

STATEMENT FOR THE INFORMATION AND
BENEFIT OF THE SHAREHOLDERS OF
THE GAGE CANAL COMPANY

1. FORMATION AND CHARACTER OF GAGE CANAL COMPANY

The Gage Canal Company was incorporated under the laws of the State of California approximately fifty (50) years ago. It is in nature a private corporation, operated on a non-profit basis, for the mutual benefit of its shareholders. It has been so operated since its formation. Being a private corporation, even though mutual and non-profit in nature, all of its assets and property are, therefore, held in private ownership as distinguished from property which is held in public ownership. In other words all of the assets and property belonging to Gage Canal Company is private property. For one-half Century the Gage Canal Company has so held and operated its property. Under the By-Laws of the Gage Canal Company, it can deliver water only to a shareholder and all of its water must be used within its service area, and it is appurtenant to the land to which it is delivered and where it is put to beneficial uses.

2. PRIVATE PROPERTY MAY BE TAKEN FOR PUBLIC USE

Private property may be taken for public use upon payment of just compensation therefor (California Constitution, Article I, Section 14). Under this provision of the

State Constitution, all of the property of the Gage Canal Company can, under the law, be taken for public use. The right to so take private property for public use is known as the power of Eminent Domain, which power is vested only in certain public agencies, or to a limited extent in certain quasi-public corporations such as utility companies, which corporations render service to the general public. When such power is exercised through the Courts, it is usually referred to as a condemnation case, or an action to condemn private property for public use. In California, incorporated cities (such as the City of Riverside, and Municipal Water Districts, among other public entities) have been invested with the power of Eminent Domain.

3. SCARCITY OF WATER IN SOUTHERN CALIFORNIA

It is a matter of common knowledge that in the County of Riverside, and in fact, in all of Southern California, there is an inadequate supply of local natural water to meet the expanding needs of this, the fastest developing area in the entire United States. We cannot afford to allow local natural waters, which have been put to beneficial use in this area for more than sixty years, to be taken from us and put to beneficial use else-

where in other communities to our own injury and damage. It has been to this end that your Board of Directors has been zealously directing its major efforts during the past year and thus far with encouraging success.

4. CONDEMNATION SUITS PENDING AGAINST GAGE CANAL COMPANY

(a) Because of the scarcity of supply of local natural waters, on the one hand, and the spectacular increase of population in Southern California and especially in the cities, on the other hand, the demand for water for domestic and municipal uses is continually increasing; and the forecast is that this growth will continue along this same pattern in the future. In this respect it should not be overlooked or forgotten that a major part of the service area of the Gage Canal Company lies within the incorporated limits of the City of Riverside, while the main source of its water rights is located outside of the city, in fact, in the County of San Bernardino just a few miles north of the Riverside County line, as that line was fixed in 1893, in which year Riverside County was created.

(b) In an effort to keep in this area the local waters which we have so long beneficially enjoyed, and to which we, as private persons, have a well-established and firm legal right, the City of Riverside,

on the 29th day of September, 1959, filed in the local Superior Court a condemnation action against Gage Canal Company (and other local mutual water companies) to condemn all of the assets and property including its water right of Gage Canal Company (and said other companies) in order that city or public ownership of these water rights and physical facilities would afford protection for their continued local presence and use which cannot be vouched safe if held as private property in private ownership against like action by other like or similar public entities whose object would be to take the water elsewhere for use.

(c) About eight (8) months after the City of Riverside filed its action, as above recounted, the City of San Bernardino, on the 5th day of May, 1960, filed a like action against the Gage Canal Company in the Superior Court of the County of San Bernardino, in which action the City of San Bernardino also seeks to condemn (and take away) all of the physical assets and property of the Gage Canal Company, including all of its water rights. The City of San Bernardino has the same legal power of Eminent Domain as does the City of Riverside.

(d) And finally, on or about the 23rd day of June, 1960, the San Bernardino Valley Municipal Water District, a public agency under California^{law}, also filed a

condemnation action against the Gage Canal Company. This action was also filed in the Superior Court of San Bernardino County. The San Bernardino Valley Municipal Water District, as you may or should know, covers a large portion of Western San Bernardino County, including among others, the cities of Redlands, San Bernardino, and Colton. In this action it is not sought to condemn and take all of the property rights of Gage Canal Company, but only those physical facilities (including lands) located in San Bernardino County as well as all of the water rights of the Gage Canal Company, the source of which is located in that County. These water rights so located constitute the major portion of your Company's water rights, the water under which rights your Company and its predecessors in interest have employed and used continuously for more than sixty (60) years.

5. NEGOTIATIONS BY AND BETWEEN THE CITY OF RIVERSIDE AND GAGE CANAL COMPANY

(a) For more than a year now, your Board of Directors has been negotiating with commendable zeal directly, and by and through its officers and representatives with the City of Riverside seeking a solution to

the condemnation action filed by the City which will best protect the rights and interests of the shareholders of the Company and keep the concerned waters firmly available in the local area and on the lands presently using those waters.

On November 8, 1960, at the general election held on that date, the qualified electors of the City of Riverside, by an overwhelming majority, approved a bond issue submitted by the City as a means of financing the purchase of the properties of certain local mutual water companies, including the Gage Canal Company. The result of this election clearly reflected the thinking of the people of Riverside to the effect that we would all be better served now and in the future if the concerned facilities and water rights of Gage Canal Company were transferred into the public and municipal ownership of the City of Riverside. The City of Riverside is even now in the process of issuing and selling the bonds as authorized and directed by the people on November 8, 1960.

(b) Under the conditions and circumstances confronting all of us, the details of many of which, in the interest of brevity, are not set out here, your Board of Directors has indicated its willingness and intention to transfer and convey a major part of all of its assets

and facilities to the City of Riverside under certain conditions and subject to certain commitments by the City. We will here list the major or controlling conditions and considerations sufficiently to make the proposed transaction generally clear, not attempting as you will appreciate, to list all of the several details.

(c) The Gage Canal Company will retain its records; ownership of its Mockingbird Reservoir and the land adjacent thereto; its headquarter offices; all building and structures used for storage and dwelling house purposes; all office furniture and equipment, automotive equipment, tools, and any and all other personal property used in operating the existing facilities.

(d) The Gage Canal Company will continue in existence, and under an appropriate agreement with the City, subject to Court validation, will in the future, as an agent of the City, operate all of the facilities and deliver water from those sources and through those facilities for irrigation in the future as it has in the past, all on a cost basis.

(e) The City agrees to cause to be delivered including extra water as under present arrangements the same amount of water / of the same quality, and from the same sources to the shareholders of Gage and to their assigns or successors and to the lands to which said waters are now

or may become appurtenant, all within the present existing Gage service area, for so long in the future as said water is available and is needed on said lands for irrigation purposes, and upon change of land use, if and when that may occur, to make available to said lands, whether within the City limits, or bordering those limits, potable water for domestic or municipal uses as may be required, all of which is to be done at cost to the consumer. In other words it is believed, that even though title be transferred to the City, the water and its use will remain upon the described lands and available to those presently entitled to receive the same and on the lands to which said water is appurtenant, and all on a cost basis as is presently the case.

(f) Any and all capital outlays or expense incurred by the City by way of covering the Canal, construction of additional reservoirs, altering or enlarging the Canal, making the water therein potable, etc., shall be at the sole expense of the City, together with such appropriate assistance as the Company may conveniently supply.

(g) The City will take from Gage Canal Company such title in and ^{to} the concerned properties and facilities as is now vested in Gage, subject to any and all existing and outstanding contracts, commitments, liens, and conditions, liabilities, reservations and restrictions of record,

and further agrees to utilize all of its resources to defend such titles, if challenged, there being reserved to the Gage Canal Company the right to join in such defense at its own discretion.

(h) The City will assume and pay to the Company all legal expense incidentally or necessarily incurred by Gage in connection with the City's condemnation action to and including the 29th day of December, 1960, and all legal expense of Special Counsel for the Company from said day mentioned above until this proceeding is completely resolved and consummated. In addition the City agrees to assume and pay to Gage Canal Company one-half of the appraisal costs incurred by Gage incidental to this matter.

(i) The City agrees to pay to each Gage shareholder, other than the City, the California Electric Power Company and the Regents of the University of California, the sum of \$225 for each share of stock held by any other person upon the consummation of this transaction, through the entry of judgment in the pending action, and thereafter at the time when a Gage shareholder and water user desires to cease farming and develop his property for other uses, the City will then pay to the shareholder a final payment per share based upon the year in which the water is surrendered for domestic or municipal use, at which time the share certificate shall be transferred to the City, as follows:

<u>Year</u>	<u>Final Payment</u>
1961	\$143.00 per share
1962	134.00 per share
1963	125.00 per share
1964	115.00 per share
1965	105.00 per share
1966 and thereafter	100.00 per share

(j) The City agrees to make said payments directly to the shareholder or to Gage Canal Company, at the direction of the Board of Directors and concurrence of a majority of the voting power of the issued and outstanding stock, excluding therefrom the stock held by the City, by California Electric Power Company and the Regents of the University of California.

6. CONSUMMATION OF TRANSACTION

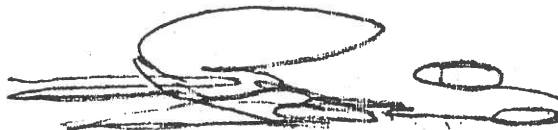
When the agreement as herein generally described is formalized, together with a Stipulation between the City and the Company containing a proposed decree of condemnation, the same shall be presented to the Board of Directors of Gage Canal Company and its then shareholders, as well as to the City Council. If approved by the Board of Directors and a majority of the voting power of the issued and outstanding stock, said matters will then be presented to the Court, and if approved by the Court shall become effective, subject also to the Consent of the Public Utilities Commission of the State of California if same is found to be required.

7. RECOMMENDATION

It is to be understood that this statement does not in any sense of the word constitute a formalized Agreement between the Company and the City, but it is an accurate statement of the general plan or proposal arrived at through negotiations by the parties.

Your Board of Directors recommends it to the favorable consideration of each and every shareholder of Gage Canal Company for the best interest of yourself, your Company, your City, and the future of the entire community.

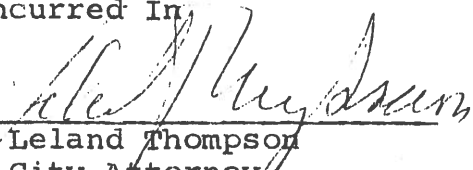
Dated: January 9, 1961.



Earl Redwine
Special Counsel
Gage Canal Company

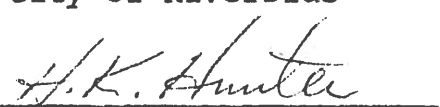
Approved and
Concurred In

By



Leland Thompson
City Attorney
City of Riverside

By



H. K. Hunter
City Manager.