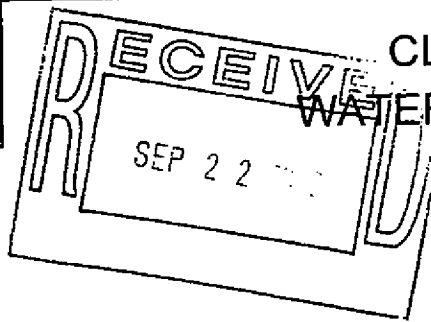


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Received _____
Examined _____



CLASS D
WATER UTILITIES

U# _____

2005
ANNUAL REPORT
OF

GRAND OAKS WATER COMPANY
(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

1720 N 1st Street

San Jose CA 95112
(OFFICIAL MAILING ADDRESS) ZIP

TO THE
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
FOR THE
YEAR ENDED DECEMBER 31, 2004

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2005
(FILE TWO COPIES IF THREE RECEIVED)

CLASS D WATER UTILITIES

(HAVING LESS THAN 500 SERVICE CONNECTIONS)

GRAND OAKS WATER COMPANY
 (Name under which corporation, partnership or individual is doing business)

1720 N. 1st Street
 (Official mailing address)

San Jose, CA 95112
 (Service area-town and county)

GENERAL INFORMATION

RETURN ORIGINAL
TO COMMISSION
NO PHOTOCOPIES

- 1 If a corporation show:
 (A) Date of organization _____ incorporated in the State of _____
 (B) Names, titles and addresses of principal officers:
- 2 If unincorporated give the name and address of owner or of each partner:
- 3 Name and telephone number of:
 (A) One person listed above to receive correspondence:
 (B) Person responsible for operations and services:
- 4 Were any contracts or agreements in effect with any organization or person covering service, supervision and/or management of your business affairs during the year? (Yes or No)
 If so, what was the nature and the amount of each payment made under the agreement, to whom were payments made, and to what account was each payment charged?
- 5 State the names of associated companies or persons which, directly or indirectly, or through one or more intermediaries, control, or are controlled by, or are under common control with respondent:

PUBLIC HEALTH STATUS

- 6 Has state or local health department inspection been made during the year?
- 7 Are routine laboratory tests of water being made?
- 8 Has state health department water supply permit been obtained? (Indicate date)
- 9 If no permit has been obtained, state whether application has been made and when.
- 10 Show expiration date if state permit is temporary.

Yes	No	Latest Date

- 11 List Name, Grade, and License Number of all Licensed Operators:

SPECIAL INSTRUCTIONS (over)

SPECIAL INSTRUCTIONS

- 1 Beginning of year balances must agree with end of year balances shown in report for previous year.
Attach a supplementary statement to explain any differences.
- 2 Attach a supplementary statement to explain adjustments in Schedule B - Water Plant in Service.
- 3 Complete all schedules, using the words "None" or "Not applicable" if appropriate..
- 4 Report must be prepared legibly in ink or by typewriter.

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES
2005

NAME OF UTILITY GRAND OAKS WATER COMPANY PHONE _____

PERSON RESPONSIBLE FOR THIS REPORT _____
(Prepared from Information in the 20__ Annual Report)

	1/1/___	12/31/___	Average
BALANCE SHEET DATA			
1 Intangible Plant	_____	_____	_____
2 Land and Land Rights	_____	_____	_____
3 Depreciable Plant	_____	_____	_____
4 Gross Plant in Service	_____	_____	_____
5 Less: Accumulated Depreciation	_____	_____	_____
6 Net Water Plant in Service	_____	_____	_____
7 Water Plant Held for Future Use	_____	_____	_____
8 Construction Work in Progress	_____	_____	_____
9 Materials and Supplies	_____	_____	_____
10 Less: Advances for Construction	()	()	()
11 Less: Contribution in Aid of Construction	()	()	()
12 Less: Accumulated Deferred Income and Investment Tax Credits	()	()	()
13 Net Plant Investment	=====	=====	=====
CAPITALIZATION			
14 Common Stock	_____	_____	_____
15 Proprietary Capital (Individual or Partnership)	_____	_____	_____
16 Paid-in Capital	_____	_____	_____
17 Retained Earnings	_____	_____	_____
18 Common Stock and Equity (Lines 14 through 17)	_____	_____	_____
19 Preferred Stock	_____	_____	_____
20 Long-Term Debt	_____	_____	_____
21 Notes Payable	_____	_____	_____
22 Total Capitalization (Lines 18 through 21)	=====	=====	=====

(Revised 2/01)

See attached
operating statement

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES
20 05
 (continued)

NAME OF UTILITY GRAND OAKS WATER COMPANY PHONE _____

		Annual Amount
INCOME STATEMENT		
23	Unmetered Water Revenue	<u>20,576</u>
24	Fire Protection Revenue	_____
25	Irrigation Revenue	_____
26	Metered Water Revenue	_____
27	Total Operating Revenue	<u>20,576</u>
28	<u>Operating Expenses</u>	<u>27,359</u>
29	Depreciation Expense (Composite Rate _____)	_____
30	Amortization and Property Losses	_____
31	Property Taxes	_____
32	Taxes Other Than Income Taxes	_____
33	Total Operating Revenue Deduction Before Taxes	<u>27,359</u>
34	California Corp. Franchise Tax	_____
35	Federal Corporate Income Tax	_____
36	Total Operating Revenue Deduction After Taxes	<u>(6,783)</u>
37	Net Operating Income (Loss) - California Water Operations	<u>(6,783)</u>
38	Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	_____
39	Income Available for Fixed Charges	_____
40	Interest Expense	_____
41	Net Income (Loss) Before Dividends	_____
42	Preferred Stock Dividends	_____
43	Net Income (Loss) Available for Common Stock	<u>(6,783)</u>

OTHER DATA		
44	Refunds of Advances for Construction	_____
45	Total Payroll Charged to Operating Expenses	_____
46	Purchased Water	_____
47	Power	_____

	<u>Active Service Connections</u>	(Exc. Fire Protect.) _____	Jan. 1	Dec. 31	Annual Average
48	Metered Service Connections		45	45	45
49	Flat Rate Service Connections		-	-	-
50	Total Active Service Connections		45	45	45

CLASS D WATER UTILITIES

(HAVING LESS THAN 500 SERVICE CONNECTIONS)

(Name under which corporation, partnership or individual is doing business)

(Official mailing address)

(Service area-town and county)

GENERAL INFORMATION

RETURN ORIGINAL
TO COMMISSION
NO PHOTOCOPIES

- 1 If a corporation show:
(A) Date of organization _____ incorporated in the State of _____
(B) Names, titles and addresses of principal officers:
- 2 If unincorporated give the name and address of owner or of each partner:
- 3 Name and telephone number of:
(A) One person listed above to receive correspondence:
(B) Person responsible for operations and services:
- 4 Were any contracts or agreements in effect with any organization or person covering service, supervision and/or management of your business affairs during the year? (Yes or No)
If so, what was the nature and the amount of each payment made under the agreement, to whom were payments made, and to what account was each payment charged?
- 5 State the names of associated companies or persons which, directly or indirectly, or through one or more intermediaries, control, or are controlled by, or are under common control with respondent:

PUBLIC HEALTH STATUS

- 6 Has state or local health department inspection been made during the year?
- 7 Are routine laboratory tests of water being made?
- 8 Has state health department water supply permit been obtained? (Indicate date)
- 9 If no permit has been obtained, state whether application has been made and when.
- 10 Show expiration date if state permit is temporary.

Yes	No	Latest Date

- 11 List Name, Grade, and License Number of all Licensed Operators:

SPECIAL INSTRUCTIONS (over)

**CLASS B, C AND D WATER COMPANIES
SAFE DRINKING WATER BOND ACT DATA**

Please provide the following information relating to each Safe Drinking Water Bond Act (SDWBA) loan outstanding during the 12 month reporting period. (Use one sheet for each loan.)

1. Current Fiscal Agent:

Name: NONE
Address: _____
Phone Number: _____
Date Hired: _____

2. Former Fiscal Agent:

Name: _____
Address: _____
Phone Number: _____
Date Hired: _____

3. Total surcharge collected from customers during the 12 month reporting period:

\$ _____

4. Summary of the trust bank account activities showing:

Balance at beginning of year	\$ _____
Deposits during the year	_____
Withdrawals made for loan payments	_____
Other withdrawals from this account	_____
Balance at end of year	_____

5. Account information:

Bank Name: _____
Account Number: _____
Date Opened: _____

6. Plant amounts included in Schedule A, Account No. 101--Water Plant in Service which were funded using SDWBA funds:

Line No.	Acct. No.	Title of Account (a)	Balance Beginning of Year (b)	Plant Additions During Year (c)	Plant Retirements During Year (d)	Other Debits* or (Credits) (e)	Balance End of Year (f)
1		NON-DEPRECIABLE PLANT					
2	301	Intangible plant					
3	303	Land					
4		Total non-depreciable plant					
5		DEPRECIABLE PLANT					
6	304	Structures					
7	307	Wells					
8	317	Other water source plant		NONE			
9	311	Pumping equipment					
10	320	Water treatment plant					
11	330	Reservoirs, tanks and sandpipes					
12	331	Water mains					
13	333	Services and meter installations					
14	334	Meters					
15	335	Hydrants					
16	339	Other equipment					
17	340	Office furniture and equipment					
18	341	Transportation equipment					
19		Total depreciable plant					
20		Total water plant in service					

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 20__)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service		201	Common Stock (Corporations only)	
2	103	Water plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Water plant purchased or sold		215	Retained earnings	
4	105	Water plant construction work in progress		218	Proprietary capital	
5	108	Accumulated depreciation of water plant		224	Long term debt	
6	114	Water plant acquisition adjustments			Current Liabilities	
7	124	Other investments		252	Advances for construction	
8	131	Cash		253	Other deferred credits	
9	141	Accounts receivable - customers		255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs depreciation	
11	151	Materials and supplies		283	Accumulated deferred income taxes - other	
12	174	Other current assets		271	Contributions in aid of construction	
13	180	Deferred charges		272	Accumulated amortization of contributions	
14						
15		Total Assets			Total Equity and Liabilities	

SCHEDULE B - WATER PLANT IN SERVICE

Line	Acct	Title of Account	Balance Beg of Year	Plt Additions During year	Plt Retirements During year	Other Debits or (Credits)	Balance End of year
16	301	Intangible plant					
17	303	Land					
18	304	Structures					
19	307	Wells					
20	317	Other water source plant					
21	311	Pumping equipment					
22	320	Water treatment plant					
23	330	Reservoirs tanks and sandpipes					
24	331	Water mains					
25	333	Services and meter installations					
26	334	Meters					
27	335	Hydrants					
28	339	Other equipment					
29	340	Office furniture and equipment					
30	341	Transportation equipment					
31		Total water plant in service					

* Debit or credit entries should be explained by footnotes or supplementary schedules

SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT

Line	Item	Account 106 Water Plant	Account 106.1 SDWBA Loans	
32	Balance in reserves at beginning of year:			A. Method used to compute depreciation expense (Acct. 403) and rate.
33	Add: Credits to reserves during year			
34	(a) Charged to Account No. 403			
35	(b) Charged to Account No. 272			
36	(c) Charged to clearing accounts			B. Amount of depreciation expense claimed or to be claimed on utility property in your federal income tax return for the year covered by this report \$
37	(d) Salvage recovered			
38	(e) All other credits			
39	Total credits			
40	Deduct: Debits to reserves during year			
41	(a) Book cost of property retired			
42	(b) Cost of removal			C. State method used to compute tax depreciation.
43	(c) All other debits			
44	Total debits			
45	Balance in reserve at end of year			
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

SCHEDULE J - ADVANCES FOR CONSTRUCTION

Balance beginning of year	
Additions during year	
Subtotal - Beginning balance plus additions during year	
Refunds	
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	

SCHEDULE K - TOTAL METERS AND SERVICES (active and inactive)

Size	Meters	Services
5/8 x 3/4-in	45	
3/4-in		
1-in		
-in		
-in		
Total	45	

SCHEDULE L - METER-TESTING DATA

Number of meters tested during year	
1	Used, before repair...
2	Used, after repair
3	Fast, requiring refund ..
Numbers of meters in service requiring test per General Order No. 103	

SCHEDULE M - SERVICE CONNECTIONS AT END OF YEAR

Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residences	43			2			45	
Industrial								
Other (specify)								
Subtotal								
Fire protection (Hydrants)								
Total								

NOTE: Total connections (metered plus flat) should agree with total services in Schedule K.

SCHEDULE N - STORAGE FACILITIES

SCHEDULE O - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)

Description	No.	Combined capacity in gallons	Description	Footages				Totals
				2" and under	2 1/4 to 3 1/4	4"	Other sizes (specify)	
Concrete			Cast Iron					
Earth			Welded steel					
Wood			Standard screw					
Steel		10,000 GAL	Cement-asbestos					
Other			Plastic					
			Other (specify)					
Total		10,000 GAL	Total					

DECLARATION

(BEFORE SIGNING PLEASE CHECK TO SEE THAT ALL SCHEDULES HAVE BEEN COMPLETED)

I, the undersigned (officer, partner or owner) of California Water Service Co. (Name of utility), under penalty of perjury do declare that this report has been prepared by me, or under my direction, from the books, papers and records of the respondent; that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of the above-named respondent and the operations of its property for the period

From and including January 31, 2005 to and including December 31, 2005

Signed Thomas J. [Signature]
 Title Vice President
 Date 9/21/06

**Grand Oaks Water Company
Balance Sheet Data**

	12/31/1993	Years 1994 to 1999	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004
Intangible Plant	1,962		1,962	1,962	1,962	1,962	1,962	1,962
Land	196		196	196	196	196	196	196
Depreciable Plant	66,879		66,879	66,879	66,879	66,879	66,879	66,879
Gross Plant in Service	69,037		69,037	69,037	69,037	69,037	69,037	69,037
Less: Accumulated Depreciation	34,312	12,702	47,014	49,131	51,248	53,365	55,482	57,599
Net Utility Plant	34,725		22,023	19,906	17,789	15,672	13,555	11,438
Less: Contributions in Aid	689	(228)	461	423	385	347	309	271
Net Plant Investment	34,036		21,562	19,483	17,404	15,325	13,246	11,167

Annual reserve	2,117	No know additions or retirements to utility plant during the course of
Amort of Contributions	38	operations of the Grand Oaks Water System
Depreciation Exp	2,079	

**Grand Oaks Water Company
Balance Sheet Data**

	Years 1994 to 1999									
	12/31/1993	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005		
Intangible Plant	1,962	1,962	1,962	1,962	1,962	1,962	1,962	1,962		
Land	196	196	196	196	196	196	196	196		
Depreciable Plant	66,879	66,879	66,879	66,879	66,879	66,879	66,879	66,879		
Gross Plant in Service	69,037	69,037	69,037	69,037	69,037	69,037	69,037	69,037		
Less: Accumulated Depreciation	34,312	47,014	49,131	51,248	53,365	55,482	57,599	59,716		
Net Utility Plant	34,725	22,023	19,906	17,789	15,672	13,555	11,438	9,321		
Less: Contributions in Aid	689	(228)	423	385	347	309	271	233		
Net Plant Investment	34,036	21,562	19,483	17,404	15,325	13,246	11,167	9,088		

Annual reserve
Amort of Contributions
Depreciation Exp

No know additions or retirements to utility plant during the course of operations of the Grand Oaks Water System

2,117
38
2,079

Grand Oaks Water Company
Basis of Preparation of Annual Report

1. Revenue billed to customers is based upon billings to Grand Oaks Water Company (Grand Oaks) customers per the authorized tariff for Grand Oaks.
2. Operating and Maintenance expenses are those incurred by California Water Service Company (Cal Water) in operating the Grand Oaks system.
3. Depreciation expense was taken from the most recent financial report of Grand Oaks that was available to Cal Water (1993 CPUC Class D Annual Report). It assumes that there were no additions or retirements of Utility plant since 12/31/03.

Grand Oaks Operating Statement

Description	Year To Date			
	12/31/05	12/31/04	12/31/03	12/31/02
Operating Fees				
885010 Customer billings	20,576	22,676	20,141	22,092
885260 Misc. Non-operating Revenue	0	-	-	-
Total Operating Fees	<u>20,576</u>	<u>22,676</u>	<u>20,141</u>	<u>22,092</u>
				12/31/01
				<u>21,374</u>
				12/31/00
				<u>21,374</u>
Operating Expenses				
Operations:				
885021 GO Operation Expenses	0	0	0	0
885270 Non-utility expenses	0	0	0	70
887031 Pump Tax	0	0	0	0
887040 Purchased Water	650	650	8,575	650
887041 Purchased Water Credit	0	0	0	0
887262 Purchased Power	2,872	3,383	3,188	3,800
PG.2 Other Prod & Distrib Expenses	3,107	14,339	3,759	6,512
PG.2 Customer Accounts Expenses	2,053	956	539	373
PG.3 Administrative Expenses	0	0	0	0
PG.3 General Expenses	284	1,115	251	0
888110 Rent	0	0	0	1395
888120 Admin Charges	0	0	0	0
Total Operations	<u>8,966</u>	<u>20,444</u>	<u>16,313</u>	<u>11,335</u>
				12,832
				<u>4,415</u>
Maintenance Expenses				
PG.4 885022 GO Maintenance Expenses	18,393	8,902	2,939	3,442
881432 Transportation/Clearing	0	0	0	0
885030 Depreciation	2,079	2,079	2,079	2,079
885040 Amort of Limited Investment	0	0	0	0
885060 Property Losses	0	0	0	0
885070 Other Taxes	0	0	0	936
885071 Payroll Taxes	0	0	0	0
885075 City License	0	0	0	0
885076 Property Taxes	0	0	0	4,714
Total Operating Expense	<u>29,438</u>	<u>31,424</u>	<u>21,330</u>	<u>16,856</u>
				23,477
				<u>6,971</u>
Net Operating Income	<u>(8,862)</u>	<u>(8,748)</u>	<u>(1,190)</u>	<u>5,236</u>
				(1,441)
				<u>14,503</u>

*** Expenses for 2000 are only for only a portion of the year (since acquisition of Dominguez by Cal Water)

Description	Year To Date			
	12/31/05	12/31/04	12/31/03	12/31/02
Other Prod & Distrib Exp				
Source of Supply:				
887010 Supervision & Engineering	0	0	0	0
887020 Operation Labor & Expense	0	0	55	36
887032 Miscellaneous - Other	0	0	0	0
Total Source of Supply	0	0	55	36
Pumping:				
887210 Supervision & Engineering	0	0	0	70
887220 Power Prod Labor & Exp	0	0	0	0
887230 Fuel For Power Production	0	0	0	0
887240 Pumping Labor and Expense	1,492	2,735	2,193	2,541
887250 Miscellaneous	0	9,495	0	0
887261 Fuel For Pumping	0	0	0	0
Total Pumping	1,492	12,230	2,193	2,611
Water Treatment:				
887410 Supervision & Engineering	0	0	0	23
887420 Operation Labor & Expense	1,644	1,558	1,037	1,838
887430 Miscellaneous	0	0	0	0
887440 Chemical & Filter Matl	0	156	280	832
887450 Water Treatment Alloc In/Out	0	0	0	0
Total Water Treatment	1,644	1,714	1,317	2,693
Transmission & Distribution:				
887510 Supervision & Engineering	0	0	0	(57)
887520 Storage Facilities	0	0	0	181
887531 Flushing	0	0	0	18
887532 Tans & Distrib Lines	0	210	37	82
887541 Turn On's and Turn Off's	0	0	0	91
887542 Other Meter Expenses	(28)	117	140	33
887550 Customer Installation exp	0	68	17	153
887560 Miscellaneous	0	0	0	670
Total Trans & Distrib	(28)	395	194	1,171
Total Other Prod & Dist	3,107	14,339	3,759	6,511
Cust Accounts Expense:				
881433 Information Systems	0	0	0	0
887700 GO Cust Accounting	0	0	0	0
887710 Supervision	0	0	0	0
887720 Meter Reading	624	956	539	373
887731 Office Salaries	1,430	0	0	0
887732 Collecting Salaries & Exp	0	0	0	0
887733 Postage	0	0	0	0
887734 Other Cust. Records, Supply	0	0	0	0
887735 Collect Agency Fees	0	0	0	0
887741 Other Stationery & Print	0	0	0	0
887742 Telephone and Telegraph	0	0	0	40
887743 Other Utilities & Janitor	0	0	0	0
887744 Flat Rate Inspections	0	0	0	0
887745 Conservation Expense	0	0	0	0
887750 Uncollectable Accounts	0	0	0	0
887760 Cust Acct allocation In/out	0	0	0	0
Total Cust Accts Expense	2,053	956	539	373
Total	194	480	1,550	1,550

Description	Year To Date					
	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01	12/31/00
Admin. & Gen. Expense:						
887900 GO Admin & Gen Expenses	0	0	0	0	0	0
887910 Admin & Gen Salaries	0	0	0	0	0	0
Office Suppl & Other Expense						
887921 Employees Dues	0	0	0	0	0	0
887922 Postage	0	0	0	0	0	0
887923 Telephone And Telegraph	0	0	0	0	0	0
887924 Stationery And Printing	0	0	0	0	0	0
887925 Office Supplies & Expense	0	0	0	0	0	0
887926 Travel & incidental Exp	0	0	0	0	0	0
887927 G.O. Building Expense	0	0	0	0	0	0
887928 Meals	0	0	0	0	0	0
Total Office Supplies	0	0	0	0	0	0
887930 Property Insurance	0	0	0	0	0	0
Injuries And Damages:						
887941 Compensation Insurance	0	0	0	0	0	0
887942 Occupational Sick Leave	0	0	0	0	0	0
887943 Safety And Training	0	0	0	0	0	0
887944 Liability Insurance	0	0	0	0	0	0
Total Injury & Damages	0	0	0	0	0	0
Empl Pension & Benefits:						
887950 Employees Taxes	0	0	0	0	0	0
887951 Retire Fund Expense	0	0	0	0	0	0
887952 Group Insurance	0	0	0	0	0	0
887953 Emp Welfare Administration	0	0	0	0	0	0
887954 Benefits Transferred	0	0	0	0	0	0
887955 Off Duty Time - Sick Leave	0	0	0	0	0	0
887956 Off Duty Time - All Other	0	0	0	0	0	0
887957 Retira Fund Expense	0	0	0	0	0	0
887958 Prov Emp Providnt	0	0	0	0	0	0
887959 Trasop Expenses	0	0	0	0	0	0
Total Employee Benefits	0	0	0	0	0	0
887960 Franchise Requirements	0	0	0	0	0	0
887961 Retiree Group Insurance	0	0	0	0	0	0
887962 Disability Benefits	0	0	0	0	0	0
887970 Regulatory Comm Exp	0	0	0	0	0	0
887971 PUC Reimbursement Fees	284	1,115	251	0	1,395	0
Outside Services Employed:						
887981 Legal Expense	0	0	0	0	0	0
887982 Other Outside Services	0	0	0	0	0	0
Total Outside Services	0	0	0	0	0	0
Misc. General Expenses:						
887981 Company Dues	0	0	0	0	0	0
887992 Institutional Advertising	0	0	0	0	0	0
887993 Fee Of Fiscal Agents	0	0	0	0	0	0
887994 General Corporate Expense	0	0	0	0	0	0
887995 Miscellaneous General Exp	0	0	0	0	0	0
887996 Accrued Payroll Distrib	0	0	0	0	0	0
887997 G & A allocation in/out	0	0	0	0	0	0
Total Misc General Exp	0	0	0	0	0	0
Total Admin & General Exp	284	1,115	251	0	1,395	0

Description	Year To Date			
	12/31/05	12/31/04	12/31/03	12/31/02
Maintenance Expenses				
Source Of Supply:				
887060 Supervision & Engineering	0	0	0	0
887070 Structures & Improvements	0	0	0	0
887080 Coll & Impound Reservoirs	0	0	0	0
887090 Lake, River, Other Intake	0	0	0	0
887110 Wells	0	0	0	0
887120 Supply Mains	0	0	0	0
Total Source Of Supply	0	0	0	0
Pumps:				
887290 Supervision & Engineering	0	0	0	0
887300 Structures & Improvements	0	0	0	0
887320 Pumping Equipment	0	0	39	0
887330 Other Pumping Plant	0	0	0	0
Total Pumping	0	0	39	0
Water Treatment:				
887460 Supervision & Engineering	0	0	0	0
887470 Structures & Improvements	0	0	0	0
887480 Water Treatment Equipment	19	75	71	27
Total Water Treatment	19	75	71	27
Transmission & Distribution:				
887580 Supervision & Engineering	0	0	0	0
887590 Structures & Improvements	0	0	0	0
887600 Reservoirs And Tanks	0	0	0	70
887610 Transmission And Distrib	18,312	8,606	2,446	2,927
887630 Services	61	221	493	386
887640 Meters	0	0	0	0
887650 Hydrants	0	0	0	0
Total Trans & Distrib	18,374	8,827	2,939	3,313
Admin & General:				
888051 General Struct & Improv	0	0	0	0
888052 General Equipment	0	0	58	0
888053 Accrued Payroll Distribution	0	0	0	0
Total Admin & General	0	0	58	0
Total Maint Expenses	18,393	8,902	2,999	3,442
				377

Grand Oaks
District 81
Reconciliation of Accounts Receivable

Month	Beginning AR	Water Charge	Svc	Puc Fees	Payments	Adjust	Ending AR
09/30/97	0.00	2,290.92	528.00	39.45			2858.37
10/31/1997	2,858.37				2,552.52		305.85
11/30/1997	305.85	1,562.64	1,566.00	43.81			3478.30
12/31/1997	3,478.30				2,030.32		1447.98
1/31/1998	1,447.98	592.62	1,040.68	22.87	1,265.48		1838.67
2/28/1998	1,838.67				1,426.27	(48.20)	364.20
3/31/1998	364.20	580.38	1,056.00	22.89			2023.47
4/30/1998	2,023.47				1,677.04		346.43
5/31/1998	346.43	721.14	1,080.00	25.25	130.00		2042.82
6/30/1998	2,042.82				1,648.38		394.44
7/31/1998	394.44	2,893.74	1,162.70	56.78	267.47		4240.19
8/31/1998	4,240.19				3,049.75		1190.44
9/30/1998	1,190.44	3,544.50	1,140.00	65.57	829.29		5111.22
10/31/1998	5,111.22				4,255.89		855.33
11/30/1998	855.33	1,499.40	1,140.00	36.96	478.15		3053.54
12/31/1998	3,053.54				2,423.02		630.52
1/31/1999	630.52	3,493.50	1,164.00	65.19	386.51		4966.70
2/28/1999	4,966.70				2,043.55		2923.15
3/31/1999	2,923.15	(1,883.94)	1,164.00	(10.06)	91.92	(51.00)	2050.23
4/30/1999	2,050.23				1,404.45		645.78
5/31/1999	645.78	1,536.12	1,152.00	37.62	624.67		2746.85
6/30/1999	2,746.85				1,987.40	76.03	835.48
7/31/1999	835.48	3,546.54	1,211.09	66.63	797.87		4861.87
8/31/1999	4,861.87				4,193.61		668.26
9/30/1999	668.26	3,785.22	1,260.00	70.63	527.77	40.56	5296.90
10/31/1999	5,296.90				3,720.35		1576.55
11/30/1999	1,576.55	2,304.18	1,260.00	49.90	1,532.90		3657.73
12/31/1999	3,657.73				2,292.28		1365.45
1/31/2000	1,365.45	1,359.66	1,260.00	36.68	1,429.60		2592.19
2/29/2000	2,592.19				1,248.32	269.22	1613.09
3/31/2000	1,613.09	965.94	1,260.00	31.18	1,445.80	38.00	2462.41
4/30/2000	2,462.41				977.65	(126.40)	1358.36
5/31/2000	1,358.36	1,643.22	1,260.00	40.66	1,029.99		3272.25
6/30/2000	3,272.25				2,182.05		1090.20
7/31/2000	1,090.20	4,266.66	1,315.54	78.16	979.65		5770.91
8/31/2000	5,770.91				4,586.48		1184.43
9/30/2000	1,184.43	3,764.62	1,368.00	71.74	986.24	(10.00)	5392.55
10/31/2000	5,392.55				3,726.56		1665.99
11/30/2000	1,665.99	1,247.46	1,368.00	36.63	1,313.65		3004.43
12/31/2000	3,004.43				2,274.47		729.96
1/31/2001	729.96	1,032.24	1,368.00	33.62	310.80		2853.02

Grand Oaks
District 81
Reconciliation of Accounts Receivable

Month	Beginning AR	Water Charge	Svc	Puc Fees	Payments	Adjust	Ending AR
2/28/2001	2,853.02				1,814.56		1038.46
3/31/2001	1,038.46	655.86	1,368.00	28.38	596.83		2493.87
4/30/2001	2,493.87				1,785.84		708.03
5/31/2001	708.03	2,223.60	1,374.20	50.40	193.07	(65.46)	4097.70
6/30/2001	4,097.70	21.42	12.43	0.47	2,441.83		1690.19
7/31/2001	1,690.19	3,612.84	1,355.68	69.57	936.21		5792.07
8/31/2001	5,792.07	7.14	7.70	0.21	3,644.34		2162.78
9/30/2001	2,162.78	3,943.32	1,346.21	74.07	1,637.25	(88.91)	5800.22
10/31/2001	5,800.22				4,195.06		1605.16
11/30/2001	1,605.16	2,024.70	1,378.77	47.64	1,279.85		3776.42
12/31/2001	3,776.42				2,044.58		1731.84
1/31/2002	1,731.84	651.78	1,432.54	29.15	1,146.89	94.08	2792.50
2/28/2002	2,792.50	8.16	14.80	0.32	1,365.25		1450.53
3/31/2002	1,450.53	739.50	1,334.49	29.04	821.89	(134.21)	2597.46
4/30/2002	2,597.46	8.16	23.29	0.44	1,952.65	(61.33)	615.37
5/31/2002	2,054.79	1,992.06	1,344.00	46.69	343.97	(80.89)	5012.68
6/30/2002	5,012.68	68.34	28.42	1.35	2,002.37		3108.42
7/31/2002	3,108.42	4,248.30	1,329.91	78.11	1,312.20	(107.96)	7344.58
8/31/2002	7,344.58				2,028.71	(210.51)	5105.36
9/30/2002	5,105.36	3,390.48	1,344.00	66.28	4,594.13		5311.99
10/31/2002	5,311.99				3,241.70		2070.29
11/30/2002	2,070.29	3,878.33			1,693.47		4255.15
12/31/2002	4,255.15	4.39			3,306.48		953.06
1/31/2003	953.06	2,035.28			701.01	(600.00)	1687.33
2/28/2003	1,687.33	82.56			1,559.63		210.26
3/31/2003	210.26	660.96	1,366.80	28.42	58.56		2207.88
4/30/2003	2,207.88				1,879.07		328.81
5/31/2003	328.81	1,046.52	1,272.00	32.46	137.78	(66.29)	2475.72
6/30/2003	2,475.72	130.56	96.00	3.18	2,206.08		499.38
7/31/2003	499.38	3,950.46	1,325.40	73.85	761.22		5087.87
8/31/2003	5,087.87	23.46	36.00	0.83	4,490.55		657.61
9/30/2003	657.61	3,168.12	1,296.00	62.47	651.56	(104.28)	4428.36
10/31/2003	4,428.36	(22.44)	36.00	0.19	3,490.51		951.60
11/30/2003	951.60	2,056.32	1,332.00	47.48	892.43	(57.92)	3494.97
12/31/2003	3,494.97	0.00	0.00	0.00	3,192.90		244.15
1/31/2004	244.15	1,129.14	1,332.00	34.44	194.23		3494.97
2/29/2004	2,545.50	0.00	0.00	0.00	2,478.47	0.00	67.03
3/31/2004	67.03	783.36	1,296.00	29.13	78.91		2096.61
4/30/2004	2,096.61	0.00	0.00	0.00	1,948.88	0.00	147.73
5/31/2004	147.73	1,247.46	979.80	31.20	223.69		2182.50
6/30/2004	2,182.50	960.84	364.80	18.55	2,262.83		1263.86

Grand Oaks
District 81
Reconciliation of Accounts Receivable

Month	Beginning AR	Water Charge	Svc	Puc Fees	Payments	Adjust	Ending AR
7/31/2004	1,263.86	3,834.18	1,393.60	73.20	1,465.65	(64.05)	5035.14
8/31/2004	5,035.14	735.42	72.00	11.31	4,803.42		1050.45
9/30/2004	1,050.45	4,163.64	1,293.97	76.40	372.59		6211.87
10/31/2004	6,211.87				6,076.15		135.72
11/30/2004	135.72	1,384.14	1,332.00	38.04	143.34		2746.56
12/31/2004	2,746.56	36.72	24.00	0.85	2,774.87	72.40	105.66
1/31/2005	105.66	747.66	1,329.23	29.08	74.04		2137.59
2/28/2005	2,137.59	9.18	24.00	0.46	1,937.85		233.38
3/31/2005	233.48	682.38	1,344.00	28.37	296.53		1991.60
4/30/2005	1,991.60	0.00	0.00	0.00	1,887.06		104.54
5/31/2005	104.54	32.81	1,344.00	999.60	269.45		2211.50
6/30/2005	2,211.50				2,140.89		70.61
7/31/2005	70.61	2,304.18	984.00	46.02	192.31		3212.50
8/31/2005	3,212.50	1,759.50	360.00	29.68	5,338.72		22.96
9/30/2005	22.96	3,970.86	1,284.00	73.56	188.57		5162.81
10/31/2005	5,162.81	26.52	60.00	1.21	5,032.64		217.90
11/30/2005	217.90	1,717.68	1,344.00	42.83	222.13		3100.28
12/31/2005	3,100.28	0.00	1.20	0.02	2,836.46		265.04
		106,882.61	61,741.25	3,257.11	171,768.23	(1,287.12)	
		<u>171,880.97</u>					

119,728.47 Prior to Conversion
52,039.76 CWSCO (since conversion)

Summary of Billings

1997	6,030.82
1998	16,681.48
1999	20,272.62
2000	21,374.15
2001	22,036.47
2002	22,092.33
2003	20,140.88
2004	22,676.19
2005	20,576.03
	<u>171,880.97</u>

California Water Service Company

Grand Oaks

Connections 45 43 active
 Permit revision 1991 allows 45 connections.

Wells

	<u>Capacity</u>	<u>Depth</u>	<u>Seal?</u>	<u>Casing Dia.</u>	<u>Control</u>
1	140	205	Yes	14	Pressure solenoid. (On at 55 psi, Off at 90 psi)
3	?	275	Yes	8	Not in service since DWC/CWS have been operating.

Production

	<u>AF</u>	<u>Gallons</u>	<u>GPM</u>	<u>GPM</u>	<u>Peak hr.</u>
Highest month = July	5.76	1,877,000	Avg./day 42	Max. day 63	95
					Max day gpm = Avg./day in highest mo. x 1.5 Peak hr. gpm = max. day gpm x 1.5

To equip. and perform related electrical repairs = \$ 15,000

California Water Service Company

Grand Oaks

Connections 45
 Permit revision 1991 allows 45 connections.

<u>Storage</u>	Size	Mat'l	Year
	10,000 gal	Bolted stl.	Const.
			1966

Tank provides water to system via gravity. Equipped with altitude control valve.

Average and maximum day demand:

ADD 1	Avg. production/month for Jan.-Dec. =	1,000,000 gal
	ADD 1 =	33,000 gal
ADD 2	Avg. production/month for June-Sept. =	1,700,000 gal
	ADD 2 =	56000 gal
MDD	Avg. production for highest month	1,900,000 gal
	MDD =	63,000 gal

Storage requirement:

- a. 1,000 gallons per customer 45,000 gal
- or
- b. Total of:

Operational storage	16,000 gal
Fire storage	60,000 gal
Emergency storage	32,000 gal
	92,000 gal

Operational storage = 0.25 of MDD
 Fire storage = 2 hours x fire flow requirement
 Emergency storage = one day of MDD

16,000 AWWA
 60,000 Fire flow req. = 500 gpm
 32,000 CWS from 0.5 to 1.0 of MDD. Use 0.5

California Water Service Company

Grand Oaks

Transmission/Distribution Main: Estimated replacement costs

Option A

Size	Current Length	Material	Size	New Material	Cost/ft.	Total	Comments
2	4170	Plastic	6	PVC	\$ 75.00	\$ 312,750	Distribution main: located between the 6-inch and 3-inch
2	380	Plastic	6	PVC	\$ 75.00	\$ 28,500	Distribution main: dead-end after the 3-inch
3	3480	AC	6	PVC	\$ 75.00	\$ 261,000	Distribution main: located after the 2-inch plastic: top of the hill.
6	1820	AC	N/A	N/A	\$ -	-	Current material is AC - no problems
6	3660	Steel	6	PVC	\$ 75.00	\$ 274,500	Distribution main: located between the tank and the top of the hill.
6	550	Steel	6	PVC	\$ 75.00	\$ 41,250	I/O for the storage tank
						\$ 916,000	

Option B

Size	Current Length	Material	Size	New Material	Cost/ft.	Total	Comments
2	4170	Plastic	6	PVC	\$ 75.00	\$ 312,750	Distribution main: located between the 6-inch and 3-inch
2	380	Plastic	4	PVC	\$ 65.00	\$ 24,700	Distribution main: dead-end after the 3-inch
3	3480	AC	4	PVC	\$ 65.00	\$ 226,200	Distribution main: located after the 2-inch plastic: top of the hill.
6	1820	AC	N/A	N/A	\$ -	-	Current material is AC - no problems
6	3660	Steel	6	PVC	\$ 75.00	\$ 274,500	Distribution main: located between the tank and the top of the hill.
6	550	Steel	6	PVC	\$ 75.00	\$ 41,250	I/O for the storage tank
						\$ 879,400	

Option C

Size	Current Length	Material	Size	New Material	Cost/ft.	Total	Comments
2	4170	Plastic	6	PVC	\$ 75.00	\$ 312,750	Distribution main: located between the 6-inch and 3-inch
2	380	Plastic	4	PVC	\$ 65.00	\$ 24,700	Distribution main: dead-end after the 3-inch
3	3480	AC	N/A	N/A	\$ -	-	Distribution main: located after the 2-inch plastic: top of the hill.
6	1820	AC	N/A	N/A	\$ -	-	Current material is AC - no problems
6	3660	Steel	6	PVC	\$ 75.00	\$ 274,500	Distribution main: located between the tank and the top of the hill.
6	550	Steel	6	PVC	\$ 75.00	\$ 41,250	I/O for the storage tank
						\$ 653,200	

Option D: Minimum required

Current Size	Length	Material	New Size	New Material	Cost/ft.	Total	Comments
2	4170	Plastic	6	PVC	\$ 75.00	\$ 312,750.00	Distribution main: located between the 6-inch and 3-inch
2	380	Plastic	N/A	N/A	\$ -	-	Distribution main: dead-end after the 3-inch
3	3480	AC	N/A	N/A	\$ -	-	Distribution main: located after the 2-inch plastic: top of the hill.
6	1820	AC	N/A	N/A	\$ -	-	Current material is AC - no problems
6	3660	Steel	6	PVC	\$ 75.00	\$ 274,500.00	Distribution main: located between the tank and the top of the hill.
6	550	Steel	6	PVC	\$ 75.00	\$ 41,250.00	I/O for the storage tank
						\$ 628,500.00	

California Water Service Company

Grand Oaks

Connections 45
 Permit revision 1991 allows 45 connections.

Transmission/Distribution Main

<u>Size</u>	<u>Length</u>	<u>Mat'l</u>	<u>Location in the system away from the wells</u>
2	4170	Plastic	3 Distribution main: located after the 6-inch steel
2	380	Plastic	5 Distribution main: deadend after 3-inch AC
3	3480	AC	4 Distribution main: located after the 2-inch plastic
4	0	N/A	
6	1820	AC	1 From the wells to the 6-inch steel line
6	3660	Steel	2 After the 6-inch AC; dipped and wrapped; dist. main; installed mid-60s?
6	550	Steel	2 Dipped and wrapped - Inlet/Outlet to tank: installed mid-60s?
8	0	N/A	

Storage

Size 10,000 gal Year Const. 1966
Mat'l Bolted stl. Tank provides water to system via gravity. Equipped with altitude control valve.

Wells

	<u>Capacity</u>	<u>Yr. const.</u>	<u>Depth</u>	<u>Seal?</u>	<u>Casing Dia.</u>	<u>Control</u>
1	140	Unknown	205	Yes	14	Pressure solenoid. (On at 55 psi, Off at 90 psi)
3	?	1990	275	Yes	8	Not in service since DWC/CWS have been operating.

Water Quality

No problems

Production

<u>AF</u>	<u>Gallons</u>	<u>GPM</u>	<u>GPM</u>	<u>GPM</u>
		<u>Avg./day</u>	<u>Max. day</u>	<u>Peak hr.</u>
5.76	1,877,000	42	63	95
Highest month = July				
Max day gpm = Avg./day in highest mo. x 1.5				
Peak hr. gpm = max. day gpm x 1.5				

California Water Service Company

Grand Oaks

Connections 45
Permit revision 1991 allows 45 connections.

	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
Mains	\$ 918,000	\$ 879,400	\$ 653,200	\$ 628,500
Storage: 50,000 gal.	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Production	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Totals	\$ 1,033,000	\$ 994,400	\$ 768,200	\$ 743,500

	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
Mains	\$ 918,000	\$ 879,400	\$ 653,200	\$ 628,500
Storage: 75,000 gal.	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Production	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Totals	\$ 1,083,000	\$ 1,044,400	\$ 818,200	\$ 793,500

California Water Service Company

Grand Oaks

Estimated Capital Improvement Costs

MAINS

Current Size	Length	Material	New Size	Material	Cost/ft.	Total Cost	Replacement Schedule (Years)	Comments
2	4170	Plastic	6	PVC	\$ 75.00	\$ 312,750	1	Distribution main: located between the 6-inch and 3-inch
2	380	Plastic	6	PVC	\$ 75.00	\$ 28,500	5	Distribution main: dead-end after the 3-inch
6	3660	Steel	6	PVC	\$ 75.00	\$ 274,500	5	Distribution main: located between the tank and the top of the hill.
6	550	Steel	6	PVC	\$ 75.00	\$ 41,250	5	I/O for the storage tank

Well

Repairs and equipment for Well #3 \$ 15,000 1

Estimated Revenue Requirement

Phase I	Capital Costs	\$ 327,750	\$ 7,283	/customer
	Revenue Requirement Year 1	\$ 72,417	\$ 134.11	/customer/month
	Revenue Requirement Year 6	\$ 66,297	\$ 122.77	/customer/month
	Revenue Requirement Year 25	\$ 41,820	\$ 77.44	/customer/month
	Revenue Requirement Year 55	\$ -	\$ -	/customer/month
Phase II	Capital Costs	\$ 344,250	\$ 7,650	/customer
	Revenue Requirement Year 6	\$ 75,974	\$ 140.69	/customer/month
	Revenue Requirement Year 25	\$ 50,623	\$ 93.75	/customer/month
	Revenue Requirement Year 55	\$ -	\$ -	/customer/month

Total Revenue Requirement

Year 1	\$ 134.11	/customer/month
6	\$ 263.47	/customer/month
25	\$ 171.19	/customer/month
55	\$ -	

Assumptions

PVC Pipe 55 year depreciation life
Well improvements 42 year depreciation life

Directors:

As required by our underwriters, as part of the pending equity offering, attached are the required supplemental D&O Questionnaire and the Lock Up Agreement. Both agreements have been reviewed by Gibson, Dunn & Crutcher LLP.

Please review the agreements, and we will ask you to sign your copies at the board meeting.

If you have any questions, please feel free to call Marty at (408) 367-8215.

California Water Service Group

Audit Committee Charter

I. Purpose

The purpose of the Audit Committee of the Board of Directors is to assist the Board in oversight of the quality and integrity of the Company's financial statements and the Company's compliance with legal, regulatory and reporting requirements. The Committee is solely responsible for the selection, qualifications and compensation of the Company's independent auditors, including oversight and evaluation of Company's Independent Registered Public Accounting Firm (IRPAF) and internal audit function.

II. Committee Membership

The Audit Committee shall be comprised of three or more directors appointed annually by the Board of Directors. Each Committee member shall satisfy the independence, financial literacy and experience requirements of the Securities and Exchange Commission ("SEC"), the New York Stock Exchange and other regulatory bodies. The Board of Directors shall determine that each member is free of any relationship with the Company which, in the opinion of the Board of Directors, may interfere with the exercise of independent judgment. At least one member of the Committee shall have accounting or financial management expertise, as required by the rules and regulations of the Exchange.

III. Meetings

The Audit Committee shall meet as often as necessary to fulfill its responsibilities, but not less than quarterly. At least quarterly, the Committee shall hold separate, private meetings with the Company's Chief Financial Officer and Controller, and the Company's IRPAF. At least twice each year, the Committee shall meet with representatives of the internal audit firm. Each such person shall have free and direct access to the Committee and any of its members.

The Committee shall meet only if a quorum is present. The presence of a majority of the members will constitute a quorum.

The Committee shall maintain a one-year schedule of future meeting dates including a preliminary agenda for each meeting. Final meeting agendas shall be drafted by the Committee Chair in consultation with the Chief Financial Officer, the IRPAF and the internal auditor.

Following each Committee meeting, the Chair shall report to the Board of Directors the Committee's activities, concerns, conclusions and recommendations, reviewing with the Board the broad scope of issues that may come before the Committee including the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's IRPAF, and performance of the internal audit function.

IV. Authority of Committee

In discharging its oversight role and responsibilities, the Committee is empowered to investigate any matter brought to its attention or assigned by the Board of Directors. The Committee may require Company personnel to assist in any such investigations, and it is empowered to engage and retain outside legal counsel and other experts to assist in such investigations or other matters as it deems necessary.

V. Responsibilities of the Audit Committee

The Company's management is responsible for preparing the Company's financial statements and the IRPAF is responsible for auditing those financial statements. In fulfilling these responsibilities, the IRPAF is ultimately accountable to the Audit Committee, and management is ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee provides an oversight function. This Charter should not be construed to imply that the Audit Committee is required to provide or does provide any assurance or certification as to the Company's financial statements or as to its compliance with laws, rules or regulations. In order to fulfill its oversight responsibility, the Audit Committee must be capable of conducting free and open discussions with management, internal and the IRPAF, employees and others regarding the quality of the financial statements and the system of internal controls. To fulfill its responsibilities, the Audit Committee shall:

With Respect to the Independent Registered Public Accounting Firm:

1. Be directly responsible for the appointment, compensation and oversight of the IRPAF, subject to stockholder ratification.
2. Review and evaluate the IRPAF's performance. The evaluation should include a performance review of the IRPAF's lead partner. In making its evaluation, the Committee should take into account the opinions of management.
3. Ensure the IRPAF independence by:
 - (i) requiring that the IRPAF submit annually to the Audit Committee a formal written statement delineating all relationships between the IRPAF and the Company;
 - (ii) actively engaging in a dialogue with the IRPAF with respect to all relationships or services that may impact their objectivity and independence, including the matters required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees"; and
 - (iii) setting clear policies defining the circumstances under which the Company is permitted to hire former employees of the IRPAF.
4. Review and approve in advance any non-audit services and related fees proposed to be undertaken by the IRPAF on behalf of the Company;

5. Annually review the IRPAF's proposed scope and audit plan, and discuss staffing and timing of the audit and related matters.
6. Review, at least annually, the IRPAF's report on their internal quality controls and any material issues and the steps taken and to be taken to deal with issues raised by the IRPAF's internal quality review, peer review, or inquiry by governmental or professional organizations, at any time within the past five years.
7. Obtain from management, review and approve a description of issues and responses whenever a second opinion is proposed to be sought by management from another outside accounting firm.
8. Require the IRPAF to rotate the lead audit partner assigned to the Company's audit and the second partner responsible for reviewing the audit at least every five years.
9. Periodically review rotating the IRPAF to be selected as the Company's IRPAF. The audit committee should present its conclusions with respect to the IRPAF to the Board of Directors.

With Respect to Financial Statements

10. Review accounting principles and financial statement presentations, including:
 - (i) any changes in the Company's selection or application of significant accounting principles;
 - (ii) any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted by the independent auditors in light of material control deficiencies;
 - (iii) analyses prepared by management and/or the IRPAF setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative Generally Accepted Accounting Principles ("GAAP") on the financial statements; and
 - (iv) the effect of regulatory and accounting initiatives, as well as off-balance sheet arrangements, on the Company's financial statements for compliance with applicable accounting and disclosure rules.
11. Review with the Company's IRPAF:
 - (i) all critical accounting policies and practices to be used;
 - (ii) all alternative treatments of financial information within GAAP that have been discussed with Company management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the IRPAF; and
 - (iii) other material written communications between the IRPAF and Company's management, such as any management letter or schedule of unadjusted accounting differences.

12. Inquire of the IRPAF at a post-audit, pre-issuance review of the Company's annual financial statements, the IRPAF's opinion thereon, and any problems, difficulties or disagreements with management encountered by the IRPAF during the course of the audit, and management's response, including reviewing with the IRPAF:

- (i) any restrictions on the scope of the IRPAF's activities or access to requested information;
- (ii) any accounting adjustments, whether material or not, that were noted or proposed by the IRPAF but were not recorded by the Company and assess the reason the adjustments were not recorded;
- (iii) any communications between the IRPAF and the IRPAF's national office respecting auditing or accounting issues presented by the engagement; and
- (iv) any "management" or "internal control" letter issued, or proposed to be issued, by the IRPAF to the Company.

13. Discuss with the Company's financial management and with the IRPAF the quarterly and annual financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to any public release or announcement or submission to a regulatory agency.

14. Review with management each Form 10-K and 10-Q report required to be submitted to the SEC, its disclosures to the Committee under Section 302 of the Sarbanes-Oxley Act ("Act") and the contents of the Chief Executive Officer and the Chief Financial Officer certifications required to be filed under Section 302 and 906 of the Act. Each quarter, review with management the status on significant deficiencies or material weaknesses as reported under section 404 of the Act. Annually, review management's and the outside auditor's report on internal controls as required under section 404 of the Act and discuss relevant issues as appropriate.

15. Discuss with the IRPAF the matters required to be discussed by relevant auditing standards, including the quality, and not just the acceptability, of the accounting principles and underlying estimates used in the preparation of the financial statements.

16. Recommend to the Board of Directors that the financial statements be included in the Company's annual report to the SEC on Form 10-K, if the Committee finds the financial statements acceptable; such recommendation shall be reported in the Audit Committee report included in the proxy statement.

17. Review and discuss quarterly earnings releases with the Company's financial management and the IRPAF prior to issuance.

18. Review the Company's policy for financial information and earnings guidance provided to analysts and rating agencies. Review, prior to publication or filing of other Company financial information, such as news releases, required regulatory filings and guidance provided to financial analysts, that include financial information, as the Committee deems desirable.

With Respect to Internal Auditing and Internal Controls

19. Appoint, in consultation with management, the Company's internal audit firm that shall report to and be responsible to the Committee.

20. Review and approve the annual internal audit plan including internal audit firm compensation.

21. Annually review the quality of internal accounting and financial control, internal auditor reports and opinions and any recommendations the auditor may have for improving or changing the Company's internal controls, as well as management's response to the internal auditor's recommendations.

22. Discuss policies with respect to the Company's risk assessment and risk management, and review the Company's major financial risk exposures and the steps management has taken and proposes to take to monitor and control such exposures.

VI. Annual Performance Evaluation and Other Matters

23. The Committee shall conduct an annual performance evaluation that... considers matters related to its responsibilities in dealing with the IRPAF, financial statements, internal audit function and internal control.

24. This Charter will be reviewed at least annually with revisions the Committee determines as necessary proposed to the Board of Directors.

25. The Committee will prepare a report to the stockholders for inclusion in each proxy statement, as required by SEC regulations. The Audit Committee Charter will be published each year in the proxy statement and be available through the Company's website. The report will include the name(s) of the Committee members who qualify as financial experts as defined by the SEC.

26. Annually the Committee will review and approve the Company's code of business conduct and ethics for directors and executive officers, including the code of conduct for the CEO and financial executives. The Committee will approve any waivers in the codes and ascertain that changes and waivers are disclosed in a Form 8-K filing with the SEC.

27. The Committee will maintain procedures whereby an employee may submit, on a confidential and anonymous basis, complaints regarding questionable accounting, internal accounting controls, or auditing matters. There shall also be procedures for the Committee, at its Chair's direction, to investigate these matters.