b).

“Actual Flow” means, for any given period for any Member, the total number of Gallons of Wastewater delivered to the Enterprise during such period from such Member. The Actual Flow for Livermore shall be the amount of Wastewater delivered by Livermore to the Enterprise. The Actual Flow for Pleasanton shall be an amount measured by the amount of raw sewage delivered from Pleasanton to the District’s treatment plant or equal to the amount of Wastewater delivered by Pleasanton to the Enterprise, after adjusting for recycled wastewater as noted below, or any combination of the preceding methods of delivery which provides for measurement of all of Pleasanton’s flows into the Enterprise. The Actual Flow for the District shall be the difference between the amount of Wastewater delivered from the District’s treatment plant to the Enterprise and the amount of the Actual Flow for Pleasanton received at the District’s treatment plant, after adjusting for recycled wastewater at the District’s Treatment Plant that is not delivered to the Enterprise.

“Actual Variable LAVWMA Maintenance and Operation Costs” means, for any Fiscal Year for any given facilities of the Enterprise, the actual Variable LAVWMA Maintenance and Operation Costs for such Fiscal Year for such facilities as stated in the annual audited financial statement for the Enterprise prepared and submitted to Members in accordance with Section 3.08(b).

“Bonds” means the 2011 Bonds, any Parity Bonds, as defined in the Indenture, and any bonds or other obligations issued to refund the 2011 Bonds or any Parity Bonds.

“Bond Redemptions” means funds sent by the District to the Trustee from draws on the Rate Stabilization Fund in addition to Debt Service accompanied by irrevocable instructions to the Trustee that such funds are to be applied to the redemption of Expansion Project Bonds and the Treatment Plant Note in accordance with the optional redemption provisions of the Indenture, any Parity Bonds Instrument and the Loan Agreement.

“Budgeted Fixed Costs” means, for any given period, the estimated Fixed Costs for such period as stated in the annual budget for the Enterprise prepared and submitted to Members in accordance with Section 3.07.

“Budgeted Variable LAVWMA Maintenance and Operation Costs” means, for any given period for any given facilities of the Enterprise, the estimated Variable LAVWMA Maintenance and Operation Costs for such period for such facilities as stated in the annual budget for the Enterprise prepared and submitted to Members in accordance with Section 3.07.

“Charges” means, for the District and Pleasanton, Regional Services Charges, and for Livermore, fees, connection fees, capacity fees, tolls, assessments, rates and charges, including user charges prescribed and collected by the City Council of Livermore for the services and facilities of Livermore’s Sewer System furnished by Livermore within its jurisdiction. To provide clarity, the term “Charges” does not include Pleasanton Local Charges.

“Continuing Disclosure Certificates” means those certain Continuing Disclosure Certificates executed by LAVWMA and each of the Members and dated the date of original execution and delivery of the 2011 Bonds, as originally executed and as they may be amended from time to time in accordance with the terms thereof.

“Contract” means this contract, dated as of October 1, 2011, made and entered into by and between LAVWMA, Livermore, Pleasanton and the District.

“Debt Service” means, for any period of computation (the “Computation Period”), the sum of (1) the interest accruing on all Bonds during such Computation Period, assuming that all Bonds are retired as scheduled, plus (2) the principal amount (including principal due as sinking fund installment payments) allocable to all Bonds in such Computation Period, calculated as if such principal amounts were deemed to accrue daily during such Computation Period in equal amounts from, in each case, each payment date for principal or the date of delivery of such Bonds (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal; provided, that the following adjustments shall be made to the foregoing amounts in the calculation of Debt Service:

(A) with respect to any such Bonds bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Debt Service shall be (i) with respect to such Bonds then outstanding, one hundred ten percent (110%) of the greater of (1) the daily average interest rate on such Bonds during the twelve (12) calendar months next preceding the date of such calculation (or the portion of the then current Computation Period that such Bonds has borne interest) or (2) the most recent effective interest rate on such Bonds prior to the date of such calculation and (ii) with respect to such Bonds then proposed to be issued, the average of the Revenue Bond Index for the prior 12 months published in *The Bond Buyer* (or a comparable index if such index is no longer published);

(B) with respect to any such Bonds having twenty percent (20%) or more of the aggregate principal amount thereof due in any one Computation Period, Debt Service shall be calculated for the Computation Period of determination as if the interest on and principal of such Bonds were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of such Bonds; provided, however, that the full amount of such Bonds shall be included in Debt Service if the date of calculation is within 24 months of the actual maturity of the payment;

(C) with respect to any such Bonds or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(D) Debt Service shall not include interest on Bonds which is to be paid from amounts constituting capitalized interest; and

(E) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Bonds to which it relates, no amounts payable under such interest rate swap in

excess of debt service payable under such Parity Bonds Instrument shall be included in the calculation of Debt Service unless the sum of (i) the interest payable on such Bonds, plus (ii) the amounts payable by LAVWMA or the Member under such interest rate swap agreement, less (iii) the amounts receivable by LAVWMA or the Member under such interest rate swap agreement, are greater than the interest payable on such Bonds, in which case the amount of such payments to be made that exceed the interest to be paid on such Bonds shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (A) of this definition.

“Discharged” means that the Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and prepayment premiums (if any) on such Bonds selected for prepayment as and when the same become due and payable; or

(b) by depositing with the trustee for the Bonds or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of the Bonds selected for prepayment, said security to be held by the trustee for such Bonds to be applied by the trustee for the Bonds or by such other fiduciary to pay or prepay such Bonds as the same become due.

“District” means the Dublin San Ramon Services District, a community services district duly organized and existing under and pursuant to the Community Services District Law, being Title 5, Division 3 (Sections 61000 *et seq.*) of the Government Code of the State of California, and formerly known as Valley Community Services District.

“District Local Charges” means fees, connection fees, capacity fees, tolls, assessments, rates and charges prescribed and collected by the Board of Directors of the District for the wastewater collection services and facilities of the District’s Sewer System furnished by the District within its jurisdiction. To provide clarity, the term “District Local Charges” does not include the Regional Service Charge or the Regional Capacity Reserve Fee.

“District Local Obligations” means bonds, notes, installment sale agreements or other obligations issued or to be issued by or on behalf of the District, the proceeds of which are applied to finance or refinance improvements or repair to the District’s Sewer System, and payable from District Local Charges.

“Dual Use Facilities” means those facilities of the Enterprise which are utilized by only two of the Members. The Dual Use Facilities for Pleasanton and the District comprise the interceptor from the District’s treatment plant to the Joint Use Facilities.

“EBDA” means the East Bay Dischargers Authority, a public entity and agency duly organized and existing under and pursuant to Title 1, Division 7, Chapter 5, Article 1 (Sections 6500 *et seq.*) of the Government Code of the State of California and that certain First Amended Joint Exercise of Powers Agreement, dated as of January 1, 1978, made and entered into by and between the City of Hayward, the City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, and Union Sanitary District, amending that certain Joint Exercise of Powers Agreement, dated as of February 15, 1974, made and entered into by and between such parties.

“EBDA Capacity Payments” means the payments LAVWMA is obligated to pay to EBDA under Section 6.3 of the EBDA Master Agreement.

“EBDA Master Agreement” means that certain “Master Agreement to Provide Sewer System Discharge Services Between East Bay Discharges Authority and Livermore-Amador Valley Water Management Authority,” dated April 26, 2007, between EBDA and LAVWMA.

“Enterprise” means facilities for the disposal or reuse of Wastewater from the Livermore-Amador Valley acquired and constructed with the proceeds of the 1978 Bonds, and repaired and expanded with the proceeds of the 2001 Bonds, comprising an export pump station and pipeline and capacity in the EBDA Interceptor, together with necessary pipes, pumps, valves and machinery and lands, easements and rights of way therefor; and other works, properties or structures necessary or convenient for the disposal or reuse of Wastewater from the Livermore Amador Valley, including all additions, betterments, extensions and improvements to such facilities or any part thereof thereafter made, including in particular the Export Pipeline Facilities Project.

“Estimated Flow” means, for any given period for any Member, the total number of Gallons of Wastewater to be delivered to the Enterprise during such period from such Member, as estimated by LAVWMA pursuant to Section 4.02.

“Expansion Project” means (i) the LAVWMA Expansion Project, and (ii) the Treatment Plant Expansion Project.

“Expansion Project Bonds” means Bonds, the proceeds of which were applied to the acquisition and construction of the LAVWMA Expansion Project, determined in accordance with Section 4.07.

“Expansion Project Debt Service” means, for any period, the aggregate of Debt Service due in such period on: (i) Expansion Project Bonds; and (ii) the Treatment Plant Note.

“Financing Implementation Agreement” means that certain Financing Implementation Agreement, dated as of May 1, 2000, between the District and Pleasanton.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period prescribed by law for general law cities in the State of California.

“Fixed Costs” means, for any given period, the sum of the following amounts:

(1) amounts to be deposited during such period into the Sole-Use, Dual-Use and Joint-Use Replacement Funds established and maintained in accordance with Board policy; and

(2) all Fixed LAVWMA Maintenance and Operation Costs.

“Fixed Cost Allocation” means, when used with respect to Debt Service, for Livermore and the District, the percentages for such Member specified by Section 4.01(a); and when used with respect to Fixed Maintenance and Operations Costs, the percentage for the Members specified by Section 4.01(b).

“Fixed Maintenance and Operations Costs” means LAVWMA’s Maintenance and Operations Costs which are not Variable Maintenance and Operations Costs.

“Gallon” means 231 cubic inches (one U.S. standard gallon).

“Gross Revenues” means, for the pertinent period of computation, (a) all Charges, (b) the Regional Capacity Reserve Buy-In Fees, and (c) all receipts derived from the investment of Charges and the Regional Capacity Reserve Buy-In Fees held by such Member (excluding the Rate Stabilization Fund).

“Indenture” means that certain Indenture of Trust, dated as of October 1, 2011, between LAVWMA and U.S. Bank National Association, as Trustee, under which the 2011 Bonds are being issued.

“Joint Powers Agreement” means that certain agreement, dated September 10, 1997, entitled “Amended and Restated Joint Exercise of Powers Agreement for the Livermore-Amador Valley Water Management Agency” and entered into by and among Livermore, Pleasanton and the District.

“Joint Use Facilities” means those facilities of the Enterprise which are utilized by or beneficial to all Members, comprising LAVWMA’s junction structure, regulating reservoirs, export pump station, export pipeline, metering and sampling station, and capacity in the EBDA interceptor.

“LAVWMA” means the Livermore-Amador Valley Water Management Agency, a public entity and agency duly organized and existing under and pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 *et seq.*) of the Government Code of the State of California and the Joint Powers Agreement, and its successors and assigns.

“LAVWMA Expansion Project” means the portion of the Project comprised of the Export Pipeline Expansion Project, more particularly described in the Engineer’s Report, prepared by Brown & Caldwell, entitled Livermore Amador Valley Water Management Agency Export Pipeline Facilities Project, and dated February 22, 2001.

“LAVWMA’s Maintenance and Operation Costs” means, for any given period for any given facilities of the Enterprise, the reasonable and necessary costs of LAVWMA in maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service, amortization of intangibles or other book-keeping entries of a similar nature, and costs paid out of the Sole-Use, Dual-Use and Joint-Use Replacement Funds.

“Livermore” means the City of Livermore, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California.

“Loan Agreement” means that certain Loan Agreement, dated as of September 1, 2009, between the District and Bank of America, N.A., relating to \$18,486,000 Dublin San Ramon Services District 2009 Refunding Note.

“Maintenance and Operation Costs” means: (1) when used with respect to the District and Pleasanton, for any given period for the Regional Facilities, the reasonable and necessary costs of maintaining and operating the Regional Facilities during such period, calculated on

sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but **excluding** in all cases depreciation, replacement and obsolescence charges or reserves therefor, debt service (including amounts paid by or on behalf of the District or Pleasanton under Section 4.01(a)), amortization of intangibles or other book-keeping entries of a similar nature; and (2) when used with respect to Livermore's Sewer System, for any given period for any given facilities of Livermore's Sewer System, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but **excluding** in all cases depreciation, replacement and obsolescence charges or reserves therefor; debt service (including amounts paid by or on behalf of Livermore under Section 4.01(a)), amortization of intangibles or other book-keeping entries of a similar nature. To provide clarity, the term "Maintenance and Operation Costs" does not include Pleasanton Local Maintenance and Operation Costs.

"Maximum Annual Expansion Project Debt Service" means, as of the date of any calculation and with respect to Expansion Project Debt Service, the maximum amount of Expansion Project Debt Service for the current or any future fiscal year during the term of this Contract and the Bonds.

"Member" means Livermore, Pleasanton or the District. **"Members"** means Livermore, Pleasanton and the District.

"Net Revenues" means, for each Member, such Member's Gross Revenues, less such Member's Maintenance and Operation Costs, less such Member's share of LAVWMA's Maintenance and Operation Costs, whether paid directly by such Member or, as in the case of Pleasanton, paid for Pleasanton by the District.

"1978 Bonds" means the revenue bonds issued by LAVWMA in 1978 in the principal amount of \$4,200,000, pursuant to Resolution No. 77-10, adopted by the Board of Directors of LAVWMA on May 31, 1977.

"Obligations" means bonds, notes, installment sale agreements or other obligations issued or to be issued by the Members, the proceeds of which are applied to finance or refinance improvements or repair to their respective Sewer Systems, and payable from Charges, including specifically the Treatment Plant Note.

"Parity Bonds" has the meaning given to said term in the Indenture.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Pleasanton" means the City of Pleasanton, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California.

"Pleasanton Local Charges" means fees, connection fees, capacity fees, tolls, assessments, rates and charges prescribed and collected by the City Council of Pleasanton for the wastewater collection services and facilities of Pleasanton's Sewer System furnished by

Pleasanton within its jurisdiction. To provide clarity, the term “Pleasanton Local Charges” does not include the Regional Service Charge or the Regional Capacity Reserve Fee.

“Pleasanton Local Maintenance and Operation Costs” means, for any given period for any given facilities of Pleasanton’s Sewer System, the reasonable and necessary costs of maintaining and operating such facilities during such period, calculated on sound accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve such facilities in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, but **excluding** in all cases depreciation, replacement and obsolescence charges or reserves therefor; debt service, amortization of intangibles or other book-keeping entries of a similar nature. To provide clarity, the term “Pleasanton Local Maintenance and Operation Costs” does not include any portion of LAVWMA’s Maintenance and Operation Costs.

“Pleasanton Local Obligations” means bonds, notes, installment sale agreements or other obligations issued or to be issued by or on behalf of Pleasanton, the proceeds of which are applied to finance or refinance improvements or repair to Pleasanton’s Sewer System, and payable from Pleasanton Local Charges.

“Rate Covenant Debt Service” means: (1) Amounts payable by the District, for itself and on behalf of Pleasanton, pursuant to Section 4.01(a)(ii); plus (2) Debt Service on the Treatment Plant Note; plus (3) Debt Service on Obligations of the District that are payable on a parity basis with the Treatment Plant Note; less the Actual Rate Stabilization Fund Draw.

“Rate Stabilization Fund” means the fund by that name created and held by the District pursuant to Section 4.04 of the Loan Agreement.

“Regional Agreement” means that certain Agreement for Wastewater Disposal Services,” dated November 3, 1992, between the District and Pleasanton, as supplemented by: (i) the First Supplemental Agreement to Agreement for Wastewater Disposal Services, dated September 2, 1997; (ii) the Financing Implementation Agreement; (iii) the Second Supplemental Agreement to Agreement for Wastewater Disposal Services, dated December 1, 2000; and (iv) Section 4.09 of this Contract, and as further amended from time to time.

“Regional Capacity Reserve Buy-In Fee” means the buy-in component of the regional capacity fee levied by Pleasanton and the District, which is based on a new customer’s share of Regional Facilities that have already been constructed.

“Regional Capacity Reserve Fees” means the connection fees described in Section 10(a) of the Regional Agreement, whether levied and collected by Pleasanton or the District. To provide clarity, the term “Regional Capacity Reserve Fees” does not include Regional Capacity Reserve Buy-In Fees.

“Regional Facilities” has the meaning given to the term “Regional Sewerage Facilities” in the Regional Agreement.

“Regional Service Charges” means the service charges described in Section 10(b) of the Regional Agreement, whether levied and collected by Pleasanton or the District.

“Rehabilitation Project” means the portion of the 2001 Project comprised of the Export Pipeline Rehabilitation Project, as more particularly described in the Engineer’s Report, prepared by Brown and Caldwell, entitled “Livermore Amador Valley Water Management

Agency Export Pipeline Facilities Project Engineer's Finance Report," and dated September, 2000.

"Rehabilitation Project Bonds" means Bonds, the proceeds of which were applied to the acquisition and construction of the Rehabilitation Project, determined in accordance with Section 4.07.

"Sewer Service" means the service provided by LAVWMA to the Members for the disposal or reuse of Wastewater provided by the Enterprise, as specified herein.

"Sewer System" means, for each Member, facilities of such Member for the collection, treatment, disposal or reuse of wastewater within its jurisdiction, together with necessary pipes, pumps, valves and machinery and lands, easements and rights of way therefor; and other works, properties or structures necessary or convenient for the collection, treatment, disposal or reuse of wastewater within its jurisdiction, including all additions, betterments, extensions and improvements to such facilities or any part thereof thereafter made.

"Sole Use Facilities" means those facilities of the Enterprise which are utilized by only one of the Members. The Sole Use Facilities for Livermore comprise the Livermore peaking ponds, the pump station constructed near Livermore's wastewater treatment plant, and the interceptor from the Livermore treatment plant to the Joint Use Facilities.

"Target Level" means, with respect to amounts on deposit in the Rate Stabilization Fund, an amount equal to two times (2.0x) Maximum Annual Expansion Project Debt Service.

"Treatment Plant" means the District's sanitary sewerage treatment facilities located at 7399 Johnson Drive, Pleasanton, CA 94588, including the land and improvements thereon and appurtenances thereto, and sludge disposal facilities and appurtenances thereto in the vicinity of said treatment facilities.

"Treatment Plant Note" means the note issued by the District under the Loan Agreement in the amount of \$18,486,000 on September 10, 2009 to refinance the 2000 Installment Sale Agreement.

"Treatment Plant Expansion Project" means the completed expansion of the Treatment Plant that increased its treatment capacity by 5.5 mgd ADWF (Average Dry Weather Flow), as more particularly described as "expansion" in Exhibit A hereto (which is included for information purposes only, as both the Treatment Plant Expansion Project and Treatment Plant Rehabilitation Project have been completed).

"Treatment Plant Project" means the Treatment Plant Expansion Project and Treatment Plant Rehabilitation Project.

"Treatment Plant Rehabilitation Project" means the rehabilitation of the Treatment Plant, consisting generally of repairs and replacements to the Treatment Plant, as more particularly described as "replacement" in Exhibit A hereto.

"2000 Installment Sale Agreement" means that certain Installment Sale Agreement, dated as of July 1, 2000, between the District and the DSRSD Financing Corporation.

"2001 Bonds" means the sewer revenue bonds issued by LAVWMA in the original principal amount of \$142,385,000 under the 2001 Indenture to finance the 2001 Project.

"2001 Indenture" means that certain Indenture of Trust, dated as of March 1, 2001, between LAVWMA and the 2001 Trustee.

"2001 Project" means the Export Pipeline Facilities Project, as described in that certain engineer's report, prepared by Brown & Caldwell, dated September, 2000, and entitled "Livermore Amador Valley Water Management Agency Export Pipeline Facilities Project."

"2011 Bonds" means the sewer revenue refunding bonds issued by LAVWMA under the 2011 Indenture in the principal amount of \$105,345,000 to refund the 2001 Bonds.

"2011 Indenture" means that certain Indenture of Trust, dated as of October 1, 2011, between U.S. Bank National Association and LAVWMA.

"Variable Maintenance and Operation Costs" means, for any given period for any given facilities of the Enterprise, those LAVWMA Maintenance and Operation Costs incurred during such period for energy used for pumping and for chemicals used in the treatment of Wastewater.

"Wastewater" means the effluent from the sewage treatment plants operated by Livermore and the District, acting for itself and Pleasanton.

ARTICLE II

TERM OF CONTRACT; CHARGES FOR SEWER SERVICE

Section 2.01. Term of Contract. This Contract is an amendment and restatement of the 2001 Sewer Service Contract, is in full force and effect as of the date of delivery of the 2011 Bonds, and the term of this Contract shall continue until all Bonds are paid or Discharged.

Section 2.02. Providing Sewer Service and Charges Therefor. LAVWMA has provided, and will continue to provide, Sewer Service to the Members. The Obligation of the Members to pay for Sewer Service shall continue so long as LAVWMA shall provide Sewer Service to the Members.

ARTICLE III

COVENANTS OF LAVWMA

Section 3.01. Completion of the 2001 Project. LAVWMA has completed the construction of the 2001 Project.

Section 3.02. Maintenance and Operation of the Enterprise; Right of Entry. LAVWMA shall maintain and preserve the Enterprise in good repair and working order at all times and shall operate the Enterprise in an efficient and economical manner. Each Member shall have the right to enter the Enterprise during reasonable business hours (and in emergencies at all times) to inspect the same, for any purpose connected with such Member's rights or obligations under this Contract and for all other lawful purposes.

Section 3.03. Acceptance of Wastewater.

(a) LAVWMA shall take, receive, and dispose of all Wastewater delivered to the Enterprise from each Member up to such Member's respective maximum Sewer Service requirement specified by subsection (b).

(b) The maximum Sewer Service required to be provided to each Member shall be as follows:

(1) for Livermore, an instantaneous rate of flow of 8.728 million gallons per day, as set forth in the Joint Powers Agreement; and

(2) for the District, for its own account and Pleasanton's, pursuant to the Regional Agreement, an instantaneous rate of flow of 32.472 million gallons per day, as set forth in the Joint Powers Agreement;

provided, however, that any two Members may at any time agree to apportion between themselves the total of their combined average daily Actual Flows as established above.

Section 3.04. Measuring and Recording Flow. LAVWMA shall continuously measure the amount of Wastewater received from Livermore and the amount of Wastewater received from the District's plant. The District shall continuously measure the amount of raw sewage transported from within its own territorial limits and from Pleasanton to the District's treatment plant. LAVWMA shall keep such records of such amounts of Wastewater as are necessary for all purposes of this Contract. The District shall keep and submit to LAVWMA in a timely fashion such records of such amounts of raw sewage as are necessary for all purposes of this Contract. Pleasanton shall have the right, during reasonable business hours (and in emergencies at all times), to inspect the District's and LAVWMA's records maintained pursuant to this section and to enter the District's property to inspect the recording devices measuring the raw sewage transported to the District's sewage treatment plant from Pleasanton and from the District's own territorial limits. Livermore and the District shall have the right, during reasonable business hours (and in emergencies at all times) to inspect LAVWMA's records maintained pursuant to this Section.

Section 3.05. Contract with EBDA. LAVWMA shall comply with all terms, covenants and provisions, express and implied, of the EBDA Master Agreement, and shall promptly and diligently enforce all its rights thereunder. LAVWMA shall not amend or terminate the EBDA Master Agreement in any way that would adversely affect the ability of LAVWMA to comply with any of the provisions of this Contract.

Section 3.06. Insurance. LAVWMA shall procure and maintain at all times during the term of this Contract such insurance as is required by Section 5.07 of the Indenture.

Section 3.07. Annual Budget. At least 90 days before the first day of each Fiscal Year, LAVWMA shall prepare and submit to each Member a draft budget setting forth the Budgeted Fixed Costs and the Budgeted Variable LAVWMA Maintenance and Operation Costs for such Fiscal Year. Each such budget shall separately set forth Variable LAVWMA Maintenance and Operation Costs for the Joint Use Facilities, for the Sole Use Facilities used by Livermore and for the Dual Use Facilities used by the District and Pleasanton. Once LAVWMA's Board has adopted a budget for the coming Fiscal Year, LAVWMA shall send each Member a copy of such adopted budget. Such budget shall be updated quarterly or as needed to reflect any material differences between actual interim results and budgeted results.

Section 3.08. Books and Accounts; Financial Statements.

(a) LAVWMA shall keep proper books of record and accounts of the Enterprise, separate from all other records and accounts of LAVWMA, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Such books of record and accounts shall at all times during business hours be subject to the inspection of any Member or any such Member's representative authorized in writing.

(b) LAVWMA shall prepare and submit to each Member annually within 120 days after the close of each Fiscal Year:

(1) an audited statement (prepared in accordance with generally accepted accounting principles, as prescribed by the American Institute of Certified Public Accountants or its successor) for the preceding Fiscal Year: (A) Actual Fixed Costs for such Fiscal Year, and (B) separately for the Joint Use Facilities, for the Sole Use Facilities used by Livermore and for the Dual Use Facilities used by Pleasanton and the District, Actual Variable LAVWMA Maintenance and Operation Costs for such Fiscal Year, and

(2) a detailed statement as to all insurance carried by LAVWMA as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby (including liability risks).

ARTICLE IV

PAYMENT FOR SEWER SERVICE

Section 4.01. Fixed Cost Allocations. (a) The Fixed Cost Allocation for Debt Service for Livermore and the District shall be as follows:

(i) for Livermore: (1) thirty-nine and ninety-five hundredths percent (39.95%) of Debt Service on Rehabilitation Project Bonds; and (2) twenty-two and fifty-two hundredths percent (22.52%) of Debt Service on Expansion Project Bonds;

(ii) for the District, for itself and on behalf of Pleasanton, acting under the terms of the Regional Agreement, (1) sixty and five hundredths percent (60.05%) of Debt Service on Rehabilitation Project Bonds; and (2) seventy-seven and forty-eight hundredths percent (77.48%) of Debt Service on Expansion Project Bonds.

(b) The Fixed Cost Allocation for Fixed Maintenance and Operation Costs shall be as follows:

(i) for Livermore, 30.10%; and

(ii) for the District, for itself and on behalf of Pleasanton, acting under the terms of the Regional Agreement, 69.90%.

Provided, however, that any two Members may at any time agree to apportion between themselves the total of their Fixed Cost Allocations as established above, subject to the

requirement that the Member transferring a Fixed Cost Allocation to another Member shall retain its responsibility to pay the percentage share of Fixed Cost Allocation specified above.

Section 4.02. Estimated Flows. Not less than 90 days before the beginning of each Fiscal Year, LAVWMA shall prepare and submit to each Member LAVWMA's best estimate of what such Member's Actual Flow will be for each of the three-calendar-month periods in such Fiscal Year, beginning with January 1, April 1, July 1 and October 1.

Section 4.03. Advance Payment. In consideration of the provision by LAVWMA of the Sewer Service capacity, whether or not such Sewer Service is used, on or before each December 1 and June 1 during the term of this Contract, Livermore and District, acting for itself and Pleasanton, shall pay to LAVWMA their respective shares of budgeted costs identified in LAVWMA's adopted budget as follows:

(a) Total Budgeted Fixed Costs and Budgeted Variable LAVWMA Maintenance and Operation Costs shall be paid in two equal amounts on or before each December 1 and June 1.

(b) 100% of the EBDA Capacity Payments shall be paid each June 1.

(c) Debt Service due on the Bonds on August 1 of each year shall be paid June 1 of each year, and Debt Service due on the Bonds on February 1 of each year shall be paid on December 1 of the prior year.

(d) Livermore and the District shall take such action as may be necessary to include all payments due under this section in their respective annual budgets, and shall make the necessary annual appropriations for such payments.

(e) Pleasanton agrees to make all payments due to District under Section 10 of the Regional Agreement within 30 days, and District agrees to enforce said payment obligation, if needed, and shall apply amounts received from Pleasanton pursuant to Section 10 of the Regional Agreement to the payment obligation created under Section 4.01.

Section 4.04 Annual Reconciliation; Credits. Within one hundred fifty (150) days after the close of each Fiscal Year, LAVWMA shall compute the amount of the payments that would have been made under Section 4.03 by each Member if the amounts of such payments had been determined using Actual Fixed Costs instead of Budgeted Fixed Costs, Actual Variable LAVWMA Maintenance and Operation Costs instead of Budgeted Variable LAVWMA Maintenance and Operation Costs and Actual Flows instead of Estimated Flows for such Fiscal Year, and if such payments had been computed on a Fiscal Year basis rather than on a quarterly basis. Any deficiency of such amount under the amount actually paid by such Member with respect to such Fiscal Year shall be added to such Member's next payment to be made under Section 4.03. Interest earnings on funds held by LAVWMA shall be applied as a credit toward individual Members' payment obligation under Section 4.01, on a pro rata basis, according to the ratio resulting from such Member's total payments to LAVWMA in a particular period, divided by the total deposits made by all the members to LAVWMA in such period, unless otherwise directed by LAVWMA's Board. Any excess of such amount over the amount actually paid by such Member with respect to such Fiscal Year shall be paid by LAVWMA to such Member not later than 15 days after the date of the next payment to be made under Section 4.03.

Section 4.05 Billing. LAVWMA shall prepare and submit to each Member at least 15 days prior to the date on which any payment under this Contract is due from such Member, an invoice for such payment.

Section 4.06 Rates and Charges by Members.

(a) Livermore agrees to fix, prescribe and collect Charges in connection with its sewer service to its sewer customers during each Fiscal Year so as to yield Net Revenues from such Charges in an amount at least equal to 1.1 times Livermore's obligations to LAVWMA due during such Fiscal Year under Section 4.01(a)(i) of this Contract and 1.0 times amounts owed on other Obligations of Livermore due during such Fiscal Year having a lien on such Net Revenues.

(b) The District shall determine the amount of the Regional Service Charge pursuant to Section 10 of the Regional Agreement which will produce aggregate Net Revenues of the District and Pleasanton during each Fiscal Year in an amount at least equal to 1.1 times the Rate Covenant Debt Service due during such Fiscal Year, and agrees to fix, prescribe and collect Regional Service Charges during such Fiscal Year in connection with sewer service provided to its sewer customers at the levels so determined. In addition, the District agrees that it will not hereafter incur any District Local Obligations secured by or payable from Regional Service Charges.

(c) Pleasanton agrees to fix, prescribe and collect Regional Service Charges during each Fiscal Year at the levels prescribed by the District pursuant to Section 10 of the Regional Agreement.

(d) LAVWMA and the Members acknowledge that Pleasanton's outstanding \$1,760,000 initial principal amount City of Pleasanton Sewer Revenue Refunding Bonds, Series 2004 (the "2004 Bonds") are payable from "Net Revenues", which is defined for purposes of the 2004 Bonds in an Indenture of Trust dated as of December 1, 2004 (the "2004 Bonds Indenture") to include Regional Service Charges received by Pleasanton. As a result, in order to ensure that Regional Service Charges received by Pleasanton will be available to the District continuously and without interruption to meet the District's obligations under this Contract, Pleasanton agrees that, as long as the 2004 Bonds are outstanding, it will fix, prescribe and collect Pleasanton Local Charges in connection with its Sewer System so as to yield revenues from such Pleasanton Local Charges in an amount at least equal to 1.0 times the sum of (A) Pleasanton Local Maintenance and Operation Costs and (B) amounts owed on Pleasanton Local Obligations. In addition, Pleasanton agrees that it will not hereafter incur any Pleasanton Local Obligations secured by or payable from Regional Service Charges.

Section 4.07. Determination of Amount of Expansion Project Bonds and Rehabilitation Project Bonds.

(a) The amount of Expansion Project Bonds for any Member shall determined, at the time of calculation, by multiplying the principal amount of Bonds then outstanding times the percentage for which a Member is responsible for Debt Service on Expansion Project Bonds, as set forth in Section 4.01 (a)(i)(2) for Livermore, and 4.01(a)(ii)(2) for the District, for itself and Pleasanton.

(b) The amount of Rehabilitation Project Bonds for any Member shall be determined, at the time of calculation, by multiplying the principal amount of Bonds then Outstanding times the percentage for which a Member is responsible for Debt

Service on Rehabilitation Project Bonds, as set forth in Section 4.01(a)(i)(1) for Livermore, and Section 4.01(a)(ii)(1), for the District, for itself and Pleasanton.

(c) Of the 2011 Bonds Outstanding at any particular time, 69.54% of the principal amount of the 2011 Bonds shall be treated as Expansion Project Bonds, and 30.46% shall be treated as Rehabilitation Project Bonds.

Section 4.08. Rate Stabilization Fund.

The District, for its own account and Pleasanton's, has agreed to maintain, under Section 4.04 of the Loan Agreement, the "Rate Stabilization Fund." The Rate Stabilization Fund shall, except as provided in paragraph (5) below, be maintained by the District, so long as the Bonds are Outstanding, and shall be funded and applied as provided below:

(1) All Regional Capacity Reserve Fees, whether collected by the District or collected by Pleasanton and paid to the District, shall be deposited into the Rate Stabilization Fund.

(2) All amounts in the Rate Stabilization Fund shall be available to pay the following:

(a) Expansion Project Debt Service;

(b) Bond Redemptions;

(c) any capital improvements permitted to be paid for from the Regional Capacity Reserve Fees under the Regional Agreement, as well as any reimbursement of replacement reserves and any funds other than Regional Capacity Reserve Fees which have been deposited therein or which have been advanced by the District or Pleasanton from Regional Service Charges to pay Expansion Project Debt Service; and

(d) any other purpose agreed to between the District and Pleasanton.

(3) The District shall attempt to maintain the Rate Stabilization Fund at the Target Level; provided, that the District shall not be required to fund the Rate Stabilization Fund from revenues derived from Regional Service Charges assessed wastewater customers.

(4) Amounts in the Rate Stabilization Fund shall be available to pay the items listed in Section 4.08(2)(a) through (d) above; provided, that draws on the Rate Stabilization Fund shall not cause the funds therein to fall below the Target Level, except as expressly hereinafter provided. In the event draws on the Rate Stabilization Fund would cause the Rate Stabilization Fund balance to fall below the Target Level, such draw shall be limited to pay Expansion Project Debt Service, in an amount equal to the sum of: (i) one-third of the lesser of (a) the Target Level, or (b) the amount then on hand in the Rate Stabilization Fund; plus (ii) the amount then on hand in the Rate Stabilization Fund in excess of the Target Level.

(5) The Rate Stabilization Fund may be depleted and closed if: (i) Expansion Project Debt Service is in fact being paid entirely from Regional Service Charges; or (ii) if all scheduled Expansion Project Debt Service has been paid or provided for.

Section 4.09. Provisions Relating to Regional Agreement. In order to secure the Bonds, the District and Pleasanton hereby agree, for the benefit of the Trustee and Bondholders, as follows:

(a) Termination. The District and Pleasanton hereby surrender their right to terminate the Regional Agreement pursuant to Section 18, unless and until the Bonds are Discharged; provided, however, that if both Pleasanton and the District decide to have another public agency (the "Regional Agency") assume responsibility for operation of the Regional Facilities, the Regional Agreement may be terminated to reflect said change in operation of the Regional Facilities, subject to the following:

(i) the Regional Agency shall assume all obligations of the District and Pleasanton hereunder; and

(ii) this Contract shall be amended to incorporate all relevant provisions of the Regional Agreement, including specifically the rate setting mechanism contained in Section 10 of the Regional Agreement.

(b) Third Party Beneficiary. The trustee for the Bonds and any financial institution providing insurance or a letter of credit to secure the Bonds shall be third-party beneficiaries of the Regional Agreement.

(c) Amendment of Regional Agreement. The District and Pleasanton will not amend the Regional Agreement so as to materially adversely affect the holders of the Bonds, which shall be determined by the Rating Agency then rating the Bonds indicating in writing that such amendment would or would not result in a downgrading to the rating then in effect for the Bonds. If the Rating Agency then rating the Bonds declines for any reason to comment in writing on the effect of such proposed amendment on the rating then in place on the Bonds, then such proposed amendment shall be determined not to be materially adverse to the holders of the Bonds if Bond Counsel delivers to the Trustee an opinion to that effect.

(d) Use of Regional Service Charges. Notwithstanding Section 10(b) of the Regional Agreement, funds derived from Regional Service Charges may be used to advance funds to pay Expansion Project Debt Service.

Section 4.10. Joint Powers Agreement. LAVWMA and the Members agree that they will not amend the Joint Powers Agreement so as to materially adversely affect the holders of the Bonds, which shall be determined by the Rating Agency then rating the Bonds indicating in writing that such amendment would or would not result in a downgrading to or withdrawal of the rating then in effect on the Bonds, or, if the Bonds are then insured, such amendment shall be considered not to materially adversely affect the holders of the Bonds if such amendment is consented to by such bond insurer. If the Bonds are not insured, and the Rating Agency then rating the Bonds declines for any reason to comment in writing on the effect of such proposed amendment on the Bonds, then such proposed amendment shall be determined not to be materially adverse to the holders of the Bonds if Bond Counsel delivers to the Trustee an opinion to that effect.

ARTICLE V

MISCELLANEOUS

Section 5.01 Abatement of Payments for Sewer Service; Subordinate Lien on Net Revenues of Members; Responsibility for Payments.

(a) Payments of Fixed LAVWMA Maintenance and Operation Costs under Section 4.01(b) for Sewer Service shall be abated during any period in which by reason of any damage

or destruction (other than by condemnation, which is hereinafter provided for) there is a material interruption in the Sewer Service to the Members. Such abatement shall continue for the period commencing with such damage or destruction and ending upon the restoration of Sewer Service by LAVWMA. In the event of any such damage or destruction, this Contract shall continue in full force and effect and the Members waive any rights to terminate this Contract by virtue of such damage or destruction. The proceeds of any insurance covering such damage or destruction shall be deposited and applied by LAVWMA as provided in Section 5.07 of the Indenture.

(b) The Members hereby unconditionally pledge and create, in favor of LAVWMA and the Trustee for the Bonds, a lien on the Net Revenues of their respective Sewer Systems, to pay to LAVWMA the amounts owed under Section 4.01(a); provided, that said lien shall be subordinate to the Members' existing Obligations, as well as Obligations to be issued to finance or refinance improvements to their respective Sewer Systems.

(c) Livermore shall be responsible to pay only those amounts specifically required under this Contract, and shall not be responsible to make up any shortfall resulting from nonpayment of obligations hereunder by the District, whether for itself or on behalf of Pleasanton. The District shall be responsible to pay only those amounts specifically required under this Contract, including payments made on behalf of Pleasanton, and shall not be responsible to make up any shortfall resulting from nonpayment of obligations hereunder by Livermore.

Section 5.02. Eminent Domain. If the whole of the Enterprise shall be taken under the power of eminent domain, the term of this Contract shall end as of the day possession of the Enterprise shall be so taken. If less than the whole of the Enterprise shall be taken under the power of eminent domain, this Contract shall continue in full force and effect and shall not be terminated by virtue of such taking; the Members waive any rights to terminate this Contract by virtue of such taking and waive the benefit of any law to the contrary; and, if such taking causes a material interruption in the Sewer Service, payments for Sewer Service shall be abated during the period of such inability. The net proceeds realized by LAVWMA from any such taking shall be deposited and applied by LAVWMA in the manner provided in Section 5.06 of the Indenture.

Section 5.03. Default in Payment. If default shall be made in the due and punctual payment of any amounts required to be paid under Sections 4.03 or 4.04, or if default shall be made by any Member in the observance of any of the covenants, agreements or conditions on its part in this Contract and such default shall have continued for a period of 30 days after such Member shall have given notice in writing by LAVWMA of such default, such Member shall be deemed to be in default under this Contract and it shall be lawful for LAVWMA to exercise any and all remedies available pursuant to law or granted pursuant to this Contract. Upon any such default, LAVWMA, in addition to any other rights and remedies it may have at law, shall have the option, without terminating this Contract, to collect each payment for Sewer Service as such payment becomes due and to enforce any other term or provision of this Contract to be kept or performed by such Member.

LAVWMA shall have the right to institute an action for damages sustained as a result of any such default and shall have the right by mandamus or other proceeding at law or in equity to enforce its rights against such Member and to compel such Member and any officers or employees thereof to perform and carry out their obligations and duties under this Contract. In the event of any such default, the Trustee designated pursuant to Section 6.01 of the Indenture shall have the right to enforce for the benefit of the holders of the Bonds the rights of LAVWMA

under this Contract, and, to that end, shall have the right to institute any action or other proceeding at law or in equity which the Trustee could institute under this section.

Section 5.04. Other Sewer Service Users. LAVWMA shall not sell or offer to sell Sewer Service to any user other than a Member: (a) without the written consent of all Members, (b) upon terms and conditions more favorable than those herein provided for the Members, or (c) if the provision of such Sewer Service would prevent it from meeting its obligations under this Contract to provide Sewer Service to the Members.

Section 5.05. Disruptions in Pipeline Capacity. To the extent permitted by law, LAVWMA hereby covenants to accept the Wastewater of Members notwithstanding any disruption in pipeline capacity and shall use its best efforts in the event of any such disruption to undertake alternative and interim methods of storage and disposal of wastewater.

Section 5.06. Continuing Disclosure. The Members hereby covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificates. Notwithstanding any other provision of this Contract, failure of the Members to comply with the Continuing Disclosure Certificates shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation fees and expenses of its attorneys, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 5.07. Notices and Addresses. Any notice, invoice or other communication to be given under this Contract to any signatory hereof shall be in writing and shall be given by registered mail, return receipt requested, or by personal delivery, receipt acknowledged, to such party at such party's respective address as follows:

Livermore-Amador Valley Water Management Agency
c/o Dublin San Ramon Services District
7051 Dublin Boulevard
Dublin, CA 94568
FAX: (925) 828-4907

City of Livermore
1052 South Livermore Avenue
Livermore, California 94550
FAX: (925) 373-5135

City of Pleasanton
123 Main Street
Pleasanton, California 94566
FAX: (925) 461-6855

Dublin San Ramon Services District
7051 Dublin Boulevard
Dublin, California 94568
FAX: (925) 829-1180

Any signatory hereof may, in lieu of the above address and upon notice to all other parties as provided in this section, specify a different address for the delivery of notices, invoices or other communications.

Section 5.08. Assignment. Except as provided in Section 5.03, neither this Contract nor any right or duty of any Member hereunder shall be assigned or delegated by such Member by voluntary act or by operation of law or otherwise, except with the prior written consent of LAVWMA and all the other Members, which consent shall not be unreasonably withheld.

Section 5.09. Binding Effect. This Contract shall inure to the benefit of and shall be binding upon LAVWMA and the Members and their successors and assigns, subject, however, to the limitations contained in Section 5.06.

Section 5.10. Severability. If any one or more of the covenants or agreements, or portions thereof provided in this Contract shall be held by a court of competent jurisdiction to be void, voidable or unenforceable, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of or enforceability of the remaining portions of this Contract.

Section 5.11. No Personal Liability. No member of the governing body, officer, agent or employee of LAVWMA or any Member shall be individually or personally liable for any payments to be made under this contract; but nothing herein contained shall relieve any such Member of the governing body, officer, agent or employee from the performance any official duty provided by law.

Section 5.12. Complete Agreement; Amendments. This Contract represents the entire agreement between LAVWMA and the Members. This Contract may not be amended, changed, modified or altered except in writing. The parties may agree to the amendment of this Contract; provided, however, that the parties agree and recognize that this Contract is entered into in accordance with the terms of the Indenture and accordingly, this Contract may not be terminated while the Bonds are Outstanding, and that any such amendment shall only be made or effected in accordance with and subject to the terms of the Indenture so as to protect the rights of holders of the Bonds.

Section 5.13. Law Governing. This Contract shall be governed exclusively by the provisions hereof and by the laws of the State of California as the same from time to time exist.

Section 5.14. Third Parties Benefited. This Contract is made and entered into for the benefit of LAVWMA, the Members, the holders of the Bonds and the Trustee designated pursuant to Section 6.01 of the Indenture, and their permitted successors and assigns, and no other persons or entities shall have any right of action here. The Trustee and any financial institution providing municipal bond insurance or a letter of credit to service the Bonds will be an express third party beneficiary of this Contract.

Section 5.15. Article and Sections Headings. The headings or titles of the several articles and sections hereof, and any table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Contract.

All references herein to "Articles," "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions of this Contract; and the words "herein," "hereof," "hereunder," "hereinafter" and any other words of similar import refer to this Contract as a whole and not to any particular article, section or subdivision hereof.

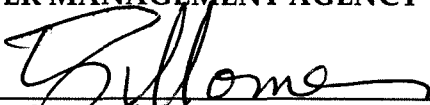
Section 5.16. Execution in Counterparts. This Contract may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same Contract.

IN WITNESS WHEREOF, LAVWMA and each of the Members has caused this Contract to be executed as of the day and year first above written.

Approved As To Form:

**LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY**

General Counsel

By 
Chair of the Board of Directors

ATTEST:


General Manager

Approved as to Form:

CITY OF LIVERMORE

City Attorney

By _____
City Manager

[Seal]

ATTEST:

City Clerk

Approved As To Form:

CITY OF PLEASANTON

City Attorney

By _____
City Manager

[Seal]

ATTEST:

City Clerk

Approved as to Form:

**DUBLIN SAN RAMON SERVICES
DISTRICT**

District General Counsel

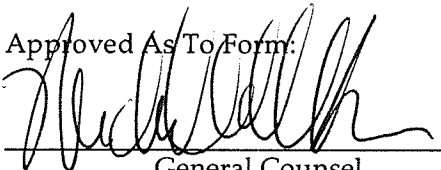
By _____
General Manager

[Seal]

ATTEST:

Secretary of the Board of Directors

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General Counsel

**LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY**

By _____
Chair of the Board of Directors

ATTEST:

General Manager

Approved as to Form:

City Attorney
[Seal]

CITY OF LIVERMORE

By _____
City Manager

ATTEST:

City Clerk

Approved As To Form:

City Attorney
[Seal]

CITY OF PLEASANTON

By _____
City Manager

ATTEST:

City Clerk

Approved as to Form:

District General Counsel
[Seal]

**DUBLIN SAN RAMON SERVICES
DISTRICT**

By _____
General Manager

ATTEST:

Secretary of the Board of Directors

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Chair of the Board of Directors

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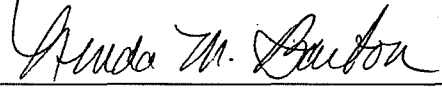
General Manager

Approved as to Form:

CITY OF LIVERMORE



City Attorney

By 

City Manager

[Seal]

ATTEST:



City Clerk

Approved As To Form:

CITY OF PLEASANTON

City Attorney

By _____
City Manager

[Seal]

ATTEST:

City Clerk

Approved as to Form:

**DUBLIN SAN RAMON SERVICES
DISTRICT**

District General Counsel

By _____
General Manager

[Seal]

ATTEST:

Secretary of the Board of Directors

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WATER MANAGEMENT AGENCY**

General Counsel

By _____
Chair of the Board of Directors

ATTEST:

General Manager

Approved as to Form:

CITY OF LIVERMORE

City Attorney

By _____
City Manager

[Seal]

ATTEST:

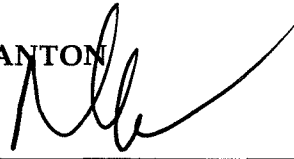
City Clerk

Approved As To Form:

CITY OF PLEASANTON



Asst City Attorney

By 

City Manager

[Seal]

ATTEST:



City Clerk

Approved as to Form:

**DUBLIN SAN RAMON SERVICES
DISTRICT**

District General Counsel

By _____
General Manager

[Seal]

ATTEST:

Secretary of the Board of Directors

IN WITNESS WHEREOF, LAVWMA and each of the Members has caused this Contract to be executed as of the day and year first above written.

Approved As To Form:

**LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY**

General Counsel

By _____
Chair of the Board of Directors

ATTEST:

General Manager

Approved as to Form:

CITY OF LIVERMORE

City Attorney

By _____
City Manager

[Seal]

ATTEST:

City Clerk

Approved As To Form:

CITY OF PLEASANTON

City Attorney

By _____
City Manager

[Seal]

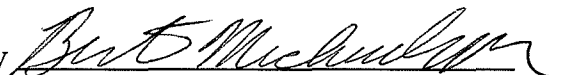
ATTEST:

City Clerk

Approved as to Form:

**DUBLIN SAN RAMON SERVICES
DISTRICT**

District General Counsel

By 
General Manager

[Seal]

ATTEST:


Secretary of the Board of Directors

IN WITNESS WHEREOF, LAVWMA and each of the Members has caused this Contract to be executed as of the day and year first above written.

Approved As To Form:

**LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY**

General Counsel

By _____
Chair of the Board of Directors

ATTEST:

General Manager

Approved as to Form:

CITY OF LIVERMORE

City Attorney

By _____
City Manager

[Seal]

ATTEST:

City Clerk

Approved As To Form:

CITY OF PLEASANTON

City Attorney

By _____
City Manager

[Seal]

ATTEST:

City Clerk

Approved as to Form:

**DUBLIN SAN RAMON SERVICES
DISTRICT**

Carl P A Nelson

District General Counsel

By _____
General Manager

[Seal]

ATTEST:

Secretary of the Board of Directors

EXHIBIT A

DESCRIPTION OF TREATMENT PLANT EXPANSION PROJECT AND TREATMENT PLANT REHABILITATION PROJECT (Completed with the proceeds of the 2000 Installment Sale Agreement)

The Dublin San Ramon Services District (DSRSD) Wastewater Treatment Plant (WWTP) serves the communities of Dublin, a portion of San Ramon, and the City of Pleasanton. The plant provides secondary treatment using the activated sludge process and on-site biosolids stabilization and disposal. Treated plant effluent is discharged through the Livermore-Amador Valley Water Management Agency (LAVWMA) pipeline to San Francisco Bay. A portion of the plant effluent may be further treated through microfiltration and reverse osmosis (MF/RO) for groundwater injection or irrigation use.

The DSRSD WWTP was expanded and rehabilitated with the proceeds of the 2000 Installment Sale Agreement, which financed the Treatment Plant Expansion Project and the Treatment Plant Rehabilitation Project (together, the "Project"). The Treatment Plant Expansion Project increased the capacity of the WWTP from an average dry weather flow (ADWF) of 11.5 million gallons per day (mgd) to 17 mgd. The Treatment Plant Expansion Project, except for deferred project elements, provided capacity for 17 mgd ADWF and 60 mgd of peak wet weather flow (PWWF). In addition to the 17 mgd of ADWF capacity, the facility is currently permitted to accept up to 3.2 mgd of groundwater reverse osmosis reject water (brine), which can be interrupted (stopped) during wet weather events. Several project elements were deferred for construction at a later date, and will be timed to accommodate the expected slow increase in treatment plant loading resulting from housing growth in the service area. The completion of these future projects will ultimately increase the capacity of the treatment plant to 20.7 mgd ADWF and 74 mgd PWWF.

The construction documents included improvements to process elements throughout the liquid and solids flow stream. A summary of the construction elements included in the project documents follows. After the construction elements, a summary of the non-construction elements (termed project support tasks) is presented.

Each of the project construction elements involved a combination of replacement (improvements to existing equipment and/or structures) and expansion work. The following summaries for each project element specifies the allocation percentages to replacement and expansion and the basis by which the allocations were made. Combining all the project construction elements and allocating the costs based on replacement and expansion components resulted in an overall construction cost allocation of 18.9% replacement and 81.1% expansion.

In addition to the construction elements, the project support elements were allocated to replacement and expansion components, as described in the summaries below. Combining the project support elements and allocating the costs based on replacement and expansion resulted in an overall project support allocation of 18.7% replacement and 81.3% expansion.

Finally, combining the overall project construction elements and the overall project support elements resulted in a Stage 4 Project allocation split of 18.8% replacement and 81.2% expansion.

CONSTRUCTION PROJECT ELEMENTS

For informational purposes in the following summaries, the then existing (as of 2000) flows (ADWF) is 9.3 mgd, the then existing design flow (as of 2000) was 11.5 mgd ADWF, the Stage 4 design flow was 17.0 mgd ADWF, and the ultimate flow was 20.7 mgd ADWF.

Influent Sewers

Three of the existing four Pleasanton influent sewers were combined into a common box and a single flow meter was added to the channel where these flows enter the bar screen building. Complete separation and metering of the Pleasanton flows will be part of a future project. DSRSD flow will be metered upstream under a separate project. Only the S6 trunk sewer and Highland Oaks were relocated in Stage 4.

Replacement/Expansion Allocation. Work to be done under this project element sufficed for the ultimate flow of 20.7 mgd. In addition, the work contains a replacement component, as it re-routes existing flows and allows for separate metering. The allocation was 44.9%/55.1% replacement/expansion (replacement=9.3 mgd/20.7 mgd; expansion = 11.4 mgd/20.7 mgd).

Bar Screen Facility

A new bar screen structure was built at the northeast corner of Storage Basin 1. The facility is an open structure with channels and bar screens in the lower level and screenings handling equipment at grade. A new isolation gate operated by a new fluid power system was provided to isolate the bar screen area. Four covered influent channels were provided, two with new mechanical bar screens with automatic screenings removal, one with a manual bar screen and one for a future mechanical bar screen. The channels were ventilated to an odor treatment system. Screenings transport will be by shaftless screw conveyors. The screenings equipment wash, precompacts, and discharges the screenings into a dumpster for disposal. This equipment was housed in a building located at the north end of the bar screen structure. The building is ventilated to an odor treatment system. The screenings dewatering facility is enclosed and ventilated to an odor treatment system. The then existing influent sampling system was modified and relocated to the bar screen structure.

Replacement/Expansion Allocation. The screening facility improved process performance downstream through the treatment process. This facility, therefore is attributable to both existing flows and future flows. The allocation is different for the structural and equipment portions of the facility; the structure suffices for ultimate flows and equipment was installed for the Stage 4 design flow:

Allocation for the structure = 44.9%/55.1% replacement/expansion
(replacement = 9.3 mgd/20.7 mgd; expansion = 11.4 mgd/20.7 mgd).

Allocation for the equipment = 54.7%/45.3% replacement/expansion
(replacement = 9.3 mgd/17.0 mgd; expansion = 7.7 mgd/17.0 mgd).

Influent Pumping

Three of the four existing influent pumps were modified to provide increased pumping capacity to 62.7 mgd with provisions for 75-mgd ultimate capacity. Each of the four pumps are powered by a new variable frequency drive. The then existing (in 2000) three-channel grinders were removed to eliminate hydraulic restrictions upstream of the existing wet well. The then existing wet well and channel were covered to reduce the foul air quantity and the ventilation system was modified.

Replacement/Expansion Allocation. Equipment and structures in this area are sized for the then existing design flow (the structure was sized for ultimate flow, however no structural work was included in Stage 4). The work only included modifications to then existing equipment to serve the Stage 4 design flow. The allocation was 67.6%/32.4% replacement/expansion (replacement=11.5 mgd/17.0 mgd; expansion = 5.5 mgd/17.0 mgd).

Grit Removal

The existing aerated grit removal tanks were modified. The existing tanks were modified to provide separation of each tank for flow distribution. New grit air blowers were added to meet the grit removal air requirements. New grit pumps were added.

Replacement/Expansion Allocation. Equipment and structures in this area were originally sized for the then existing design flow. The work included modifications to then existing equipment and the structure to serve the Stage 4 design flow. The allocation was 67.6%/32.4% replacement/expansion (replacement=11.5 mgd/17.0 mgd; expansion = 5.5 mgd/17.0 mgd).

Primary Sedimentation

One new primary sedimentation tank was added east of the existing tanks. The new tank is similar to the then existing tanks in size and operation. Then existing Tank 1 will be modified to provide space for the expanded primary equipment gallery. Submerged launders were not added. Primary effluent weir, drop height control were added to help reduce odor generation.

Replacement/Expansion Allocation. The majority of work to this process element involved a new tank, which allowed for expanded treatment capacity to the Stage 4 design flow. A minimal amount of work involved improvements to the hydraulics of Tank 1. The allocation was 10%/90% replacement/expansion.

Aeration Tanks

Two new activated sludge aeration basins were added, both directly south of the then existing tanks. One of the then existing aeration basins (Pass 3) was modified to function as an anaerobic selector. The settled sewage, RAS, and mixed liquor channels were extended to serve the new aeration basins. To provide operational flexibility, a new waste mixed liquor pumping station was added adjacent to the aeration basin mixed liquor channel. The then existing WAS pump station pumps were modified with new motors and variable speed driver. New fine-bubble diffusers were installed one foot above the floor in all five aeration tanks. The then existing tank diffusers were replaced.

Replacement/Expansion Allocation. The majority of work involved new tanks for expanded treatment capacity, although work also included modifications to the then existing tanks. The allocation was split for the new tanks and work in the existing tanks:

Allocation for new tanks = 0%/100% replacement/expansion.

Allocation for existing tanks = 100%/0% replacement/expansion.

The estimated cost for new work is \$3,321,135 and is \$471,985 for modifying existing tanks (total = \$3,793,120). As a whole, therefore, the allocation could be presented as 12.4%/87.6% replacement/expansion.

Blower Building

The then existing blower building was expanded to house new single-stage aeration blowers to replace and expand the capacity of the then existing multistage blowers. The building expansion was sized to provide space for future blowers to meet the ultimate plant aeration capacity. Ultimate capacity assumed 20.7 mgd ADWF and nitrification in the aeration basins. The expanded building houses three new single-stage blowers to meet aeration demand for Stage 4 requirements.

Replacement/Expansion Allocation. Work for this project element provided replacement of then existing blowers and expansion of the blower capacity, including expansion of the building. The allocation is split based on air flow capacity. The allocation is 13%/87% replacement/expansion.

Secondary Clarifiers

One new secondary clarifier was included. The new clarifier is 110 feet in diameter and 14 feet deep. The existing pumps of RAS Pump Stations 1 and 2 were modified to operate with variable frequency drives. A second pump was installed at RAS Pump Station 2 to serve Clarifier 4. The then existing mixed liquor distribution structure were expanded to accommodate the new clarifiers and a future clarifier to meet the ultimate plant capacity.

Replacement/Expansion Allocation. Work in this project element was split between a new secondary clarifier (all expansion work) and the RAS pump station (combination replacement and expansion work). The RAS pump station (and mixed liquor distribution structure) was further split between the structural portion (sized for ultimate flow) and the equipment portion (sized for Stage 4 flow). The allocations were:

Allocation for new clarifier = 0%/100% replacement/expansion.

Allocation for RAS P.S. Structure = 44.9%/55.1% replacement/expansion.

Allocation for RAS P.S. Equipment = 54.7%/45.3% replacement/expansion.

Dissolved Air Flotation Thickener (DAFT)

The then existing DAFT sludge pumps were replaced to increase capacity. The new pumps were sized to accommodate the ultimate plant flow sludge requirements. New, larger pressurization pumps and tank were also provided to increase the hydraulic capacity of the unit. Electrical equipment is located in the existing MCC-K building.

Replacement/Expansion Allocation. The DAFT tank is able to accommodate the ultimate flow. Modifications included in Stage 4 will allow for expanded capacity beyond the then current plant flows to ultimate flows. The allocation was 44.9%/55.1% replacement/expansion (replacement=9.3 mgd/20.7 mgd; expansion = 11.4 mgd/20.7 mgd).

Chlorine Contact Basin

The chlorine contact basin was not expanded at that time (2000). The basin inlet hydraulics was modified to allow for Stage 4 flows.

Replacement/Expansion Allocation. This project element included minor modifications to improve hydraulics. The then existing tank accommodates Stage 4 flows, therefore the allocation was split

between design flows. The allocation was 67.6%/32.4% replacement/expansion (replacement = 11.5 mgd/17.0 mgd; expansion = 5.5 mgd/17.0 mgd).

Anaerobic Digesters and Auxiliary Systems

One new 70-foot-diameter digester was added. The layout allowed for one future digester. The digester design included a steel fixed cover, digester feed system and three mechanical draft tube mixers on the new digester. The two existing digesters were modified. The floating covers were replaced with fixed steel covers, with one mechanical draft tube mixer each, and the gas and sludge systems upgraded. The existing pipe chase was extended to the new digester.

The digester gas system and heating systems were modified and expanded to accommodate the new digester. The auxiliary gas system was located outside, southeast of Building D (the old maintenance building). Digested sludge equipment was located east of Building D. The heating system included new, spiral-type sludge heat exchangers for the new and existing digesters with new sludge and hot water circulating pumps. The digester gas scrubbers and dry-seal gas holding tank were not included at that time (2000).

Replacement/Expansion Allocation. The majority of work to this process element involved a new digester and associated equipment, which allowed for expanded treatment capacity to the Stage 4 design flow. A minimal amount of work involved improvements to the existing digesters and auxiliary equipment. The allocation was 10%/90% replacement/expansion.

A minor portion of work involved modifications to Building D. This work was split between replacement and expansion according to the then existing and Stage 4 design flows. The allocation was 67.6%/32.4% replacement/expansion (replacement = 11.5 mgd/17.0 mgd; expansion = 5.5 mgd/17.0 mgd).

Heating, Ventilating, and Air Conditioning (HVAC)

HVAC was provided for all new and modified occupied building spaces in accordance with the design standards in the Basis of Design Report. The areas included in the design were the screenings dumpster building, the existing headworks building, the new bar screen building, the expanded blower building and the modified maintenance building. Evaporative cooling was added to the expanded blower building.

Replacement/Expansion Allocation. HVAC for the different process areas were included within the specific project elements for which HVAC was required. Therefore a separate allocation for the process element termed "HVAC" was not assigned. (For example, the project element "Blower Building" contains HVAC work within it and, thus the HVAC portion would follow the same allocation as in the greater Blower Building element.)

Electrical Facilities

The electrical work included facilities to support the Stage 4 expansion. A new 20.8-kV switchgear was added to distribute power to new substations located adjacent to the expanded blower building, Building D, the RO facility and the existing transformer at the operations building. The new substation at the blower building consisted of primary selector switches, transformer and a low voltage switchgear. The new substation at Building D consisted of primary selector switches, transformers and low voltage switchgear. The new substation at the RO facility consisted of primary selector switches and transformer. The new substation at the blower building feeds power

to the three new and three future blowers. The new substation at Building D feeds the headworks equipment, part of the primary treatment and half of the influent pumping equipment, and digester equipment. New MCCs were located at the primary treatment structure, Building D and blower building. MCC-H, feeding the existing primary treatment equipment and influent pump station, was reconfigured. The MCC-L starters was reallocated to feed the equipment for Digesters 1 and 2. MCCs and switchgear were located indoors. Liquid-filled transformers and primary selector switches were located outdoors. Switchgear and MCCs were equipped with an electronic monitoring system.

Replacement/Expansion Allocation. This project element was allocated to expansion in its entirety. Improvements to the electrical system was not needed based on then existing facilities alone. The allocation was 0%/100% replacement/expansion.

Instrumentation and Control

The instrumentation and control system included facilities to support the Stage 4 expansion. Instrumentation was heavy-duty industrial quality type. Instruments were selected for high reliability and minimization of maintenance. Process control was implemented through the SCADA system (contracted with a SCADA contractor separate from the Stage 4 Contractor). New MCCs were provided with OPTO22 microprocessors to minimize field wiring. New instrumentation and final control elements was wired to local microprocessors. Local control stations were provided, adjacent to process equipment, for maintenance and for microprocessor downtime. New microprocessors were connected to the plant's fiber-optic data highway. Microprocessors implemented analog and discrete process control. Start-stop timing and sequencing functions were performed by the microprocessors. All safety devices were hardwired. Central control was provided through the SCADA system's human-machine interfaces. SCADA system human-machine interfaces will also receive data from the electrical equipment monitoring system. Analytical sensor-type instruments were installed to provide input data for process trending. Data from these instruments is also inputted into the SCADA system.

Replacement/Expansion Allocation. This project element was allocated to expansion in its entirety. Improvements to the instrumentation and SCADA systems were not needed based on then existing facilities alone. The allocation was 0%/100% replacement/expansion.

Odor Control

Odor control work included treatment for the then existing grit processing area, the existing headworks building channels and the new bar screen building. The grit odor ducting was modified to capture air from the existing grit tanks and discharge it to the existing odor reduction tower (ORT). The grit dewatering building was modified to improve foul air capture. The then existing headworks building channels were covered and exhausted to the ORT. The building air, above the channels, were also exhausted to the ORT. The new bar screen building exhaust will be treated in a biofilter on the west side of Basin 2. The DAFT exhaust was removed from the existing ORT and discharged to a new biofilter between Secondary Sedimentation Tanks 1 and 2; this was accomplished on a separate early (prior to 2000) contract by others. Odor control for the then existing ORT second-stage primary sedimentation tanks, settled sewage channel, aeration tanks and holding basin was not included at that time (2000).

Replacement/Expansion Allocation. Odor control for the different process areas were included within the specific project elements for which Odor control was required. Therefore a separate

allocation for the process element termed “Odor Control” was not assigned. (For example, the project element “Influent Pumping” contains odor control work within it.

PROJECT SUPPORT ELEMENTS

The following elements contribute to the Stage 4 project and costs were allocated between replacement and expansion components of the project.

- Program Management
- Design
- Value Engineering
- Public Information
- Construction Management
- Engineering Services during Construction
- Legal Advice
- Partnering
- Testing/Inspections
- Shoring Design Review
- Surveying
- Miscellaneous (includes printing, mailing, meeting facilities, permitting CASA/TMDL support)
- Environmental Review
- Permitting (NPDES and AQMD)

All project support tasks (except Environmental Review and Permitting) were allocated based on the same percentage as the project construction elements. That is, 18.9% replacement and 81.1% expansion.

The Permitting task was primarily allocated to expansion as the NPDES permitting work was necessary for the expanded plant capacity. A small percentage of the work involved air quality permitting that was attributable to existing equipment. The allocation was 10%/90% replacement/expansion.

The Environmental Review task was all attributable to expansion, as CEQA work would not have been necessary in support of the existing plant. The allocation was 0%/100% replacement/expansion.