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PP 20-71*

AGREEMENT FOR THE PURCHASE AND SALE
OF ASSETS OF ARROWHEAD UTILITY COMPANY

5/31/78
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*Lake Arrowhead
Country Club*

THIS AGREEMENT, made as of the 9th day of June, 1978, by and between ARROWHEAD UTILITY COMPANY, a California corporation ("Seller"), and LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT, a community services district formed pursuant to Government Code Section 61100 et. seq. ("Buyer"), is as follows:

RECITALS:

A. Seller is the owner of the "Included Assets" as that term is defined in Paragraph 1.1 below. The Included Assets constitute all or substantially all of Seller's facilities used or useful in its public utility operations.

B. Buyer desires to purchase the Included Assets on the terms and conditions set forth below, and Seller is willing to sell the Included Assets to Buyer on the terms and conditions set forth below.

C. Seller will cease public utility operations upon the transfer of the Included Assets to Buyer.

TERMS AND CONDITIONS

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

1.1 Included Assets. The term "Included Assets" includes and means each and every of the following assets other

than such of the same which are described as Excluded Assets, as that term is defined in Paragraph 1.2 below.

(a) Real Property. All of the real property (the "Real Property") described in Exhibit "1" attached hereto and made a part hereof.

(b) Easements. All of the easements and rights (the "Easements") described in Exhibit "2" attached hereto and made a part hereof.

(c) Water Works Facilities. All wells, reservoirs, pumps, pipes, service connections, meters and hydrants, water treatment plant and other utility plants incorporated in Seller's water system as set forth in Seller's Annual Report to the California Public Utilities Commission (hereinafter referred to as the "Commission") as of December 31, 1977, as set forth in Exhibit "3" attached hereto and made a part hereof.

(d) Construction Work in Progress. The construction work in progress which is classified as such on the date hereof or on the Closing Date (as hereinafter defined) and which is owned by Seller on the Closing Date and the cost of which is recorded (or the cost of which Seller is obligated to record) in the books of account required to be maintained by Seller.

(e) Personal Property. The personal property described in Exhibit "4" attached hereto and made a part hereof (the "Personal Property"), and all materials and supplies used by Seller in the operation of the Included Assets.

(f) Permits. All permits, licenses, franchises, certificates of public convenience and necessity, and similar rights and privileges that are a part of or necessary to

the use of the Included Assets and are claimed or owned by Seller on the Closing Date.

(g) Books and Records. All deeds, books, maps and records of Seller relating to the operation or ownership of the Included Assets which are kept and maintained by Seller at its office in Lake Arrowhead.

(h) Included Contracts. All Seller's right, title and interest in and to all contracts and agreements listed in Exhibit "5" attached hereto and made a part hereof and all other contracts of Seller, written or oral, hereinafter entered into by Seller in the ordinary course of Seller's business, involving the obligation of Seller to provide goods or services, including water, or to install facilities or equipment, or including the installation of facilities or equipment, or the obtaining of materials or supplies, all of which are herein collectively called "Included Contracts".

(i) Accounts Receivable. All accounts receivable of Seller as of the Closing Date for water delivered by Seller to its customers.

(j) Customer Deposits. All Cash Deposits held by Seller as of the Closing Date which constitutes customer deposits which are returnable to customers according to the Rules and Regulations of the Commission pursuant to which they were obtained.

(k) Undisbursed Construction Advances. All cash held by Seller as of the Closing Date which constitutes construction advances which have not been disbursed or used by Seller and which were delivered to Seller pursuant to Reimbursement Agreements.

(1) Permitted Additions. All "Permitted Additions", as that term is defined in Paragraph 1.4 below.

1.2 Excluded Assets. The term "Excluded Assets" means and includes only the following:

(a) Cash. The cash owned by Seller on the Closing Date other than the cash described in subparagraphs 1.1(j) and 1.1(k) above.

(b) Minute Books, etc. Seller's corporate minute book, capital stock records, seal and other corporate records not pertinent to the Included Assets, and such records of Seller's parent or affiliated companies related to Seller which are not kept and maintained at Lake Arrowhead.

(c) Permitted Dispositions. Any assets which have been disposed of as a "Permitted Disposition" as that term is defined in Paragraph 1.3 below.

(d) Golf Course Supply System. The property which is used for the rendering of water service to the golf course known as Lake Arrowhead Country Club, including, but not limited to, the submersible pumps in Grass Valley Lake.

1.3 Permitted Dispositions. The term "Permitted Disposition(s)" means the disposition by means other than sale, of any assets in the ordinary course of business of Seller between December 31, 1977 and the Closing Date.

1.4 Permitted Addition(s). The term "Permitted Addition(s)" means all additions, replacements, or substitutions during the period between December 31, 1977 and the Closing Date of rights, assets or other properties of a category of Included Assets made by Seller in the ordinary course of business.

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1.5 Purchase Price Change. The term "Purchase Price Change" means the increase or ^{decrease (exclusive of decrease resulting from depreciation)} decrease, as the case may be, in the aggregate value of all the assets of Seller of a category of Included Assets as of December 31, 1977, other than Accounts Receivable, during the period commencing January 1, 1978, and ending on the day preceding the Closing Date, as reflected by the books and records of Seller, determined in accordance with the Uniform Systems of Accounts prescribed by the Commission for Class A Water Utilities and, in any case in which such Systems of Accounts is silent, then in accordance with generally accepted accounting principles. *561*

2. Sale and Purchase of Included Assets.

2.1 Agreement to Sell and Purchase. On and subject to all the terms and conditions hereof, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, as of the Closing Date, the Included Assets.

2.2 Purchase Price. The purchase price for the Included Assets shall be the sum of Three Million Eight Hundred Ninety-Five Thousand Dollars (\$3,895,000.00) plus or minus, as the case may be, an amount equal to Purchase Price Change, and plus an amount equal to ninety percent (90%) of the "Agreed Accounts Receivable Amount" (as that term is defined and determined in accordance with Section 3 below). The purchase price shall be paid and determined in accordance with the following procedure:

(a) Ten (10) days prior to the Closing Date, Seller shall deliver to Buyer a Statement of Estimated Purchase Price which shall set forth separately Seller's estimate of Purchase Price Change and Seller's estimate of the Agreed

Accounts Receivable Amount. The amount of the Estimated Purchase Price set forth in the Statement of Estimated Purchase Price shall be paid by Buyer to Seller on the Closing Date.

(b) Within thirty (30) days following the Closing Date, Seller shall deliver to Buyer, Seller's Statement of Purchase Price setting forth Seller's determination of Purchase Price Change and accompanied by such data and documentation as shall be reasonably necessary for Buyer to evaluate the correctness of Seller's determination of Purchase Price Change. The Statement of Purchase Price shall be accompanied by the amount, if any, due Buyer by reason of the difference, if any, between the Purchase Price Change set forth in Seller's estimate of Purchase Price Change and the Purchase Price Change set forth in the Statement of Purchase Price. The amount, if any, due from Buyer to Seller by reason of the difference between the estimated Purchase Price Change and the Purchase Price Change set forth in the Statement of Purchase Price shall be paid by Buyer to Seller as soon as possible, but within five (5) days to thirty (30) days following delivery to Buyer of the Statement of Purchase Price.

(c) The Statement of Purchase Price shall be conclusive upon Buyer unless Buyer shall object to the Statement of Purchase Price within ninety (90) days after delivery thereof to Buyer, which objection shall specify in detail the nature of Buyer's objection and the amount which Buyer contends constitutes Purchase Price Change. Should Buyer make any such objection to the Statement of Purchase Price, the parties shall attempt to resolve said differences. If the parties are not able to resolve said differences within ninety (90) days following any objection by Buyer, then such differences shall be submitted to arbitration

in accordance with the rules and procedures of the American Arbitration Association. The "prevailing party" in such arbitration shall be entitled to an award of reasonable attorneys' fees in addition to all other costs and relief. For the purposes of this subparagraph, the term "prevailing party" means that party whose computation of the amount of Purchase Price Change is closest to the amount of Purchase Price Change determined in such arbitration. The amount due Seller or Buyer, as the case may be, by reason of such agreed or determination by arbitration of Purchase Price Change shall be paid within thirty (30) days following such determination.

3. Accounts Receivable. Buyer is aware that Seller's bills for water delivered to its customers go out every two months and cover approximately the previous 60-day period. Seller and Buyer shall attempt to agree on a projection of Accounts Receivable as of the Closing Date, which projection shall constitute the Agreed Accounts Receivable Amount for purposes of computing the purchase price for the Included Assets due on the Closing Date. If agreement is not reached on a projection, then (i) the amount to be included in the purchase price payable to Seller on the Closing Date shall be ninety per cent (90%) of Seller's projection, (ii) the Agreed Accounts Receivable Amount shall be determined by a reading of one-half of the meters in Seller's service area prior to the Closing Date and a reading of one-half of the meters in Seller's service area after the Closing Date, and (iii) the difference due Seller or Buyer, as the case may be, as a result of the difference between the amount paid pursuant to clause (i) above, and the Agreed Accounts Receivable Amount determined as a

result of the meter readings shall be paid within seven (7) days following such determination as a result of the meter readings.

4. Commission Application. Within fifteen (15) days of the date hereof, Seller and Buyer shall jointly execute and file with the Commission an application for approval of the transfer contemplated by this Agreement in such form as may be mutually agreed upon by the parties (hereinafter referred to as the "Application"), unless such Application is not required by reason of Section 853 of the Public Utilities Code. Each party will cooperate fully in making such presentation to the Commission as may be reasonably requested by counsel of either Buyer or Seller. Each party shall pay its own counsel and expenses in connection with the Application.

5. Conduct of Business. Between the date of this Agreement and the Closing Date, Seller will not, without the prior written consent of Buyer, which consent shall not be unreasonably withheld, enter into any material transaction other than in the ordinary course of business. Installation of such services on existing pipelines, and such changes, additions, improvements, major repairs, extensions, or retirements in, to or of its water system or operating properties as in the opinion of Seller may be necessary (i) to comply with any order of the Commission, or (ii) maintain or furnish adequate water service to new or existing customers of Seller, shall be deemed to be transactions in the ordinary course of business; provided, however, that all work involved shall be done in accordance with customary public utility water system practice, and provided further, that Seller shall notify Buyer of all work involved in (ii) above if the cost

of said work exceeds \$2,000.00 per installation. Prior to the Closing Date Seller shall not enter into any new reimbursement agreements unless required to do so by law or by regulations applicable to Seller.

6. Closing.

6.1 Closing Date. As used herein, the term "Closing Date" means the date the deed from Seller to Buyer of the Real Property is recorded. The Closing Date shall occur on a date designated by Buyer upon not less than three (3) business days' notice to Seller. In no event shall the Closing Date be later than September 1, 1978. Notwithstanding anything herein contained to the contrary, should (i) the special bond election not be held by June 6, 1978, or (ii) should the proposal to issue revenue bonds be defeated at a bond election held on or before June 6, 1978, then in either case either party may forthwith terminate this Agreement.

6.2 Assistance of Title Company. Title to the Real Property shall be conveyed to Buyer on the Closing Date by a grant deed in form and substance identical to Exhibit ("6") attached hereto and made a part hereof (the "Grant Deed"). Title to the Easements shall be conveyed to Buyer on the Closing Date by Quitclaim Deed. The Deed and Quitclaim Deed are herein collectively called the "Deeds". The Closing shall be accomplished with the assistance of Title Insurance and Trust Company in San Bernardino, California ("Title Company"). At least one business day prior to the Closing Date Seller shall deliver to Title Company the Deeds. Concurrently with such delivery Seller and Buyer shall deliver to Title Company their instructions that Title Company is instructed

to record the Deeds on the Closing Date provided that Title Company shall have received the telephonic advice of Seller, Buyer and the Fiscal Agent for the bonds referred to in subparagraph 10(d) below (the "Fiscal Agent"), and provided that Title Company is then in a position to issue its owner's standard coverage CLTA policy of title insurance (the "Title Policy") in the amount of Seller's estimate of the purchase price of the Included Assets as set forth in the Statement of Purchase Price delivered to Buyer pursuant to subparagraph 2.2(a) insuring title to the Real Property vested in Buyer subject only to (i) non-delinquent real property taxes and assessments on the Real Property, and (ii) all conditions, exceptions and other matters affecting title to the Real Property shown in that certain Preliminary Title Report attached hereto as Exhibit "8" and made a part hereof. Said instructions to Title Company also shall provide that the parties agree to furnish Title Company with sufficient funds to enable Title Company to comply with said instructions in accordance with the following:

(1) Seller shall pay the documentary stamps and recording fees for recording the Deeds, the premium for the Title Policy, and one-half of all other costs, if any, of Title Company in complying with said instructions.

(2) Buyer shall pay one-half of all costs of Title Company, if any, in complying with said instructions (other than the premium for the Title Policy and documentary stamps and recording fees for recording the Deeds).

6.3 Closing Conference. The Closing shall take place at a closing conference (the "Closing Conference") to be held on the Closing Date at the hour of 10:00 o'clock A.M.

local time at the offices of Cox, Castle & Nicholson, 2049 Century Park East, Los Angeles, California. Seller and Buyer each shall be represented at the Closing Conference. Provided the Fiscal Agent has received the purchase price of the sale of the bonds, referred to in subparagraph 10(d) below, the procedure to be followed by the parties at the Closing Conference shall be as follows:

(a) Seller shall deliver to Buyer a Bill of Sale in form and substance identified as Exhibit "7" attached hereto and made a part hereof (the "Bill of Sale").

(b) Buyer shall deliver to Seller's counsel, Cprox, Castle & Nicholson, in trust, a cashier's check or Buyer's certified check in the amount called for by subparagraph 2.2(a) above, to be held for delivery to Seller when Title Company shall have recorded the Deeds.

(c) Seller shall deliver to Buyer its check in the amount constituting Customer Deposits and Undisbursed Advances as described in subparagraphs 1.1(j) and 1.1(k) above as of the Closing Date. Seller also shall deliver to Buyer its check in the amount called for by Paragraph 9.1.

(d) Seller and Buyer shall deliver to each other certified resolutions of their respective Boards of Directors ratifying this Agreement and authorizing the purchase and sale provided for herein and execution of all documents called for herein.

(e) Following the foregoing deliveries, Seller, Buyer and the Fiscal Agent shall instruct Title Company to carry out the Instructions delivered to Title Company concurrently with the Deeds. Upon the carrying out by Title Company

of said Instructions, the deliveries made pursuant to the provisions of this Paragraph 6.3 shall be deemed effective.

7. Prorations. Real property taxes and assessments on the Real Property shall be prorated as of the Closing Date and shall be paid in cash to the party entitled thereto at the Closing based on the most recent official information (a) applicable to the fiscal year in which the Closing Date occurs, and (b) obtainable in the office of the particular taxing authority.

8. Assignment and Assumption of Contracts and Obligations. At the Closing, Seller shall be deemed to have assigned to Buyer, without execution of any additional documents, each and every Included Contract, and Buyer agrees to assume, and at the Closing, Buyer shall be deemed to have assumed, without execution of any additional documents, the obligations of Seller pursuant to or by means of each and every Included Contract, including, but not limited to, the obligations to make all refunds or reimbursements provided for thereunder. All main extension agreements between Seller and Boise Cascade Home & Land Corporation shall be cancelled on the Closing Date and Buyer shall have no obligation to make any refunds or reimbursements on account of any such main extension agreements between Seller and Boise Cascade Home & Land Corporation.

9. Seller's Employees.

9.1. Accrued Vacation Rights of Seller's Employees.

At the Closing Conference, Seller shall deliver to Buyer a schedule ("Vacation Schedule" herein) setting forth the following information:

(a) The names of each person employed by Seller as of the Closing Date and whose employment by Seller was terminated on the Closing Date ("Terminated Employees" herein).

(b) With respect to each Terminated Employee, the number of days, if any, of vacation which, as of the Closing Date, such Terminated Employee would have been entitled to receive after the Closing Date ("Accrued Vacation" herein).

(c) The number of dollars, if any, which each Terminated Employee is, as the result of the termination of such employee's employment by Seller, entitled to receive from Seller in lieu of Accrued Vacation ("Accrued Vacation Pay" herein).

Seller also shall deliver to Buyer at the Closing Conference Seller's check in the amount of the aggregate Accrued Vacation Pay of all Terminated Employees. Buyer hereby agrees to hold and disburse such funds as hereinafter set forth in this paragraph 9.1. Attached hereto, as Exhibit "9" and made a part hereof is a form of Notice which Seller agrees to deliver or cause to be delivered within five (5) days following the Closing Date to each Terminated Employee entitled to Accrued Vacation or Accrued Vacation Pay. Buyer agrees to disburse, on behalf of Seller, to each Terminated Employee who shall elect to receive Accrued Vacation Pay (or who shall, prior to fifteen (15) days following the Closing Date, be deemed to have elected to receive Accrued Vacation Pay), the amount of Accrued Vacation Pay set forth opposite such Terminated Employee's name on the Vacation Schedule, such disbursement to be made promptly after any such

election is made (or deemed to have been made). Seller agrees that any portion of the funds delivered to Buyer pursuant to the provisions of this Paragraph 9.1 not required to be disbursed to Terminated Employees in accordance with the provisions of the immediately preceding sentence may be retained by Buyer as Buyer's property. As used herein, the term "Electing Employee" means each of those Terminated Employees who shall elect to receive Accrued Vacation in lieu of Accrued Vacation Pay. Buyer agrees to afford to each Electing Employee, during the calendar year 1978, that number of days vacation equal to that number of days of Accrued Vacation set forth opposite his name on the Vacation Schedule. Buyer further agrees to pay to any Electing Employee whose employment with Buyer shall be terminated in 1978 the amount of Accrued Vacation Pay which he would have received had he not elected to receive Accrued Vacation in lieu thereof, less appropriate reduction based for any vacation actually received from Buyer by such Terminated Employee during the calendar year 1978. On or before 30 days following the Closing Date, Buyer shall deliver to Seller a complete accounting with respect to the funds delivered to Buyer pursuant to the provisions of this paragraph 9.1 together with a duplicate original of the election, if any, made by any Terminated Employee.

9.2 Severance Pay. Within twelve (12) months following the Closing Date, Buyer shall not employ any employee of Seller whose employment is terminated on or prior to the Closing Date and who is not transferred to the employment of Buyer on the Closing Date unless Buyer promptly, upon employment

of such employee, reimburses Seller for any and all severance costs incurred by Seller in connection with such employee.

10. Buyer's Obligation to Close. The obligation of Buyer to close the transaction herein contemplated on the Closing Date is subject to the satisfaction on or before the Closing Date of the following conditions, compliance with which or the occurrence of which may be waived in whole or in part by Buyer in writing:

(a) Seller shall have performed and satisfied all covenants and conditions required by this Agreement to be performed and satisfied by it at or prior to the Closing Date.

(b) Title Company shall be willing to issue the Title Policy called for by Subparagraph 6.3(f) hereof.

(c) The representation of Seller set forth in paragraph 16.1 shall be true and correct.

(d) Pursuant to a special bond election, Buyer shall have been authorized to issue revenue bonds in an amount sufficient to enable Buyer to purchase the Included Assets as provided in this Agreement, and shall have issued and delivered such bonds.

11. Seller's Obligation to Close. The obligation of Seller to close the transaction herein contemplated on the Closing Date is subject to the satisfaction on or before the Closing Date of the following conditions, compliance with which or the occurrence of which may be waived in whole or in part by Seller in writing:

(a) Buyer shall have performed and satisfied all covenants and conditions required by this Agreement to be performed and satisfied by it at or prior to the Closing Date.

(b) The representation of Buyer set forth in Section 15 shall be true and correct.

(c) Buyer shall have delivered to Seller an opinion of Buyer's counsel that (i) Buyer has been formed in accordance with applicable laws and regulations, (ii) Buyer has full and requisite power to acquire and operate the Included Assets and to perform its obligations under this Agreement, and (iii) Buyer's performance has been duly authorized by all requisite action on the part of Buyer.

12. Commission Order. As a condition precedent to the obligation of each of Seller and Buyer to close this transaction, the Commission shall have issued such order as in the opinion of counsel for Seller and Buyer is required by law to authorize the sale of the Included Assets to Buyer as contemplated herein, unless such order is not required by reason of Section 853 of the Public Utilities Code. If such order or orders of the Commission require the performance of acts or the assumption of obligations, monetary or otherwise, materially different from those contemplated by this Agreement and by the Application, then the party hereto adversely affected by such order or orders may elect to terminate this Agreement. If, after the date hereof, and prior to the Closing Date, any order of the Commission directed to either of the parties shall materially and adversely affect the consideration to be received by such party under this Agreement, then the party so affected may terminate this Agreement.

13. Indemnification of Buyer.

13.1 Agreement to Indemnify. Subject to the provisions of paragraph 13.2, Seller agrees to hold Buyer harmless

from and indemnify Buyer against any and all liability, loss, damage, cost or expense to Buyer, including reasonable attorneys' fees, occasioned by or resulting from (i) any breach or default by Seller of any covenant, representation or agreement of Seller contained herein, or (ii) any liability to third parties by reason of any breach by Seller of any contract not assumed by Buyer pursuant to the terms and conditions of this Agreement.

13.2 Indemnity Procedure. Buyer shall submit any claim for indemnification under this Agreement to Seller in writing within a reasonable time after Buyer determines that an event has occurred which has given rise to a right of indemnification; provided, however, that the right of indemnification of Buyer under this Agreement shall not be affected by any delay in the giving of such notice unless by reason of such delay, Seller's ability to discover or verify the facts relating to such claim for indemnification is significantly hampered. If such claims for indemnification relate to a claim or demand presented in writing by a third party against Buyer, Seller shall have the right to employ counsel to defend any such claim or demand (which counsel shall be reasonably satisfactory to Buyer) and Buyer shall cooperate and may participate in the defenses of any such claim and shall make available to Seller, or its representatives, all records and other materials in its possession or under its control reasonably required by Seller for its use in contesting any such liability. If Seller does not elect to defend any such claim or demand, Buyer may do so at its option, but shall not have any obligation to do so.

14. Indemnification of Seller.

14.1 Agreement to Indemnify. Subject to the provisions of paragraph 14.2, Buyer agrees to hold Seller harmless from and indemnify Seller against any and all liability, loss, damage, cost or expense to Seller, including reasonable attorneys' fees, occasioned by or resulting from (i) any breach or default by Buyer of any covenant, representation or agreement of Buyer contained herein, (ii) the failure of Buyer to perform any agreement or obligation of Seller assumed by Buyer pursuant to this Agreement, or (iii) the use of the water rights described in Exhibit "2" hereof to serve or supply water outside the presently existing boundaries of Buyer.

14.2 Indemnity Procedure. Seller shall submit any claim for indemnification under this Agreement to Buyer in writing within a reasonable time after Seller determines that an event has occurred which has given rise to a right of indemnification; provided, however, that the right of indemnification of Seller under this Agreement shall not be affected by any delay in the giving of such notice unless by reason of such delay, Buyer's ability to discover or verify the facts relating to such claim for indemnification is significantly hampered. If such claims for indemnification relate to a claim or demand presented in writing by a third party against Seller, Buyer shall have the right to employ counsel to defend any such claim or demand (which counsel shall be reasonably satisfactory to Seller) and Seller shall cooperate and may participate in the defenses of any such claim and shall make available to Buyer, or its representative, all records and other materials in its possession or under its control reasonably required by Buyer for its use in contesting any

such liability. If Buyer does not elect to defend any such claim or demand, Seller may do so at its option, but shall not have any obligation to do so.

15. Buyer's Warranties. Buyer represents and warrants to Seller that Buyer has not employed any real estate broker, finder or agent and has not agreed to pay or otherwise incur any real estate brokerage fee, finder's fee or commission with respect to this transaction.

16. Seller's Warranties.

16.1 No Broker. Seller represents and warrants to Buyer that Seller has not employed any real estate broker, finder or agent and has not agreed to pay or otherwise incur any real estate brokerage fee, finder's fee or commission with respect to this transaction.

16.2 Absence of Other Warranties of Seller.

Except as provided in Paragraph 16.1 above, Seller makes no representation of warranty respecting the Included Assets or any portion thereof, or otherwise in connection with this transaction. Without limiting the generality of the foregoing, Buyer acknowledges and agrees that:

(a) Buyer has requested from Seller, and Seller has furnished to Buyer, all instruments, records and documents which Buyer deemed appropriate or advisable to review in connection with this transaction, and Buyer has reviewed the same and has determined that the same and the information and data contained therein and evidenced thereby are satisfactory to Buyer.

(b) Buyer has made its own independent investigation respecting the Included Assets and each portion

thereof, and all other aspects of this transaction and is relying entirely thereon and on the advice of its consultants in entering into this Agreement.

(c) All Included Assets are purchased "as is".

(d) Seller has advised Buyer that the list of water works facilities contained in Exhibit "3" was not prepared from current records and that Seller has made no inspection or investigation of these facilities. Seller has made no representation or warranty as to or concerning the existence, location or condition of such water works facilities.

(e) Seller has made no representation or warranty as to or concerning the contents or accuracy of any pro forma schedule, statement or projection which may have been furnished to Buyer, and Buyer shall have no claim against Seller by reason of or based on any such pro forma schedule, statement or projection.

(f) Sellers have made no representation respecting the rights of downstream riparian owners with respect to water now or hereafter impounded in Lake Arrowhead and Buyer is aware that such downstream riparian owners may have certain rights with respect to such water.

17. Agreement to Render Water Service. Without limiting the generality of Section 16, above, Buyer will render water service to all existing customers being lawfully served by Seller within the service area of Seller as delineated in the Certificate of Convenience and Necessity granted by the Commission and to the two existing areas shown on the map attached hereto as Exhibit "10" and made a part hereof presently being served by Seller

outside of its certificated area and the required sale of water to Arrowhead Manor Water Company as approved by the Commission in Decision No. 67047 dated April 7, 1964 in accordance with that certain "IRREVOCABLE AGREEMENT" dated December 9, 1963 by and between Lake Arrowhead Development Co. and Arrowhead Manor Water Co., a copy of which is attached hereto as Exhibit "11" and made a part hereof. Buyer agrees that it shall not charge Arrowhead Manor Water Co. or Boise Cascade Home & Land Corporation (successor to Lake Arrowhead Development Co.), its successors and assigns, for any water required to be delivered to Arrowhead Manor Water Co. pursuant to said IRREVOCABLE AGREEMENT.

18. Effect of Termination. In the event this Agreement is terminated pursuant to the provisions of Paragraph 6.1 or Section 12 hereof, then neither party shall have any obligation or liability to the other pursuant to or by reason of this Agreement.

19. Possession. Buyer shall be entitled to possession of the Included Assets when the Deed records. During the term of this Agreement and prior to the time when Buyer is entitled to possession, Buyer, its agents and independent contractors, shall be entitled to enter upon the Real Property to the extent necessary for the purpose of planning its operations and carrying out the intent of this Agreement, Buyer shall repair all damage to the Included Assets and shall indemnify Seller from all costs and expenses resulting from Buyer's activities under this Section.

20. Rates for Irrigation of Lake Arrowhead Country Club. Buyer has been informed and is aware that Seller currently charges the owner of the Lake Arrowhead Country Club an amount (the "Per Acre Foot Amount") equal to Seventy Five Dollars (\$75.00) (the

"Existing Country Club Base Rate") for each and every acre foot of water delivered to the meter located at the Bernina Divide Filter Plant for irrigation of Lake Arrowhead Country Club. Buyer has been informed and is aware that Seller currently charges domestic customers Eighteen Dollars and Fifty Cents (\$18.50) (the "Existing Domestic Base Rate") for each of the first one thousand (1,000) cubic feet of water used by such customer during each two (2) month period. Buyer agrees that it will not increase the Per Acre Foot Amount by an amount which would result in the number derived by dividing the Per Acre Foot Amount after such increase by the Existing Country Club Base Rate being greater than the number derived by dividing the then amount to be charged each domestic customer for each of the first one thousand (1,000) cubic feet of water used by such customer during each two (2) month period by the Existing Domestic Base Rate. *What (was) that* $\frac{1000}{\$18.50} = 54.05$ *What is consistent with 1942*

21. Further Assurances. Seller will, whenever and as often as shall be requested by Buyer, and Buyer will, whenever and as often as it shall be requested to do so by Seller, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all such further conveyances, assignments, confirmations, satisfactions, releases, powers of attorney, instruments of further assurance, approvals, consents and any and all such further instruments and documents as may be necessary, expedient or proper, in the opinion of the party requesting the same, in order to complete any and all conveyances, transfers, sales and assignments herein provided and to do any and all other acts and to execute, acknowledge and deliver any and all documents as so requested in order to carry out the intent and purpose of this Agreement.

22. Notices. No notice, request, demand, instruction or other document to be given hereunder to any party shall be effective for any purposes unless personally delivered to the person and at the appropriate address set forth below (in which event such notice shall be deemed effective only upon such delivery) or when delivered by mail, sent by registered or certified mail, return receipt requested, as follows:

If to Seller, to:

Boise Cascade Home & Land Corporation
P.O. Box 28
Palo Alto, California 94302

Attention: Contract Administrator

And to:

Cox, Castle & Nicholson
Two Century Plaza, Twenty-Eighth Floor
2049 Century Park East
Los Angeles, California 90067

Attention: Stephen G. Shapiro, Esq.

If to Buyer, to:

Lake Arrowhead Community Services District
P. O. Box 787
Crestline, California 92325

Attention: President of the Board of Directors

And to:

Clayson, Rothrock & Mann
601 South Main Street
Corona, California 91720

Attention: Ivan Hopkins, Esq.

Notices so mailed shall be deemed to have been given 48 hours after the deposit of same in any United States mail post office box in the state to which the notice is addressed, or 72 hours after deposit of same in any such post office box other than in

the state to which the notice is addressed, postage prepaid, addressed as set forth above, except for those notices with respect to which this Agreement specifically requires actual receipt. Notice shall not be deemed given unless and until under the preceding sentence notice shall be deemed given to all addressees to whom notice must be sent. The addresses and addressees, for the purpose of this paragraph, may be changed by giving written notice of such change in the manner herein provided for giving notice. Unless and until such written notice is received, the last address and addressee stated by written notice, or provided herein if no written notice of change has been sent or received, shall be deemed to continue in effect for all purposes hereunder.

23. Books and Records. For a period of seven (7) years after the Closing Date, all deeds, books, maps and records referred to in subparagraph 1.1(g) above (the "Books and Records") shall be kept and maintained by Buyer in Arrowhead Woods and shall not be removed therefrom without Seller's prior written consent. Seller and its designated agents shall be given access to the Books and Records from time to time and at any time during normal business hours for any reasonable business purpose upon five (5) days notice to Buyer. In the event Buyer no longer wishes to keep and maintain the Books and Records, Buyer shall so notify Seller. Within thirty (30) days after the giving of such notice, Buyer shall turn over possession of the Books and Records to Seller on a date mutually convenient to Buyer and Seller. Buyer shall have access to the Books and Records prior to the Closing Date for all reasonable purposes in connection with this Agreement. For a

period of seven (7) years after the Closing Date, Buyer and its designated agents from time to time and at any time during normal business hours upon five (5) days notice to Buyer shall be given access for any reasonable business purpose to the books and records of Seller's parent and affiliated corporations which are related to Seller's operations which are not kept and maintained at Lake Arrowhead.

24. Miscellaneous Provisions.

24.1 Time. It is agreed that time is of the essence of this Agreement.

24.2 Attorneys' Fees. If legal action be commenced to enforce or to declare the effect of any provisions of this Agreement, the court as part of its judgment shall award reasonable attorneys' fees and costs to the prevailing party.

24.3 No Waiver. The waiver by one party of the performance of any covenant, condition or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time. The exercise of any remedy shall not exclude other consistent remedies unless they are expressly excluded.

24.4 Construction. As used in this Agreement, the masculine, feminine or neuter gender and the singular or plural numbers shall each be deemed to include the other whenever the context so indicates. This Agreement shall be construed as a whole and in accordance with its fair meaning, the captions being

for convenience only and not intended to fully describe or define the provisions in the portions of the Agreement to which they pertain.

24.5 Merger. It is agreed that all understandings and agreements heretofore had between the parties respecting this transaction are merged in this Agreement, which fully and completely expresses the agreement of the parties, and that there are no representations, warranties or agreements except as specifically and expressly set forth herein and in the exhibits annexed hereto.

24.6 Amendments. No change in or addition to this Agreement or any part hereof shall be valid unless in writing and signed by or on behalf of the party charged therewith.

24.7 Survival of Representations and Warranties. All covenants and agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement, the Closing hereunder and all deliveries contemplated herein.

24.8 Counterparts. This Agreement may be executed in any number of counterparts. Each such counterpart hereof shall be deemed to be an original instrument but all such counterparts together shall constitute but one Agreement.

24.9 Computation of Periods. All periods of time referred to in this Agreement shall include all Saturdays, Sundays and state or national holidays, unless the period of time specifies business days, provided that if the date or last date to perform any act or give any notice with respect to this Agreement

shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

24.10 Expenses of Transaction. Except as otherwise expressly provided herein, Seller and Buyer, respectively, shall pay their respective costs and expenses in preparing and performing this Agreement and the transactions contemplated hereby.

24.11 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto, but this Agreement may not be assigned by Buyer without the prior written consent of Seller.

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

ARROWHEAD UTILITY COMPANY

By [Signature]
Its President

By [Signature]
Its Asst. Sec.

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By [Signature]
Its President

By [Signature]
Its Secretary