

WATER SERVICE AGREEMENT

BETWEEN

THE LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

AND

THE LAKE ARROWHEAD COUNTRY CLUB

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**WATER SERVICE AGREEMENT
BETWEEN
THE LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
AND
THE LAKE ARROWHEAD COUNTRY CLUB**

THIS AGREEMENT is made and effective this 27th day of November, 2007 (the "Effective Date") by and between the LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT, a public agency ("LACSD") and the LAKE ARROWHEAD COUNTRY CLUB, a California corporation ("LACC"). LACSD & LACC are sometimes collectively referred to as the "Parties".

RECITALS

THIS AGREEMENT is entered into based upon the mutual belief by both parties that the following events have occurred. However, the existence or non existence in all or in part of the following recited events (A-H), except for LACC's present ownership of the subject property and the subterranean ground water beneath and LACSD's right to supply water to it, shall not constitute a basis for unilateral rescission of this contract or the avoidance thereof by either party.

A. The LACC owns and operates a golf course that was established in 1923 by the Arrowhead Lake Company ("ALC") pursuant to a plan of development initiated by its predecessor, the Arrowhead Reservoir and Power Company, in 1905. LACC is located primarily in Section 17, with small portions in Sections 18 and 19, Township 2 North, Range 3 West, in an area of unincorporated San Bernardino County commonly known as Grass Valley ("LACC's Property"). LACC's golf course is irrigated with surface water from Grass Valley Creek, Grass Valley Lake, and Lake Arrowhead.

B. ALC formed the Arrowhead Utility Company ("AUC") and thereafter, ALC conveyed, by deed to AUC, the right to take water from Lake Arrowhead for domestic use by the residents of the resort community of Lake Arrowhead. In 1964 the Lake Arrowhead Development Company entered into an "Agreement of Settlement and Compromise" establishing among other things certain boating, fishing, swimming, dock rights as well as limits on the non-domestic consumption of water should the lake fall below 5100 feet above sea level, as provided in that Agreement.

C. The LACSD was formed in 1978. On June 9, 1978, AUC sold its domestic water system (except LACC's water delivery system) to LACSD. The Purchase and Sale Agreement also established a price formula for the delivery of Lake Arrowhead water to LACC ("1978 Agreement").

D. Anticipating the need to obtain additional water supplies to reduce and ultimately eliminate reliance on Lake Arrowhead to meet the water demands in the community of Lake Arrowhead, in 2003 LACSD and LACC entered into a series of three "Water Well Agreements" wherein the parties agreed that LACSD would be allowed to pump LACC's groundwater from

beneath LACC's Property in exchange for an equal amount of water delivered to LACC from Lake Arrowhead. The Agreement of Settlement and Compromise, the 1978 Agreement and the three "Water Well Agreements" between the parties and their respective predecessors-in-interest shall be hereafter collectively referred to as the "Prior Agreements." These "Prior Agreements" are attached to this current agreement as Exhibits A1-A5, respectively.

E. In 2004, LACSD adopted Ordinance No. 61, establishing a "Supplemental Water Fee" for the purpose, among others, of purchasing a supply of State Water Project water from the Crestline-Lake Arrowhead Water Agency. LACC challenged the adoption of the Supplemental Water Fee in Lake Arrowhead Country Club v. Lake Arrowhead Community Services District, San Bernardino County Superior Court Case No. SCVSS 121294, which challenge was voluntarily dismissed in April, 2007, as partial consideration for this Agreement.

F. In January, 2006, the State Water Resources Control Board ("SWRCB"), in response to two complaints filed against LACSD concerning its use of Lake Arrowhead as a source of water, issued Order No. WR 2006-0001("Order"), which, among other things, limited LACSD's diversion of water in Lake Arrowhead for potable and non-potable uses to a total of 1,566 acre feet per calendar year beginning in 2008.

G. In order to meet its obligations under the Order, LACSD is developing and implementing a comprehensive program to reduce diversions from Lake Arrowhead. One element of this comprehensive program is to recycle wastewater produced by LACSD's Grass Valley Wastewater Treatment Plant ("GVWWTP") for the purpose of delivering Recycled Water to irrigation end-users. Another element of LACSD's program is to develop local groundwater sources to supplement its potable water supplies.

H. LACSD and LACC have been involved in extensive discussions and negotiations, culminating in the joint approval of that certain "Agreement in Principle" dated for reference purposes "3/21/07," for the purpose of developing an agreement memorializing the terms and conditions by which LACC would use Recycled Water in lieu of irrigation water from Lake Arrowhead, and LACSD would use LACC's groundwater for delivery to its domestic customers. The parties are desirous that all prior agreements be incorporated into this master agreement which shall supersede the "Prior Agreements" to the extent that any provision of this Agreement contradicts all or part of any of those "Prior Agreements." To the extent that such "Prior Agreements" are not contradicted herein they shall remain in force.

AGREEMENT

NOW, THEREFORE, in order to further the cooperation between LACSD and LACC, and in consideration of the covenants and agreements hereinafter contained being fully kept and performed, and in consideration of the benefits to be derived by each Party, the Lake Arrowhead Community Services District and the Lake Arrowhead Country Club hereby agree to this Agreement, dated November 27, 2017, replacing, only where contradictory, all prior agreements, or any provisions thereof, between the Parties, as follows:

1. **Term of Agreement.** The initial term of this Agreement shall be 33 years, commencing on the date of this Agreement. The term may be extended by mutual agreement of the Parties for two additional terms of 33 years each.
2. **Purpose and Intent.** This Agreement is intended to resolve certain specific disputed matters that arise out of the unique position of LACC as the owner of the only golf course possessing water rights within the jurisdiction of LACSD. A fundamental premise of this Agreement is that, except as otherwise provided in this Agreement, LACC is deemed to be a "regular" customer of LACSD and, as such, is obligated to pay LACSD's regularly-established potable water rates, supplemental water rates and recycled water rates.
3. **Exclusive Agency to Pump Groundwater.**
 - a. **Appointment of Agent.** LACC hereby appoints LACSD as its exclusive agent to act on behalf of LACC and LACC's successors and assigns, and does hereby authorize and license LACSD to extract, produce, store and distribute all groundwater under LACC's Property for the purpose of supplying such water to LACC's Property and to all other properties within LACSD's service area. Subject to all of the terms and conditions of this Agreement, LACC hereby agrees, for itself and for its successors and assigns, to discontinue, refrain and forebear from engaging in any groundwater extraction activities on its Property, now and hereafter. LACC further agrees that all water purchased from LACSD shall be paid for in accordance with the terms and conditions of this Agreement and LACSD's rules and regulations governing water service not in conflict with the provisions of this Agreement.
 - b. **Description of Facilities.** As of the date of this Agreement, LACSD operates four groundwater extraction wells and appurtenant facilities, including connecting pipelines and electrical power conduits, together with vehicular ingress and egress and circulation within LACC's Property, all as more particularly described and depicted on Exhibits "B" and "C" attached hereto and made a part hereof.
 - c. **Beneficial Use.** To ensure beneficial use of LACC's groundwater, LACSD agrees to use such water to the greatest extent possible.

Consistent with Section 2(b) of the Water Well Agreements, LACSD shall have the full responsibility and right to take any and all actions to establish an appropriate water right, or any other applicable water right, in connection with the appropriation and conveyance of such water off of LACC's property and into LACSD's system for LACSD's use in its discretion including, without limitation, domestic drinking water supplies and service, irrigation, and recycled water. Consistent with Section 2(a) of the Water Well Agreements, nothing in the Water Well Agreements or this Agreement shall constitute the transfer of ownership of LACC's Water Right, as defined in the Water Well Agreements, to LACSD.

4. **Recycled Water Project.** Except as provided in this agreement, LACSD shall, at its sole cost and expense, plan, design, construct, install, operate and maintain facilities necessary for the production, storage and delivery of Recycled Water to LACC, as more specifically provided for herein. The Recycled Water Facilities are generally described and depicted on **Exhibit "D"** hereto and shall possess the following characteristics:
 - a. **Delivery Point.** Recycled Water shall be delivered by LACSD to LACC at the Delivery Point as depicted on **Exhibit "D"** or such other Delivery Point as the parties may agree. LACSD shall install, operate and maintain a Recycled Water delivery meter(s) and shall ensure metering accuracy by periodic testing or by testing on request of LACC. Consistent with this Agreement, LACC shall take delivery of Recycled Water at the applicable Delivery Point.
 - b. **Water Quality.** LACSD shall be responsible for ensuring that the quality of the Recycled Water shall comply with all applicable laws and regulations. LACC shall make on-site infrastructure improvements for use of the Recycled Water according to State standards.
 - c. **Price.** The initial price of the Recycled Water has not yet been established; however, the initial price will be lawfully and fairly established by the Board of Directors of LACSD with consideration of the recommendations of the Recycled Water Operations Committee created hereunder and shall not exceed 60% of the average annual price paid by a LACSD ratepayer for a commensurate amount of water suitable for potable use during the preceding calendar year. Unless delayed as provided for in paragraph 7(b), until such time as Recycled Water has commenced to be delivered to LACC the rate charged for all irrigation water delivered to LACC shall be \$278.00 per acre foot.
 - d. **Recycled Water Credits.** LACC shall receive credits toward the purchase of Recycled Water delivered by LACSD, as measured by the amount of groundwater extracted by LACSD from the wells on LACC's Property and delivered to LACSD's potable water distribution system. Commencing on the date of this Agreement, for each unit of groundwater

extracted, LACC shall receive a credit of 1.3 units of Recycled Water. LACC shall be entitled to carry over any unused credit into subsequent years, for a maximum of five years. Any credit not used within five years following the year in which the credit was received shall be forfeited.

- e. **Installation of On-Site Recycled Water Irrigation System.** LACC shall install the reasonably necessary irrigation system needed to take delivery of, and to irrigate, the golf course with the Recycled Water delivered by LACSD to the Delivery Point. Such improvements and use thereof shall comply with applicable State health regulations. Upon receipt of the appropriate documentation and invoices, LACSD shall reimburse LACC, on a monthly basis, 50% of the reasonable and necessary costs of improvements for the use of recycled water installed by LACC and agreed to by LACSD. The maintenance of the irrigation system shall be the responsibility of LACC, except that LACSD agrees to pay 50% of the costs, exclusive of labor, on any reasonable and necessary maintenance costs that are determined to be caused by or directly attributable to the use of recycled water, in accordance with applicable laws and regulations. Infrastructure changes and maintenance costs unnecessary for the supply of recycled water are not reimbursable and are not included in this provision.
- f. **Irrigation Water Around Well Sites.** The parties agree that historically LACSD delivered irrigation water for 100% coverage of LACC's golf course and environs. The Parties acknowledge that there are health standards and restrictions regarding the use of Recycled Water in proximity to ground water wells. The Parties agree to abide by those standards and restrictions and, if necessary, LACSD will provide sufficient non-recycled water as a substitute for Recycled Water, in order to continue to provide 100% coverage of LACC's golf course and environs. Water suitable for potable use delivered for irrigation around well sites will be credited against groundwater pumped off of the LACC property.
- g. **Use of Recycled Water.** Except as provided in paragraph 3f, LACC may use Recycled Water for irrigation of its golf course and, to the extent permitted by law, for impoundment in the golf course's water traps.
- h. **Quality Testing.** LACSD shall perform all water quality testing and ensure compliance with all laws, rules and regulations governing the production, distribution and use of Recycled Water. When received, LACSD will deliver copies of all reports, studies and test results concerning Recycled Water to LACC for its information and file. However, LACSD shall be allowed ingress and egress to the property and allowed to perform all reasonable and necessary testing upon reasonable notice to LACC.

i. **Assurances.** As and for additional consideration for LACC's use of Recycled Water, LACSD hereby acknowledges, agrees and guarantees, for itself and its successors:

aa. That to the extent allowed by law the delivery of Recycled Water to LACC shall not be restricted in any manner, or made the subject of any conservation or other restrictive measures that may now exist or hereafter be established, whether justified by a drought or otherwise. It is the mutual intent and desire of the Parties that Recycled Water be readily and freely made available to LACC without any restrictions of any kind or nature, in recognition of the fact that Recycled Water is processed wastewater that is otherwise discarded.

bb. That Recycled Water shall be sold at the regularly-established Recycled Water rate, without additional or supplemental rates, fees or charges added thereto or included therein. It is the mutual intent and desire of the Parties that Recycled Water be priced for sale to all LACSD Recycled Water customers at a level commensurate with the price of such water in other similarly situated California communities, provided however that this price shall not exceed 60% of the cost of the commensurate amount of water suitable for potable use as provided in paragraph 4(c) of this Agreement..

j. **Back-Up Water Supplies.** In anticipation of scheduled and unscheduled interruptions of Recycled Water deliveries, LACSD shall designate and earmark one or more alternate sources of water for LACC's irrigation purposes. Because LACSD anticipates that the interruption of Recycled Water services will be both occasional and brief, in the interest of simplicity the price for such alternate sources of water shall be equivalent to the then-current price for Recycled Water.

k. **Potable Water Supply.** LACSD will continue to supply water suitable for potable use to LACC for use at its Clubhouse and other facilities used by LACC's membership, on the same terms and conditions as regular domestic water customers.

l. **Purchasing Supplemental Water for Grass Valley Lake.** In the event LACC determines, in its sole discretion, to obtain water from Lake Arrowhead to maintain the water level of Grass Valley Lake during the irrigation season, LACC will order such water through LACSD, to be delivered for a price equivalent to LACSD's applicable standard water rate for that quantity of water.

5. **Recycled Water Operations Committee.** There is hereby established the "Recycled Water Operations Committee," which shall consist of the General Manager of LACSD and the General Manager of LACC, or their respective

designees. With the mutual consent of both General Managers other persons may participate. The committee shall meet at such times and places as the General Managers mutually agree upon. The fundamental purpose of the Committee is to ensure that the golf course has ready access to sufficient supplies of reasonably-priced water during the irrigation season, which generally runs from April to November. Other purposes of the Committee include.

- a. Scheduling the delivery of Recycled Water;
- b. Scheduling maintenance, repair or replacement of the Recycled Water Facilities and the interim delivery of an alternate source(s) of water;
- c. Cooperatively developing best management practices for golf course irrigation including, without limitation, flushing golf course greens for salt removal, wellhead protection, and diversions from Grass Valley Creek and Lake, and Lake Arrowhead.

6. **Additional Wells.** LACSD shall be entitled to develop additional groundwater wells and any monitoring wells that may be required by applicable regulatory agencies on LACC property at mutually agreed upon locations in consideration of the payment of one million (\$1,000,000.00) as outlined herein. LACC shall grant reasonable access to drill such wells and shall not unreasonably deny site locations; LACSD covenants that such drilling operations will not unreasonably interfere with the operations of LACC.

- a. All costs and expenses associated with the design, permitting, construction, operation, maintenance, repair, and replacement shall be born solely by LACSD;
- b. Each new well shall be constructed in the manner that will allow for the delivery of groundwater to LACSD's system;
- c. The precise location of each well, and the pipelines, conduits and vehicular access to such wells shall be established by mutual agreement of the Parties; construction and maintenance schedules shall be established in a manner least disruptive to golf course operations and confined to the minimum amount of area required for such purposes;
- d. Any and all damage to the golf course shall be repaired and the golf course shall be restored to as nearly original condition as possible at the sole cost and expense of LACSD;
- e. LACSD shall own all wells and appurtenant facilities provided, however, at the expiration of this Agreement, LACSD shall have 180 days to remove all such wells and appurtenant facilities, otherwise title in such wells and appurtenant facilities shall revert to LACC.

- f. Receipt by LACC of LACSD's one-time, lump-sum payment of \$1,000,000.00 prior to commencement of construction of the first new well or not later than six months after the date of this Agreement, whichever occurs first, provided LACC does nothing to prevent or delay the construction of the first new well.
- g. Each new well shall be drilled in accordance with the general standards set out in all past well agreements. If the parties cannot agree upon the standards procedures to be followed for the drilling of any new well then the standards and procedures set out in the last known agreement shall control except as to location.

7. **Miscellaneous Provisions.**

- a. **Dismissal of Litigation.** As previously agreed by the Parties, prior to the Effective Date of this Agreement, LACC dismissed the lawsuit entitled Lake Arrowhead Country Club v. Lake Arrowhead Community Services District (San Bernardino Superior Court Case No. SCVSS 121294) as to all parties and without prejudice; provided, however, that upon execution of this Agreement LACC agrees that it shall not re-file the lawsuit and that such dismissal shall be deemed a dismissal with prejudice. Each Party shall bear its own costs and legal fees, including any costs and fees incurred in connection with the negotiation and settlement of the litigation and the preparation of this Agreement.
- b. **Interim Water Service for Irrigation Purposes.** LACSD intends to be capable of delivering Recycled Water to LACC by the beginning of the irrigation season in 2010. In the interim, non-recycled water shall be made available to LACC for irrigation of the Golf Course by LACSD at the rate of \$278.00 per acre foot. In the event LACSD is unable to deliver Recycled Water to LACC by the start of the 2010 irrigation season, then the Parties shall negotiate a revised rate for interim water service.
- c. **Water Production and Delivery Reports.** LACSD shall prepare and deliver to LACC monthly reports showing the amount of groundwater each well on LACC's property has produced, the amount of groundwater delivered to the LACSD potable water distribution system, the amount of groundwater delivered to Grass Valley Lake and the amount of Recycled Water delivered to LACC, whether Recycled Water, groundwater and/or other water, and accrued and available Recycled Water credits.
- d. **Further Acts.** Each Party agrees to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.
- e. **Binding on Successors.** This Agreement shall bind the Parties hereto and their respective successors and assigns. LACC reserves the right to assign

its rights, duties and obligations under this Agreement to successors-in-interest.

- f. **Amendments.** No provision of this Agreement may be amended or added except by an agreement in writing signed by the Parties or their respective successors in interest, expressing by its terms an intention to modify this Agreement.
- g. **Provisions are Covenants and Conditions.** All provisions, whether covenants or conditions, on the part of either Party, shall be deemed to be both covenants and conditions.
- h. **Consent.** Whenever consent or approval of either Party is required that Party shall not unreasonably withhold such consent or approval.
- i. **Severance.** If any provision of this Agreement is determined to be void by any Court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement, and all other provisions shall remain in full force and effect provided, however, that the purpose of this Agreement is not frustrated. It is the intention of the Parties that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other which would render the provision valid, then the provision shall have the meaning which renders it valid.
- j. **Notices.** All notices, demands, requests, consents, approvals or other communications that either Party desires or is required to give to the other Party, shall be addressed to the General Manager of the other Party.
- k. **Dispute Resolution; Attorneys Fees.** Any dispute which may arise under this Agreement shall be submitted to binding arbitration. Arbitration shall be conducted by the San Bernardino/Riverside Panel of the Judicial Arbitration and Mediation Services, Inc., or such other arbitration service that the Parties agree to in writing, in accordance with its rules in effect at the time of the commencement of the arbitration proceeding, and as set forth in this section. The arbitrator must decide each and every dispute in accordance with the laws of the State of California, and all other applicable laws. Reasonable discovery may be conducted in the arbitration proceeding pursuant to Section 1283.05 of the Code of Civil Procedure. If the Parties agree, prior to the appointment of the arbitrator, disputes shall first be submitted to non-binding mediation, conducted by the Judicial Arbitration and Mediation Services, Inc., or such other mediation service that the Parties agree to in writing, in accordance with its rules and procedures for mediation. In the event of any litigation or arbitration between the Parties to enforce any of the provisions of this Agreement or any right of any Party hereto, the unsuccessful Party to such litigation or arbitration agrees to pay to the successful Party all costs and

expenses, including reasonable attorneys' fees, incurred therein by the successful Party.

- l. Water Quality and Quantity.** LACC makes no representations regarding the quality or quantity of its groundwater supplies, and this Agreement is not contingent upon LACSD's ability to develop any quantity or quality. LACSD shall be solely responsible for complying with water quality and public health regulations with respect to the use of groundwater supplies.
- m. Condition Subsequent-Termination of Exclusive Agency.** LACSD shall have the exclusive right to use the well sites on LACC's Property to install, operate, maintain, repair and replace groundwater extraction wells for the term of this Agreement; provided, however, that LACSD and LACC acknowledge and agree that in the event that LACSD is unable to continue to provide Recycled Water it shall provide alternate water at the same price that it would have provided Recycled Water, had it been available.
- n. CEQA and Regulatory Compliance.** LACSD, for itself and on behalf of LACC, shall be responsible for complying with the California Environmental Quality Act, for obtaining all necessary and required permits for LACSD and LACC, for compliance with water quality and other applicable regulations, water discharge regulations (including those applicable to the use of Recycled Water on LACC's golf course), Basin Plan objectives and amendments thereto, and salt mitigation.
- o. Covenant of Good Faith and Fair Dealing.** This Agreement contemplates a long-term, complex, public-private relationship the details of which cannot be foreseen by either Party with clarity at this early stage. Therefore, the Parties covenant and agree to always act in good faith and to deal fairly with each other, to promptly meet and confer upon request of either Party, to discuss, negotiate and memorialize the results of each such negotiation in the form of a modification to this Agreement which binds them, as and when each such detail reveals itself, in the fullness of time.
- p. Retention of Surface Water and Groundwater Rights.** LACC and LACSD hereby specifically acknowledge and agree that LACC's use or non-use of its groundwater and surface water supplies is not intended to, and shall not be construed to be a transfer, severance, diminution, impairment, waiver, forfeiture or abandonment of any existing claim or right to water from any source including, but not limited to, Grass Valley Creek, Grass Valley Lake, Lake Arrowhead and the groundwater beneath LACC's Property. The Parties further acknowledge and agree that LACSD's use (if any) of surface water from Grass Valley Creek, Grass Valley Lake and Lake Arrowhead, and the use of groundwater from beneath LACC's Property is undertaken with LACC's consent and is not hostile or adverse to LACC's rights and, further, that LACSD does not and


will not claim or otherwise acquire any water right through use, adverse use, prescription, or otherwise. The provisions of California Water Code, Section 1010 apply to the use of the Recycled Water by LACC.

- q. **Independent Parties.** In carrying out the provisions of this Agreement, LACSD and LACC shall act as independent Parties and nothing contained in this Agreement shall be deemed or construed by the Parties hereto or by any third person to create the relationship of principal and agent, joint venture or partnership.

IN WITNESS WHEREOF, the Parties have executed this Water Service Agreement to be effective on the date first above written.

LAKE ARROWHEAD COMMUNITY SERVICES
DISTRICT

Dated: 11/27/07

By 
President, Board of Directors

ATTEST:


Secretary to the Board of Directors

LAKE ARROWHEAD COUNTRY CLUB, INC.

Dated: November 21, 2007

By 
President, Board of Directors

EXHIBIT A

AGREEMENT OF SETTLEMENT AND COMPROMISE

THIS AGREEMENT OF SETTLEMENT AND COMPROMISE made and entered into in duplicate as of this 22nd day of August, 1964, by and between ARROWHEAD WOODS PROPERTY OWNERS ASSOCIATION, sometimes hereinafter referred to as the "Association", SIDNEY B. BISNO, JUNE B. BISNO, JOHN CHRISTOPH MOLLER, JR., ELIZABETH YVONNE MOLLER, and LOUIS E. PURMORT, herein jointly known as "plaintiffs" and LAKE ARROWHEAD DEVELOPMENT CO., a California corporation, sometimes hereinafter referred to as "Development Co.", and ARROWHEAD MUTUAL SERVICE CO., a California corporation, sometimes hereinafter referred to as "Service Co.", and jointly as "defendants";

WITNESSETH, that:

WHEREAS, plaintiffs filed an action against the defendants in the Superior Court of the State of California, in and for the County of San Bernardino, being No. 112002 in the records of said Court, and

WHEREAS, the purpose of said action is to establish the right of property owners in Arrowhead Woods, as hereinafter defined, to certificates of membership in the defendant Service Co., to impress a trust on certain lands owned by Service Co. which are referred to as the reserve strips and the reserve strip additions and are hereinafter defined, and on certain rights owned by Service Co. in Lake Arrowhead, hereinafter referred to as the "Lake", which is owned by the defendant Development Co., and for declaratory relief and for an accounting, and the parties now desire to settle and compromise said action, to dismiss the same, and exchange mutual releases, and

WHEREAS, it is the desire of all of the parties by this agreement to determine and establish certain rights in the plaintiffs and in other property owners of lands in Arrowhead Woods in the reserve strips, the reserve strip additions, and in the Lake, all pursuant to the terms of this agreement,

NOW, THEREFORE, the parties agree as follows:

1. The term "Arrowhead Woods" means lands in the County of San Bernardino, State of California, situate in Township 2 North, Range 3 West, San Bernardino Base and Meridian, lying within the boundaries shown upon the map which is attached hereto marked "Exhibit 1". Said Exhibit 1, and Exhibit 2 which are attached hereto are hereby referred to and incorporated in this agreement.

2. "Reserve strips" are certain strips of land bordering the major portion of the Lake and lying within the contour lines 5,122 feet above sea level to 5,132 feet above sea level as herein defined, and "reserve strip additions" are certain strips of land bordering the major portion of the Lake and lying within the contour lines 5,100 feet above sea level to 5,122 feet above sea level, all as more particularly described in the deeds listed on Exhibit 2 under the heading "Reserve Strip and Reserve Strip Addition Deeds". Said reserve strips and said reserve strip additions are now and shall remain subject to the servitudes imposed thereon by the terms of the respective deeds listed in said Exhibit 2, and are collectively hereinafter called the "strips".

3. Development Co. and Service Co. hereby grant without warranty express or implied to all owners of lots in Arrowhead Woods which at any time heretofore have been owned by Service Co., Development Co., Los Angeles Turf Club, Inc., Arrowhead Lake Corporation or Arrowhead Lake Company, and to the successors and assigns of such owners, and subject to all recorded conditions, restrictions and reservations, the following non-exclusive rights, easements and servitudes in,

over, upon and with respect to the reserve strips and reserve strip additions, and the Lake, viz:

(a) The right for themselves, their lessees and house guests to use the strips for private park and reasonable recreational purposes, and for ingress and egress by foot travel, but not for commercial or business purposes;

(b) The right to have the strips be and remain free of any noxious thing and of any trade or business kept, maintained or permitted upon said premises, nor shall any livestock of any kind, including live poultry, be kept, permitted or maintained upon the strips.

(c) The right for themselves, their lessees and house guests to use the Lake for reasonable recreational purposes, including but not limited to boating, fishing, swimming and bathing, but not for business or commercial purposes, and subject to the rights expressed in paragraph 6 of this instrument, and the right in Development Co. and Service Co. or either of them to promulgate and enforce reasonable regulations designed to promote the safety, health, comfort and convenience of persons in or upon the Lake or in the vicinity thereof with respect to the conduct of such activities.

4. Any act or omission inconsistent with said easements and servitudes or any of them and any violation or breach of any right, condition and/or restriction expressed herein may be prevented by injunction and such remedy may be availed of by not less than three owners of lots or portions of lots in Arrowhead Woods. The remedies herein contained shall be cumulative and one shall not be exclusive of the other.

5. Development Co. and Service Co., or either of them shall not increase the height of the dam (which created the Lake) above its present height, nor voluntarily impound water in the Lake to an elevation in excess of 5,108 feet above sea level as herein defined, unless in either case, such act shall be required by Governmental order or regulation.

The term "Sea Level" shall be and shall be construed to be that certain datum plane or point which is 5,122 feet below the level of that certain bench mark which is the top of a two-inch iron pipe situate vertically in a concrete block located 56 feet due South of the corner common to Sections 15, 16, 21 and 22 in Township 2 North, Range 3 West, San Bernardino Base and Meridian, in the County of San Bernardino, State of California.

6. Development Co. and Service Co. or either of them are entitled to charge lot owners reasonable fees for permitting piers and docks to be located and kept on the strips or any of them and/or the Lake and are also entitled to charge reasonable fees for licensing of boats to be used on the Lake and for rental slips; and license agreements hereafter entered into between the parties covering boat or dock licenses shall be consistent with the terms of this Agreement.

7. As used herein, the term "slip" shall mean space on a dock or pier adapted to the mooring of one boat while such boat is floating on the Lake.

On December 31, 1961 there were approximately 835 slips on the Lake, in addition to slips used or held for rental of boats to the public. Development Co. and/or Service Co. shall never permit the total number of slips on the Lake at any one time to increase over 1,285 (835 + 450) except that such number may be increased by the aggregate of the following:

(a) One slip for each lake front lot in Arrowhead Woods which was owned by Development Co. on January 1, 1962, whether then or thereafter subdivided, and for the purposes of this paragraph all lots on the "Peninsula" described on Exhibit 2 shall also be deemed to be lake front lots.

(b) 15% of the number of other lots in Arrowhead Woods contracted to be sold by Development Co. after January 1, 1962.

(c) Any slips in front of "Hamilton" Subdivision.

(d) Each owner of a lot in Arrowhead Woods purchased by him or his predecessor prior to January 1, 1962, who did not on December 31, 1961, have a dock or pier, and whose lot at the time of application for a dock and/or pier shall be improved with a residence, may hereafter at the option of Development Co. and Service Co. be allowed one slip, or with the approval of the Association when deemed equitable and for the best interests of the community, more than one slip.

8. A large number of owners of lots in Arrowhead Woods have built residences on such lots. Such lots so improved with residences are herein called "Improved lots". Many of the owners of improved lots now have docks on the Lake and in some cases also piers and appurtenances on the strips.

Each owner of such improved lot who now has a dock upon the Lake and/or a pier upon the strips or any of them shall have the right to continue to have such dock and/or pier, together with appurtenances upon the Lake and strips and may transfer such right to a bona fide purchaser of such improved lot subject to the right of Development Co. and/or Service Co. to require the relocation and/or alteration thereof or substitution, as herein provided, when reasonably necessary for improvement of docking facilities on or access to the Lake, provided, further, that the Development Co. and/or the Service Co. shall, except in the case of piers or docks for Lake front lots, have the right to require the substitution of a slip or slips in a multiple-slip dock or marina in lieu of any then existing dock and/or pier.

Such right of alteration and/or relocation or substitution shall not be exercised before January 1, 1970, and shall not be arbitrarily required. Any such alteration and/or relocation or substitution shall be made to a location or facility as close to the dock location now existing as is practicable.

In case the Development Co. requires substitution of a slip or slips in a marina or multiple-slip dock for a private dock, the Development Co. upon transfer of the private dock to it will pay to the owner the cost thereof less ten (10%) percent of such cost for each year since the date of construction of such dock.

Any owner of a lot in Arrowhead Woods whose pier or dock now existing would be affected by any such proposed substitution shall have the right to have determined by arbitration (as hereinafter provided) any or all of the following:

(a) whether such substitution is reasonably necessary for improvement of docking facilities on or access to the Lake; and

(b) whether the substitution proposed is to a location or facility as close to the existing dock location as is practicable.

Such substitution is hereby agreed to be reasonably necessary, and such necessity shall not be arbitrated as to marinas or multiple-slip docks which shall be installed after January 1, 1970 in the locations marked "1", "2", "3" and "4" shown on Exhibit 3 attached hereto.

The decision of the arbitrators shall be final, and if such decision is in the negative as to any of the arbitrated questions, the proposed substitution shall not be made.

The right of a lot owner, or group of lot owners, as hereinafter set forth, to have the matter submitted to arbitration shall be exercised by the lot owner or group of lot owners requesting the same and giving the name and address of an arbitrator requested by him or them. The Development Co. or the Service Co. shall thereafter notify the lot owner, or group of lot owners, of the name and address of an arbitrator desired by it. The two arbitrators so selected shall select a third arbitrator between them. In the event they are unable to do so the matter shall be presented to the American Arbitration Association who shall select a third arbitrator. The vote of any two of the three arbitrators shall be sufficient for an award.

In the event the Development Co. or Service Co. requires simultaneously the substitution affecting a group of two or more existing docks, there will be with respect to said substitution only one arbitration proceeding as hereinabove provided.

Any such lot owner or purchaser as a condition to the exercise of such rights shall pay such reasonable fee and execute such reasonable application and permit as may then be generally required by the Development Co. and/or Service Co. for the maintenance of docks, piers and appurtenances on the Lake and strips.

Any pier or dock hereafter installed on the reserve strip additions shall be so located as to preserve at the 5,100 foot elevation a clear separation of at least 8 feet between such pier or dock and any pier or dock existing on January 1, 1962, unless otherwise agreed between the parties directly affected.

9. No person, except by agreement of the Association and the Development Co. will in the future be permitted to have a dock or boat on the Lake, or pier on the reserve strip additions who is not the owner of improved residential property in Arrowhead Woods, but this paragraph shall not apply to rental boats (450 maximum), to boats used in law enforcement or the enforcement of said regulations, nor to excursion boats or work boats, nor to boats entered in sanctioned boating events on the Lake, nor boats (not exceeding 50 in number at any time) specially authorized by Development Co. to use the Lake. Subject to the provisions of Paragraph 7 nothing in this agreement contained shall effect any right of present or future owners of unimproved lots in Arrowhead Woods to put boats on the Lake on a daily basis, or to rent slips on an availability basis, nor preclude the exercise of such rights.

Buyers of lots sold in that portion of Arrowhead Woods known as "Grass Valley" will not be given the right by Development Co. or Service Co. to own piers or docks on the Lake, but may be given the right, subject to compliance with paragraphs 7 and 9 of this agreement to rent slips in multiple-slip marinas.

10. At the present time it is uncertain as to many roads in Arrowhead Woods whether they are or are not public roads. Development Co. and Service Co. shall diligently proceed in cooperation with the County of San Bernardino to determine which roads in Arrowhead Woods are public, and shall conclude

such determination within six months after date of this agreement. As to such roads which are not presently public roads, Development Co. and Service Co. shall offer to the County of San Bernardino to dedicate to public use such of said roads as are owned by Development Co. and Service Co. or either of them, and shall so dedicate such of said roads as said County will accept.

11. At the present time, title to the trees and other shrubs on lots in Arrowhead Woods is vested in Service Co. Within one year from date, Service Co. will quitclaim the trees and shrubs on any lot in Arrowhead Woods to the owners of such lot who request such conveyance and tender the cost of recording said quitclaim. Such quitclaim shall be subject only to an express provision that the property owner will not cut down, remove or alter any living tree unless first approved by an architectural committee appointed by Service Co. The Association shall have the right to appoint and maintain one member on such committee.

12. The Association shall have the right to select and maintain, at all times, two members on the Board of Directors of the Service Company. The Service Company may now, or at any time hereafter, increase the total number of directors, and this right shall be without restriction or limitation. No such increase in the total membership of the Board of Directors shall entitle the Association to any greater representation on the Board than the two members, as hereinabove stated.

13. Development Co. is and shall be only permitted to voluntarily and intentionally reduce the level of Lake Arrowhead below 5,100 feet above sea level for certain restricted purposes under the reserve strip addition deeds and specifically, it is not permitted when the surface level of the Lake is below 5,100 feet, to use such water for any purpose other than domestic use in Arrowhead Woods and for fire protection in Arrowhead Woods or the adjoining mountain areas, but the parties agree that Development Co. may, when the level of the Lake is below 5,100 feet above sea level, also use the waters of the Lake for

watering the golf course located in Grass Valley so long as the amount of water so used for said golf course does not exceed 250 acre feet during any one calendar year (which is approximately 4 inches of water off the surface of the Lake at 5,100 feet elevation). Development Co. agrees to accurately meter all non-domestic water and annually furnish the Association on or before March first of each year with a certified copy of its records for the previous calendar year showing the amount of such non-domestic water so used in such year.

14. The action shall be dismissed with prejudice upon recordation of this agreement and the attorneys for the respective parties are authorized and directed to so dismiss the action upon such recordation. Such dismissal shall not preclude future enforcement of the provisions of this agreement.

It is the intent of the parties in entering into this agreement to settle specifically all disputes which have resulted in the filing of said action, and all disputes that now exist between them pertaining to the strips or the Lake, or pertaining to membership in Service Co.

In connection with the settlement of such disputes Development Co. and Service Co. expressly agree that in the placing of locations for new piers or docks or in exercising their rights under paragraph 8 requesting the alteration and/or relocation or substitution of docks or dock space, they will fairly and equitably exercise such rights and will not be biased or prejudiced against a lot owner because he may be one of the plaintiffs in said action or because he is now or may at one time have been or may in the future become a member, director or officer of the Association.

15. This agreement is to be binding upon and inure to the benefit of the successors, lessees and assigns of the parties hereto and it is the intention of the parties hereto that this agreement should be recorded so as to constitute notice to any buyer of property within the exterior boundaries of Arrowhead Woods, including the strips and the Lake.

16. This agreement may be amended at any time or times by a written agreement executed by Development Co., Service Co. and the Association and recorded in the office of the County Recorder of San Bernardino County, California.

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

LAKE ARROWHEAD DEVELOPMENT CO.

(SEAL)

By: A. M. POWELL, Vice-President

And: E. C. MOWER, Secretary
"Development Co."

ARROWHEAD MUTUAL SERVICE CO.

(SEAL)

By: A. M. POWELL, Vice-President

And: E. C. MOWER, Secretary
"Service Co."
"DEFENDANTS"

ARROWHEAD WOODS PROPERTY OWNERS ASSOCIATION

(SEAL)

By: ORRIN W. FOX, President

And: WILLA HODGES, Secretary
"Association"

SIDNEY B. BISNO

(Sidney B. Bisno)

JUNE B. BISNO

(June B. Bisno)

JOHN CHRISTOPH MOELLER, JR.

(John Christoph Moeller, Jr.)

ELIZABETH YVONNE MOELLER

(Elizabeth Yvonne Moeller)

LOUIS E. PURMORT

(Louis E. Purmort)

"PLAINTIFFS"

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 1, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared A. M. POWELL, known to me to be the Vice-President, and E. C. MOWER, known to me to be the Secretary of LAKE ARROWHEAD DEVELOPMENT CO., the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

FLORENCE G. SMITH
Notary Public in and for said
County and State

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 1, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared A. M. POWELL, known to me to be the Vice-President, and E. C. MOWER, known to me to be the Secretary of ARROWHEAD MUTUAL SERVICE CO., the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

FLORENCE G. SMITH
Notary Public in and for said
County and State

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 14, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared ORRIN W. FOX, known to me to be the President of the ARROWHEAD WOODS PROPERTY OWNERS ASSOCIATION, the Corporation that executed the within instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

J. C. DEMEL
Notary Public in and for said
County and State

STATE OF CALIFORNIA }
County of San Bernardino } ss.

On October 13, 1964, before me, the undersigned, a Notary Public in and for the said County and State, personally appeared known to me to be the President, and WILLA HODGES, known to me to be the Secretary of ARROWHEAD WOODS PROPERTY OWNERS ASSN. the Corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within Instrument, pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and Official Seal.

MARGARET FITZPATRICK
Notary Public in and for said
County and State
My Commission Expires 9-3-67

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 21, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared SIDNEY B. BISNO, known to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

WITNESS my hand and Official Seal.

ROBERT W. STEWART
Notary Public in and for said State
My Commission Expires 2-5-66.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 21, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared JUNE B. BISNO, known to me, to be the person whose name is subscribed to the within Instrument, and acknowledged to me that she executed the same.

WITNESS my hand and Official Seal.

ROBERT W. STEWART
Notary Public in and for said State
My Commission Expires 2-5-66.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 26, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared JOHN CHRISTOPH MOELLER, JR., known to me, to be the person whose name is subscribed to the within Instrument, and acknowledged to me that he executed the same.

WITNESS my hand and Official Seal.

EVELYN DAHL
Notary Public in and for said State
My Commission Expires 12-23-67.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 26, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared ELIZABETH YVONNE MOELLER, known to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that she executed the same.

WITNESS my hand and Official Seal.

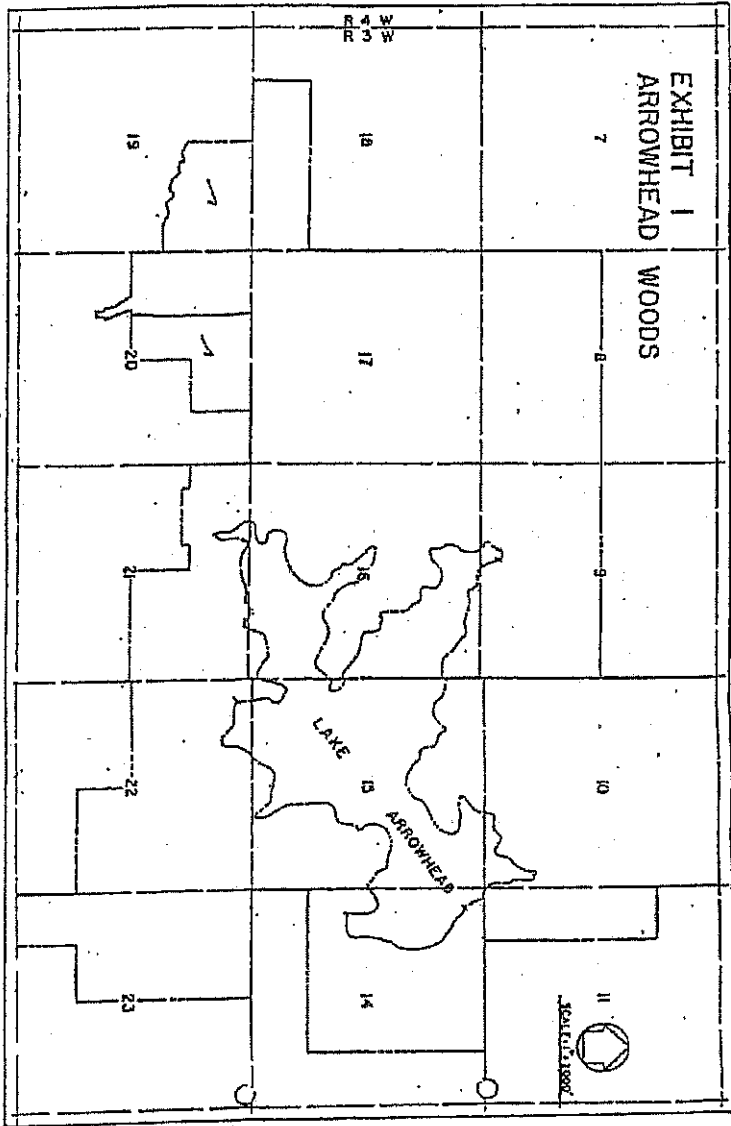
EVELYN DAHL
Notary Public in and for said State
My Commission Expires 12-23-67.

STATE OF CALIFORNIA }
County of Los Angeles } ss.

On October 22, 1964, before me, the undersigned, a Notary Public in and for said State, personally appeared LOUIS E. FURMORT, known to me, to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

WITNESS my hand and Official Seal.

KATHERINE R. McMAHON
Notary Public in and for said State
My Commission Expires 6-12-68.



RESERVE STRIP AND RESERVE STRIP
ADDITION DEEDS

(References are to Books and Pages of Official Records in the Office of the County Recorder of San Bernardino County, California).

<u>Relating to Tract</u>	<u>Deed Recorded</u>	<u>In Book</u>	<u>At Page</u>
5	April 19, 1932	796	279
6	April 19, 1932	810	217
7	April 19, 1932	810	222
50	April 19, 1932	798	150
51	April 19, 1932	798	155
55	April 19, 1932	811	86
71	April 19, 1932	811	93
2499	April 4, 1936	1129	292
2481			
15	Oct. 21, 1937	1241	21
2487			
2283	Jan. 13, 1938	1252	194
74			
2486			
2283	Jan. 13, 1938	1251	208
75			
56	Nov. 4, 1938	1300	395
77	Dec. 14, 1938	1307	147

RESERVE STRIP ADDITION DEEDS

55	Nov. 18, 1938	1319	11
6	Nov. 18, 1938	1309	343
7	Nov. 18, 1938	1305	469
56	Nov. 18, 1938	1319	17
74	Nov. 18, 1938	1317	179
71	Nov. 18, 1938	1308	412
50	Nov. 18, 1938	1318	31
15	Nov. 18, 1938	1312	153
5	Nov. 18, 1938	1308	420
11 & 12	Nov. 18, 1938	1317	195
75	Nov. 18, 1938	1305	484
51	Nov. 18, 1938	1309	348
77	Dec. 21, 1938	1323	132

DESCRIPTION OF PENINSULA

That certain real property in the County of San Bernardino, State of California, described as follows:

All that portion of Sections 15 and 16, Township 2 North, Range 3 West, SAN BERNARDINO BASE AND MERIDIAN, according to United States Government Survey, lying Easterly of the following described lines and the Northerly projection of the Northernmost course of said lines, viz:

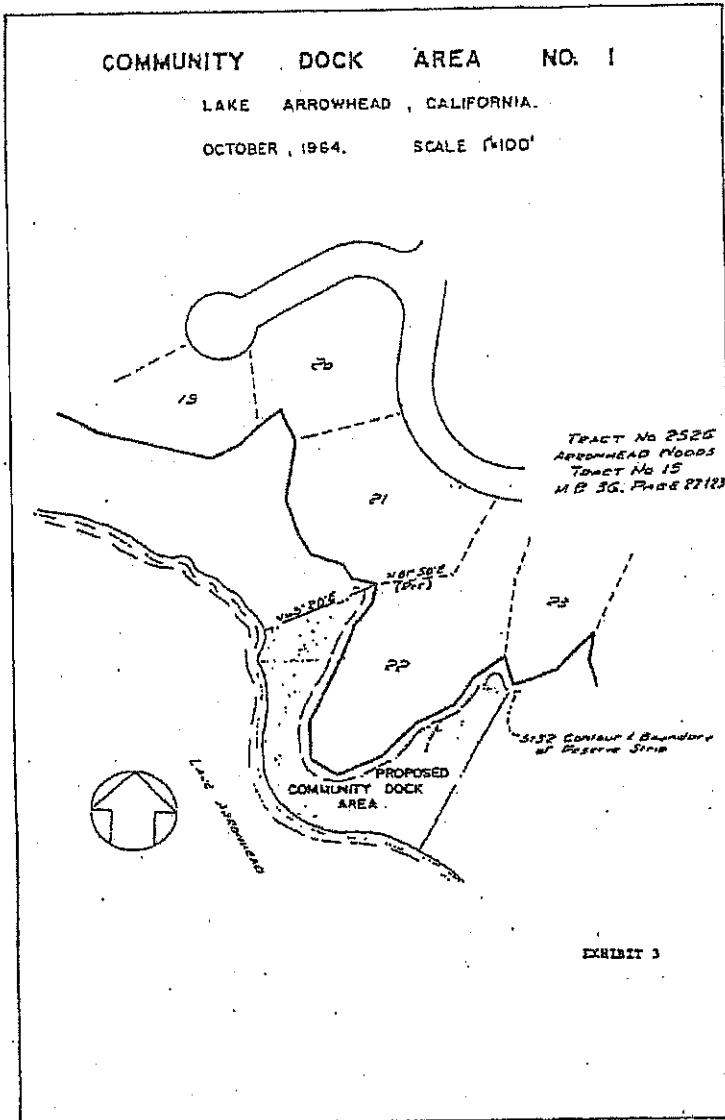
BEGINNING at the most Northwesterly corner of that certain Private Beach Lease Area as the same is shown upon the Map of Tract No. 6189, Hamiltair, Lake Arrowhead, as per plat recorded in Book 80, Pages 26 to 30 of Maps, records of San Bernardino County, California; thence Southerly along those several courses which form the Westerly boundary of said Tract No. 6189, to the Southwest corner of said Tract No. 6189; thence leaving said Westerly boundary, Southeasterly a distance of 1,000 feet more or less, to the most Westerly point reached by the body of water known as "Lake Arrowhead" in that certain bay thereof known as "Meadow Bay", when the surface of said lake is at an elevation of 5,100 feet above sea level as hereinafter defined.

EXCEPTING therefrom any portion of said Sections which would be covered with water impounded by a certain dam constructed across and in Little Bear Creek, so-called, in the Northwest quarter of Section 14, Township 2 North, Range 3 West, known as Lake Arrowhead, if the surface of said water were at an elevation of 5,100 feet above sea level, the term "sea level" designating that certain datum plane or point 5,152.62 feet vertically below the level of that certain bench mark which is the top of a 1-inch pipe set vertically in a concrete wall, and located 1,123.06 feet North 78° 27' 14" East from the Quarter corner between Sections 10 and 15 in Township 2 North, Range 3 West, S. E. B. & M.

COMMUNITY DOCK AREA NO. 1

LAKE ARROWHEAD, CALIFORNIA.

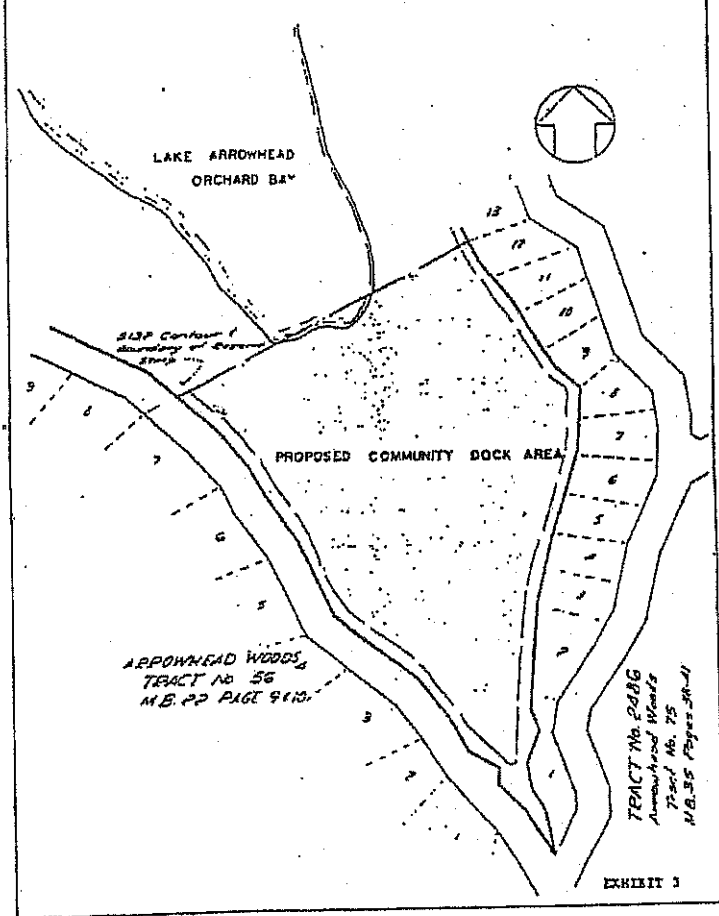
OCTOBER, 1964. SCALE 1"=100'



COMMUNITY DOCK AREA NO. 2

LAKE ARROWHEAD, CALIFORNIA.

OCTOBER, 1964. SCALE 1"=100'



COMMUNITY DOCK AREA NO. 3

LAKE ARROWHEAD, CALIFORNIA.

OCTOBER, 1964. SCALE 1"=100'

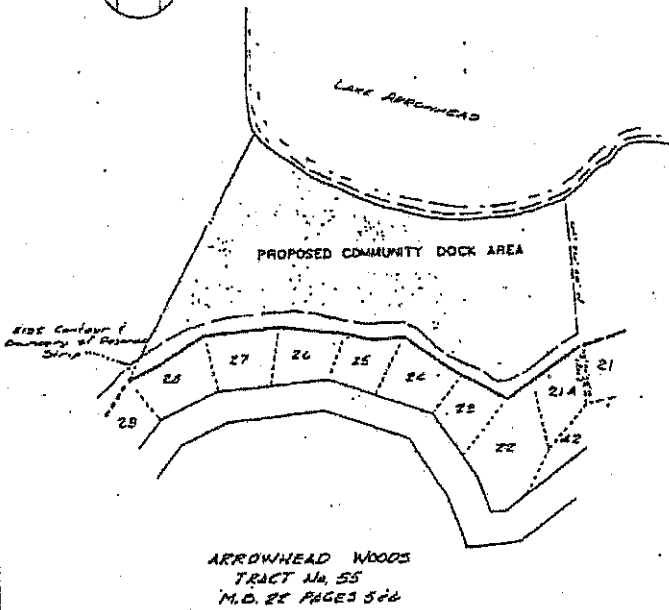
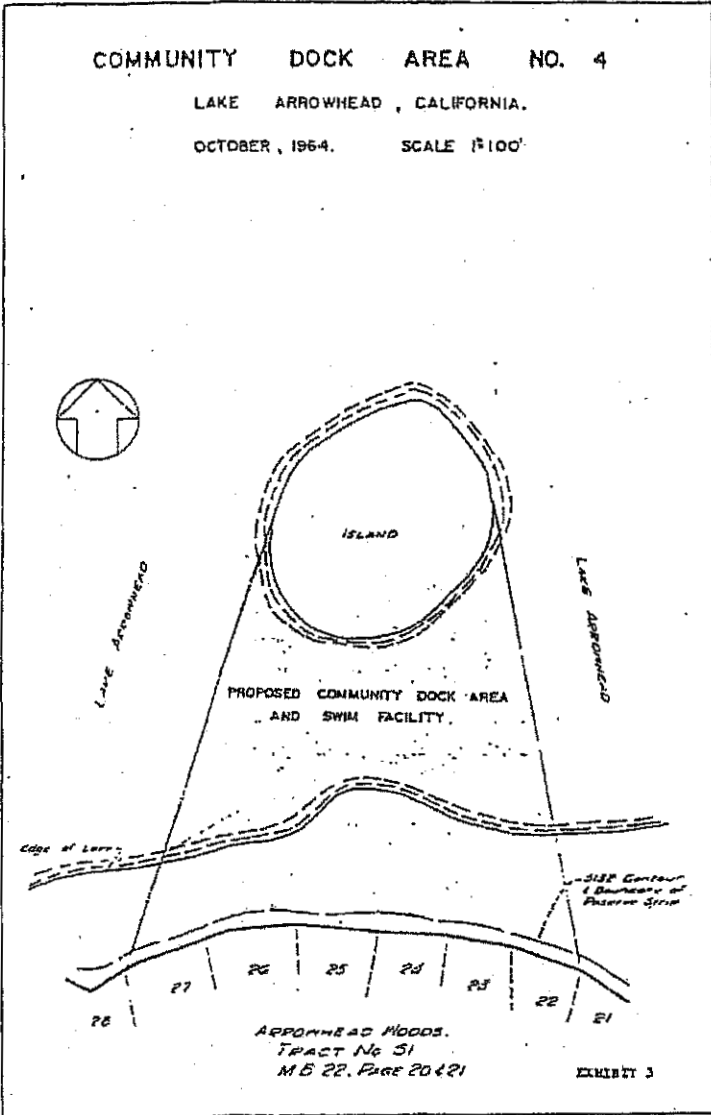


EXHIBIT 3

COMMUNITY DOCK AREA NO. 4

LAKE ARROWHEAD, CALIFORNIA.

OCTOBER, 1964. SCALE 1"=100'





IP 17, 20
PP 20-91
"Lake Arrowhead
Country Club"

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

5/31/78
705

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.

*Bole
BRW*

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. *with (18.50) amount* $\frac{1000}{18.50} = 54.05$

...with 18.50 is considered change

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

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

By [Signature]
Its President

By [Signature]
Its President

By [Signature]
Its Asst. Sec.

By [Signature]
Its Secretary

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**Agreement of Settlement
and Compromise**

BETWEEN

ARROWHEAD WOODS PROPERTY OWNERS
ASSOCIATION, ET AL

AND

LAKE ARROWHEAD DEVELOPMENT CO., ET AL

DATED: AUGUST 27, 1964

Recorded:
October 29, 1964
Book 6262, Page 1
San Bernardino, California

ORIGINAL

**LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
AGREEMENT FOR WATER SERVICE AND WELL DRILLING**

THIS AGREEMENT FOR WATER SERVICE AND WELL DRILLING ("Agreement") is entered between the Lake Arrowhead Community Services District, a public agency ("District") and the Lake Arrowhead Country Club, a California non-profit corporation ("Customer").

RECITALS

A. District is a public agency responsible for providing potable water service to approximately 7,500 customers in the area commonly known as Arrowhead Woods and irrigation water service. At this time, Lake Arrowhead is the sole source of water for the customers within Arrowhead Woods.

B. Irrigation water service is currently provided to Customer in accordance with certain agreements, which were entered into by predecessors-in-interest to District. Those agreements include that certain Agreement of Settlement and Compromise, dated August 22, 1964, and that certain Agreement for the Purchase and Sale of Assets of Arrowhead Utility Company, dated June 9, 1978 (both agreements are collectively referred to herein as the "Previous Agreements"). Said irrigation water service is currently provided by the delivery of water into Grass Valley Lake from Lake Arrowhead where it is then taken by Customer for irrigation of its golf course.

C. District is planning and implementing programs to supplement and diversify the sources of water supply for the Lake Arrowhead community. The purpose of this Agreement is to implement District's Cooperative Development And Management Program ("Program") in order to develop a more efficient method of providing irrigation water service to Customer and ensure the reasonable and beneficial use of water resources for all members of the Lake Arrowhead Community.

D. The parties desire to enter into this Agreement in order to: (1) establish a direct contractual arrangement for irrigation water service to be provided to Customer which will supercede any contrary contractual provisions for such service which currently apply to such service; and (2) establish a method for providing irrigation water service that is consistent with the critical need for conservation of water supplies in the Lake Arrowhead Community and for the reasonable and beneficial use of said water supplies; and (3) provide for the District's development and use of groundwater sources on Customer's property for domestic drinking water supplies and service.

IN CONSIDERATION FOR PERFORMANCE OF THE COVENANTS AND CONDITIONS SET FORTH HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. Construction and Installation of District Facilities At its sole cost and expense, District shall design, construct and otherwise install two (2) groundwater production wells and appurtenant facilities ("District Facilities") on certain portions of the real property owned by Customer upon which Customer operates a golf course ("Customer Property"). The Customer Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by

reference. The District Facilities also include, among other things, one or more tanks and pump houses and concrete slabs supporting such facilities. The District Facilities shall also include facilities for production of groundwater and delivery of said water to facilities of Customer ("Customer Facilities") for irrigation of the golf course on the Customer Property including the point of connection between the District Facilities and the Customer Facilities ("Connection Point"). The District Facilities shall also include facilities for conveyance of said groundwater by District from the production wells to facilities of District, which comprise District's overall system ("District System") for the provision of water service to its customers.

(a) Rights of Way Customer shall grant, convey and otherwise transfer to District any and all non-exclusive easements, licenses, rights of entry and any other rights-of-way District reasonably requires in connection with the construction, installation, operation and maintenance of the District Facilities. Any such property interests shall be transferred from Customer to District at no cost or expense. Any such easements, licenses, rights of entry or any other rights-of-way shall terminate at any such time as this Agreement is otherwise terminated.

(b) Description and Location of Facilities and Rights-of-Way A description of the District Facilities, and the rights-of-way which District requires, are more particularly described in Exhibit "B" attached hereto and incorporated herein by reference. Said Exhibit "B" includes Attachments A through D.

(c) Activities In Connection With Construction and Installation of District Facilities District shall be responsible, at its sole cost and expense, for performance of all activities in connection with the design, installation and construction of the District Facilities. Such activities shall include, without limitation, the following tasks:

- (i) Geo-hydrologic investigation and monitoring of groundwater resources.
- (ii) Environmental and regulatory compliance.
- (iii) Well drilling
- (iv) Survey, design, engineering and construction of facilities (wells, pumps, motors, storage and pipeline)
- (v) Operation and maintenance of facilities including the cost of water treatment, if necessary.
- (vi) Groundwater monitoring and reporting, for example, scheduled reporting to Customer and appropriate regulatory agencies of the amounts and quality of groundwater extracted.

(d) Ownership and Control of District Facilities While this Agreement remains in effect, District shall own, control and otherwise retain a non-exclusive right of access on Customer Property in order to operate and maintain all District Facilities. District shall own, operate, repair and maintain all facilities, equipment, material, supplies and any other personal property in connection with the Program and the District Facilities.

(e) Completion of District Facilities District shall provide notice to Customer of the date upon which District completes construction and installation of the District Facilities ("Completion Date"). Customer shall complete the construction and installation of the Customer Facilities on or before the Completion Date. Prior to commencement of irrigation water service to Customer under this Agreement, District shall continue to provide irrigation water service to Customer through the process set forth under the Previous Agreements.

2. Acknowledgment and Establishment of Water Rights

(a) Customer's Water Right Customer hereby represents and warrants that it has a right, under California law, to extract groundwater for reasonable and beneficial use upon the Customer Property, which is deemed to be the overlying land ("Customer Water Right"), for irrigation of the golf course. Nothing in this Agreement shall constitute the transfer of ownership of the Customer Water Right to District.

(b) District Water Right District hereby represents and warrants that according to California law, District is a public agency with the authority to enter into agreements for acquisition of water resources in order to provide water service to its customers and to take certain actions to appropriate, and otherwise secure, the right to water resources. District shall utilize the District Facilities to develop groundwater from Customer Property for use in providing irrigation water service to Customer and also for appropriation and conveyance of such water into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service. As between District and Customer, District shall have the full responsibility and right to take any and all actions to establish an appropriative water right, or any other applicable water right ("District Water Right"), in connection with the appropriation and conveyance of such water off of the Customer Property and into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service.

3. Sale, Purchase and Delivery of Irrigation Water Service

(a) Provision of Irrigation Water Service Beginning on the date which is no later than sixty (60) days after the Completion Date, District shall provide irrigation water service ("Service") to Customer pursuant to the provisions of this Agreement and District's Rules and Regulations for Water and Wastewater Service ("Rules and Regulations"), as said Rules and Regulations may be amended from time to time. In the event of a conflict between the provisions of this Agreement and the provisions of the Rules and Regulations, the provisions of this Agreement shall control. Said Service shall be provided by the production of groundwater from the Customer Property through the District Facilities and then the delivery of said groundwater to

the Customer Facilities at the Connection Point. In the event the production of groundwater is not sufficient to meet: (i) the estimated quantities of water as set forth herein; and/or (ii) the delivery schedules to be developed by the parties, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements. As a result, the groundwater produced from the Customer Property shall be credited, on an annual "bucket-for-bucket" basis, toward the amount that District would otherwise deliver to Customer for such Service through the process set forth under the Previous Agreements.

(b) Estimated Quality and Quantity of Groundwater. The amount and quantity of groundwater which can be produced under the Program through the District Facilities cannot be determined until after District completes the first phase of the Program which involves the construction and installation of "test wells." For informational purposes only, the District estimates that based upon geo-hydrologic studies, the combined production capacity of the District Facilities could perhaps be between 100 to 200 gallons per minute ("gpm") or about 160 to 320 acre feet of water per year. The groundwater produced from the District Facilities shall be used for providing the Service. In the event District is able to produce through the District Facilities an amount of groundwater in excess of the amount necessary for the Service ("Surplus Water"), District shall have the right to utilize such Surplus Water by conveyance to the District System and establishing the applicable District Water Right in connection therewith. Surplus Water may be used by District in its discretion including, without limitation, for domestic drinking water supplies and service to District customers. The parties hereby acknowledge and agree that District's performance of its obligations under this Agreement including, without limitation, the obligation to design, construct and install the District Facilities, shall constitute the total consideration provided by District in exchange for District's establishment, ownership and use of the District Water Right and ownership and use of the Surplus Water.

(i) District's Obligation to Provide Service Through District Facilities. District's obligation to provide the Service through the Program and the District Facilities shall be subject to the availability of groundwater from the Customer Property and the extent to which the applicable District Water Right can be established and secured for the transfer of such Surplus Water off of the Customer Property and into District's System for District's use in providing domestic drinking water supplies and service. In the event District determines that it is no longer possible or feasible to extract groundwater for the purposes contemplated under this Agreement and the Program, including without limitation for domestic water supplies and service, District may terminate the Program and this Agreement as provided for herein. In that event, District will continue to provide the Service pursuant to the process set forth in the Previous Agreements or as otherwise provided under this Agreement. For example, and not by way of limitation, District may determine that it is no longer possible or feasible to extract groundwater pursuant to the Program and this Agreement due to insufficient groundwater supplies, a challenge to the District Water Right, or the exercise of a superior right by another water right holder.

(c) Purchase-Price The purchase price to be paid by Customer to District for the Service shall be at the rate ("Rate") provided for under the Previous Agreements. The Rate shall be applied to any water delivered through the process set forth under the Previous Agreements, as well as to groundwater produced from the Customer Property. The total amount of water delivered to Customer will not exceed the amounts and delivery schedule as set forth under the Previous Agreements. The Rate shall be subject to adjustment, from time to time, as provided for under the Previous Agreements and in accordance with the procedures and requirements in the Rules and Regulations.

(d) Metering For purposes of determining the quantities of groundwater which District delivers to Customer for the Service each month, District shall purchase and install, at the Connection Point, and at the expense of District, a meter of adequate size, calibration and volume to accurately measure the quantities of groundwater delivered to Customer for the Service. District shall read such meter at the end of each month/two months. For the applicable monthly/bi-monthly billing period, District shall submit a monthly/bi-monthly bill to Customer, which sets forth the quantity of groundwater, delivered and the quantity of water delivered, if any, through the process under the Previous Agreements. Customer shall have the right to read and/or inspect the meter. District shall have the meter tested from time to time, as determined in its discretion, to determine if it is accurately recording the quantities of groundwater delivered to Customer. If the meter is determined by such a test to be operating inaccurately by approximately five percent (5%) or more of the manufacturer's recommended flow range, District shall have the meter repaired or replaced and the cost of such repair and replacement shall be borne by District.

(e) Billing and Payment District shall bill Customer for the Service in each calendar month pursuant to the payment terms and billing procedure set forth in District's Rules and Regulations and this Agreement and Customer shall pay said bills as required under the Rules and Regulations and this Agreement.

4. Term and Termination The term of this Agreement shall be for the period of thirty (30) years from the date of full execution of this Agreement by both parties, unless earlier terminated as set forth under this Agreement. The term may be extended for two (2) additional thirty (30) year periods upon the mutual written agreement of both parties prior to expiration of the original term or the first extended term. Upon sixty (60) days prior written notice to Customer, District may terminate the Program and this Agreement in the event District makes the determination provided for under Section 3(c)(i). In addition, this Agreement may be terminated in the event of a breach of this Agreement. In the event of a breach, the non-defaulting party shall submit a written notice of default to the defaulting party setting forth the breach or default and providing the defaulting party with thirty (30) days to cure said breach. In the event the defaulting party fails to cure said breach within the cure period, as said period may be extended by mutual agreement, the non-defaulting party may elect to terminate this Agreement and/or pursue any and all other remedies in law or equity. In the event of expiration or termination of this Agreement, either party may elect to have the District Facilities removed from the Customer Property. Any such removal shall be conducted by District at District's sole cost and expense. Following any such removal, District shall reasonably restore any ground on the Customer

Property disturbed by the construction or operation of the District Facilities to its reasonable pre-disturbance state, at its sole cost and expense, reasonable wear and tear excepted. At all times including, without limitation, subsequent to the term of this Agreement, District shall own all right, title and interest to any and all District Facilities and any appurtenances thereto.

5. CEQA Compliance District and Customer acknowledge and agree that the obligations of the parties under this Agreement are conditioned on District completing any applicable proceedings under the California Environmental Quality Act ("CEQA") which may be required and the successful defense of any challenge, or the expiration of any challenge period, which may apply to CEQA compliance in connection with this Agreement and the Program.

6. Compliance with Rules and Regulations This Agreement may be terminated by District in the event of Customer's breach of any of the provisions of this Agreement. In addition, Service may be discontinued, or otherwise restricted, pursuant to the provisions of the Rules And Regulations.

7. Indemnification. Each party shall indemnify and hold harmless the other party from and against any and all liability, claims, losses, actions, and expenses (including attorneys fees), which may arise out of or are incident to, any acts, omissions or willful misconduct of said party in the performance of this Agreement and the Program.

8. Impact of this Agreement on the Previous Agreements In the event of any conflict between the provisions of this Agreement and the provisions of the Previous Agreements, the provisions of this Agreement shall be controlling. Notwithstanding the foregoing, nothing herein contained shall be construed to limit the amount of water service as established pursuant to the Previous Agreements, it being the express intent of the parties that the total amount of water service to which Customer may be entitled in the future as set forth under the Previous Agreements shall not be adversely impacted or otherwise limited by this Agreement. In the event water service from groundwater, as contemplated under this Agreement and the Program, is not provided at any time due to any of the reasons set forth in this Agreement, then Customer shall remain entitled to receive Service, as established pursuant to the Previous Agreements, which includes water supplies from Lake Arrowhead.

9. General Provisions

(a) Incorporation of Recitals The Recitals set forth in this Agreement are incorporated herein and made an operative part of this Agreement.

(b) Attorneys Fees In the event of any controversy, claim, or dispute between the parties which arises out of, or relates to, this Agreement or to the breach of the same, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

(c) Amendments This Agreement may not be amended except by a subsequent writing, which is signed by the parties.

(d) Successors and Assigns. Neither party shall assign or otherwise transfer any rights under, or interest in, this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld. Unless specifically stated to the contrary in any consent, no assignment or transfer will release or discharge the assignor from any duty or responsibility under this Agreement.

(e) Severability. Any provision or part of this Agreement held to be void or unenforceable shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the parties.

(f) Waiver. Non-enforcement of a provision by either party shall not constitute a waiver of that provision, nor shall it affect enforceability of that provision or the remainder of this Agreement.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

(h) Entire Agreement. This Agreement sets forth and contains the entire understanding and agreement of the parties, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein.

(i) Interpretations and Governing Law. This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

(j) Jurisdiction and Venue. Any action at law or in equity arising under this Agreement or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and prosecuted in the Superior Court of the County of San Bernardino, State of California.

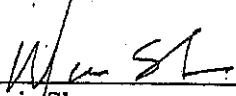
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth below.

(signatures are on the following page)

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

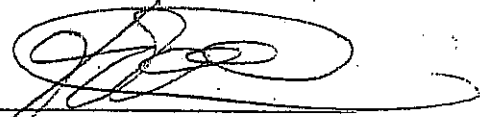
LAKE ARROWHEAD COUNTRY CLUB

By:



Marvin Shaw
General Manager

By:



Herman F. Ott de Vries
General Manager

Dated:

11/06/03

Dated:

11-05-03

EXHIBIT A

CUSTOMER PROPERTY

(SEE ATTACHED)

A-1 LEGAL DESCRIPTION

A-2 MAP

B-1 LEGAL DESCRIPTION

B-2 MAP

EXHIBIT "A-1"

Apr: 0333-281-18

An easement, 15 feet in width, for ingress, egress, water lines, water wells and incidental purposes for the maintenance of said water lines and water wells over a portion of the Southwest Quarter of Section 17, Township 2 North, Range 3 West, San Bernardino Base & Meridian, County of San Bernardino, State of California.

The centerline of said easement is more particularly described as follows:

COMMENCING at the southwest corner of Lot 114, Tract 6489, as per plat recorded in Book 83, pages 76 through 83, inclusive, of maps, records of said San Bernardino County, and the beginning of a tangent curve, with a radius of 175.00 feet, concave to the Northwest; thence Southwesterly along said curve, and the easterly right of way of Brentwood Drive, through a central angle of 04 Degrees 56 Minutes 21 Seconds an arc distance of 15.09 feet to the **TRUE POINT OF BEGINNING**; thence non-tangent to said curve, South 63 Degrees 22 Minutes 15 Seconds East a distance of 137.42 feet; thence North 38 Degrees 25 Minutes 16 Seconds East a distance of 154.60 feet; thence North 54 Degrees 26 Minutes 36 Seconds East a distance of 58.10 feet; thence South 86 Degrees 46 Minutes 16 Seconds East a distance of 109.70 feet; thence North 15 Degrees 28 Minutes 55 Seconds East a distance of 85.66 feet; thence North 21 Degrees 23 Minutes 01 Seconds East a distance of 74.55 feet; thence North 06 Degrees 43 Minutes 57 Seconds East a distance of 46.92 feet; thence North 20 Degrees 59 Minutes 08 Seconds East a distance of 28.91 feet; thence North 56 Degrees 21 Minutes 20 Seconds East a distance of 75.41 feet; thence North 78 Degrees 14 Minutes 59 Seconds East a distance of 121.38 feet; thence South 07 Degrees 43 Minutes 34 Seconds East a distance of 40.97 feet; thence South 16 Degrees 34 Minutes 57 Seconds East a distance of 77.06 feet; thence South 36 Degrees 13 Minutes 10 Seconds East a distance of 20.32 feet to the **POINT OF TERMINUS**. The sidelines of said easement shall be lengthened or shortened as to terminate at the easterly right of way of Brentwood Drive.

Said easement is depicted as Parcel 1 on Exhibit "A-2" attached hereto and incorporated herein by this reference.

This legal description prepared by me or under my direction June 30, 2003.

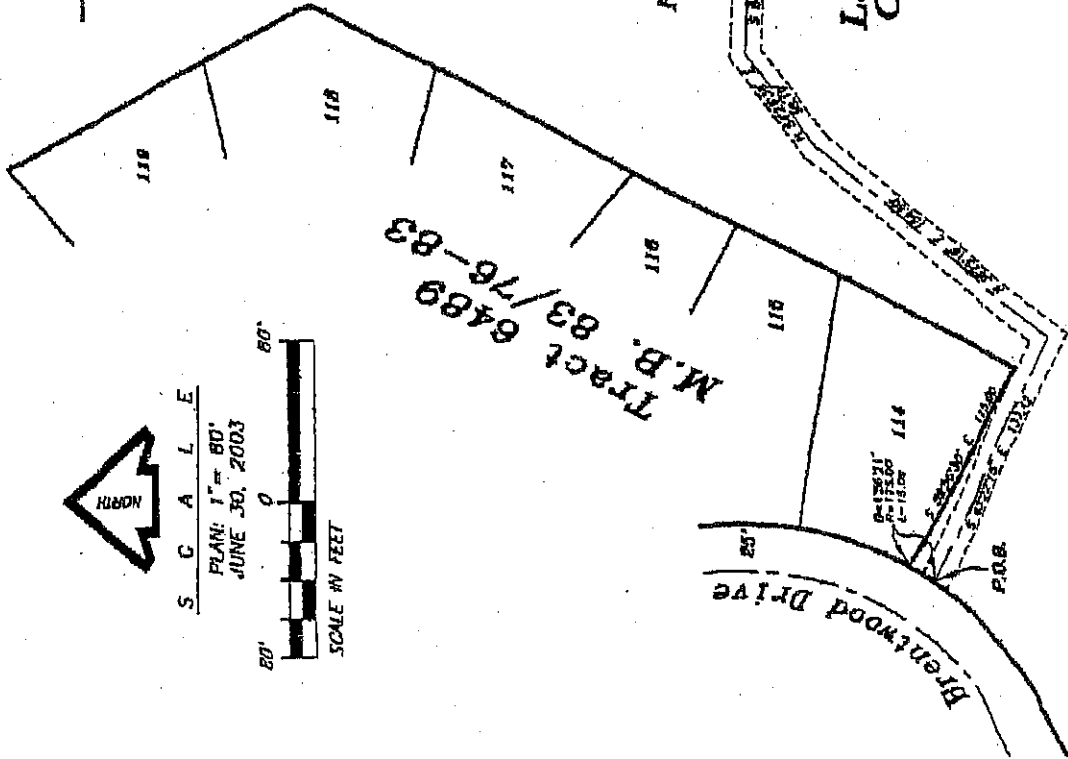

Bradley L. Brier, P.S. #163
Renewal date: 6/30/2004



EXHIBIT "A-2"

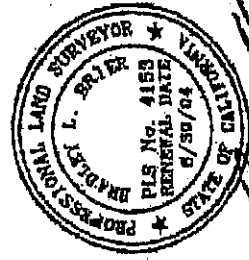
APN: 0333-281-18

Lake Arrowhead Country Club



S C A L E

PLAN: 1" = 80'
JUNE 30, 2003



Bradley L. Brayer

Lake Arrowhead
County Club

EXHIBIT "B-1"

An easement, 15 feet in width, for ingress, egress, water lines, water wells and incidental purposes for the maintenance of said water lines and water wells over a portion of the Southwest Quarter of Section 17, Township 2 North, Range 3 West, San Bernardino Base & Meridian, County of San Bernardino, State of California.

The centerline of said easement is more particularly described as follows:

COMMENCING at the northeast corner of Lot 69, Tract 6489, as per plat recorded in Book 83, pages 76 through 83, inclusive, of maps, records of said San Bernardino County; and the beginning of a tangent curve, with a radius of 225.00 feet, concave to the East; thence Northerly, along said curve, and the westerly right of way of Brentwood Drive, through a central angle of 02 Degrees 40 Minutes 03 Seconds an arc distance of 10.48 feet to the **TRUE POINT OF BEGINNING**; thence non-tangent to said curve, North 64 Degrees 32 Minutes 24 Seconds West a distance of 135.81 feet; thence South 48 Degrees 43 Minutes 55 Seconds West a distance of 51.28 feet; thence South 85 Degrees 15 Minutes 45 Seconds West a distance of 70.11 feet; thence South 75 Degrees 20 Minutes 50 Seconds West a distance of 108.24 feet; thence South 85 Degrees 29 Minutes 48 Seconds West a distance of 48.59 feet; thence South 56 Degrees 28 Minutes 45 Seconds West a distance of 197.89 feet; thence South 81 Degrees 33 Minutes 05 Seconds West a distance of 44.33 feet; thence North 73 Degrees 00 Minutes 37 Seconds West a distance of 92.16 feet; thence North 82 Degrees 36 Minutes 44 Seconds West a distance of 78.49 feet; thence North 87 Degrees 49 Minutes 12 Seconds West a distance of 71.24 feet; thence South 16 Degrees 37 Minutes 53 Seconds West a distance of 43.72 feet to the **POINT OF TERMINUS** in the northerly line of Lot 34, Tract 7915, as per plat recorded in Book 101, pages 64 through 71, inclusive, of maps, records of said San Bernardino County; SAID point of terminus bears South 87 Degrees 48 Minutes 52 Seconds East a distance of 50.00 feet from the Northwest corner of Lot 34 of said Tract 7915. The sidelines of said easement shall be lengthened or shortened as to terminate at the northerly line of said Lot 34 and the westerly right of way of Brentwood Drive.

Said easement is depicted as Parcel 2 on Exhibit "B-2" attached hereto and incorporated herein by this reference.

This legal description prepared by me or under my direction June 30, 2003.


Bradley L. Brier, ELS 4153
Renewal date: 6/30/2004



EXHIBIT "B-2"

APN: 0345-191-12

Lake Arrowhead Country Club



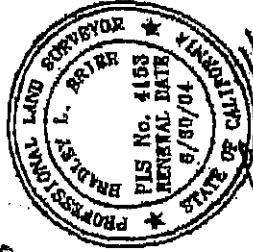
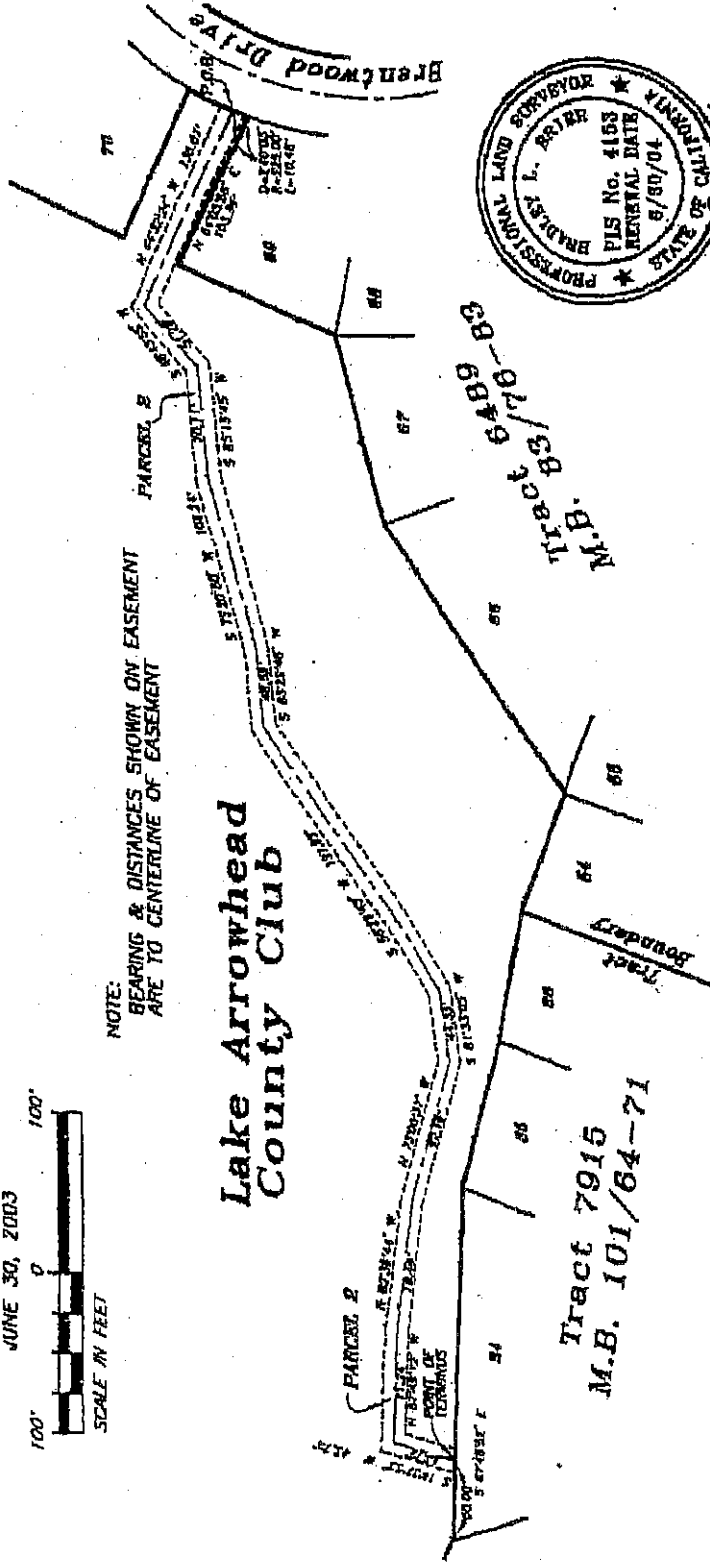
S C A L E

PLAN: 1" = 100'
JUNE 30, 2003



NOTE:
BEARINGS & DISTANCES SHOWN ON EASEMENT
ARE TO CENTERLINE OF EASEMENT

Lake Arrowhead County Club



Bradley L. Boyer

EXHIBIT B

DISTRICT FACILITIES AND RIGHTS OF WAY

Well #1 will be located on the south side of the driving range tee box. Well #2 will be located on the south side of the 15th fairway approximately 250 yards below the tee box. Both wells are to be drilled to a depth of 800 feet and covered with a cinder block structure housing the pumps electrical connection. A booster pump house will be constructed above the driving range on the south side of the range near the access road. During construction a 100' radius around the drill heads will be shielded off, after construction is complete all improvements will be underground except the wellhead, a cinder block structure, approximately four feet by four feet in width and thirty inches high and the Booster pump house. The District will need to access the sites through the LACC Cart paths and access roads. The access point for well #1 shall be on the access road adjacent to the driving range between the driving range and Grass Valley Road. Access to the well #2 site will be off Brentwood Drive up the Cart Path to the 15th Green, from the cart path's turn below the green. Access will be down the 15th Fairway along the cart path to the site at the lowest part of the valley. Reference attachments include:

- FACILITIES DESCRIPTION (Attachment A) - A set of three drawings are provided to show the type of structures. The drawings show the elevation of the above ground structures.
- FACILITIES MAP (Attachment B) - A map identifying the location of the two well sites, manifold and location of the Booster Pump House has been provided. The manifold detail shows the tie-in to Grass Valley Creek near the 18th Green and a separate tie-in to the District's water distribution system.
- RIGHT-OF-WAY MAP (Attachment C) - LACSD intends to ingress and egress across LACC lands to construct the wells and associated appurtenances. The route used to bring the drill equipment is shown on Attachment C.
- CONSTRUCTION SCHEDULE (Attachment D)

ORIGINAL

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT SECOND AGREEMENT FOR WATER SERVICE AND WELL DRILLING

THIS SECOND AGREEMENT FOR WATER SERVICE AND WELL DRILLING ("Agreement") is entered between the Lake Arrowhead Community Services District, a public agency ("District") and the Lake Arrowhead Country Club, a California non-profit corporation ("Customer").

RECITALS

A. District is a public agency responsible for providing potable water service to approximately 7,500 customers in the area commonly known as Arrowhead Woods and irrigation water service. At this time, Lake Arrowhead is the sole source of water for the customers within Arrowhead Woods.

B. Irrigation water service is currently provided to Customer in accordance with certain agreements, which were entered into by predecessors-in-interest to District. Those agreements include, but are not necessarily limited to, that certain Agreement of Settlement and Compromise, dated August 22, 1964, and that certain Agreement for the Purchase and Sale of Assets of Arrowhead Utility Company, dated June 9, 1978 (both agreements are collectively referred to herein as the "Previous Agreements"). Said irrigation water service is currently provided by the delivery of water into Grass Valley Lake from Lake Arrowhead where it is then taken by Customer for irrigation of its golf course.

C. District is planning and implementing programs to supplement and diversify the sources of water supply for the Lake Arrowhead community. The purpose of this Agreement is to implement District's Cooperative Development And Management Program ("Program") in order to develop a more efficient method of providing irrigation water service to Customer and ensure the reasonable and beneficial use of water resources for all members of the Lake Arrowhead Community.

D. The parties desire to enter into this Agreement in order to: (1) establish a direct contractual arrangement for irrigation water service to be provided to Customer; which will supercede any contrary contractual provisions for such service which currently apply to such service and (2) establish a method for providing irrigation water service that is consistent with the critical need for conservation of water supplies in the Lake Arrowhead Community and for the reasonable and beneficial use of said water supplies; and (3) provide for the District's development and use of groundwater sources on Customer's property for domestic drinking water supplies and service.

E. In pursuit of the same purposes set forth above, on or about November 6, 2003, the parties entered into a separate Agreement For Water Service And Well Drilling (hereafter referred to as the "First Agreement") providing for, among other things, the design, construction and installation of two groundwater production wells by District on certain portions of the real property owned by Customer. It is intended that the Second Agreement be read together and in conjunction with the First Agreement, where applicable.

IN CONSIDERATION FOR PERFORMANCE OF THE COVENANTS AND CONDITIONS SET FORTH HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. Construction and Installation of District Facilities At its sole cost and expense, District shall design, construct and otherwise install WELL NUMBER THREE (3) and appurtenant facilities ("District Facilities") on certain portions of the real property owned by Customer upon which Customer operates a golf course ("Customer Property"). The Customer Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference. The District Facilities also include, among other things, one or more tanks and pump houses and concrete slabs supporting such facilities. The District Facilities shall also include facilities for production of groundwater and delivery of said water to facilities of Customer ("Customer Facilities") for irrigation of the golf course on the Customer Property including the point of connection between the District Facilities and the Customer Facilities ("Connection Point"). The District Facilities shall also include facilities for conveyance of said groundwater by District from the production wells to facilities of District, which comprise District's overall system ("District System") for the provision of water service to its customers,

(a) Rights of Way Customer shall grant, convey and otherwise transfer to District any and all non-exclusive easements, licenses, rights of entry and any other rights-of-way District reasonably requires in connection with the construction, installation, operation and maintenance of the District Facilities. Any such property interests shall be transferred from Customer to District at no cost or expense. Any such easements, licenses, rights of entry or any other rights-of-way shall terminate at any such time as this Agreement is otherwise terminated.

(b) Description and Location of Facilities and Rights-of-Way A description of the District Facilities, and the rights-of-way which District requires, are more particularly described in Exhibit "B" attached hereto and incorporated herein by reference.

(c) Activities In Connection With Construction and Installation of District Facilities District shall be responsible, at its sole cost and expense, for performance of all activities in connection with the design, installation and construction of the District Facilities, and shall indemnify and hold Customer harmless from and against any and all liability, claims, losses, actions, and expenses (including attorney's fees), which may arise out of, or are incident to, the performance by District of all such activities including, without limitation, damages and injuries to other personal or real property, whether owned by Customer or third parties. Such activities shall include, without limitation, the following tasks:

- (i) Geo-hydrologic investigation and monitoring of groundwater resources.
- (ii) Environmental and regulatory compliance.
- (iii) Well drilling

(iv) Survey, design, engineering and construction of facilities (wells, pumps, motors, storage and pipeline)

(v) Operation and maintenance of facilities including the cost of water treatment, if necessary.

(vi) Groundwater monitoring and reporting, for example, scheduled reporting to Customer and appropriate regulatory agencies of the amounts and quality of groundwater extracted.

(d) Ownership and Control of District Facilities While this Agreement remains in effect, District shall own, control and otherwise retain a non-exclusive right of access on Customer Property in order to operate and maintain all District Facilities, subject to Customer's reasonable requirements. District shall own, operate, repair and maintain all facilities, equipment, material, supplies and any other personal property in connection with the Program and the District Facilities.

(e) Completion of District Facilities District shall complete all actual drilling by June 1, 2004 and all additional non-drilling test and connection work by June 6, 2004 ("Completion Date"). Customer shall complete the construction and installation of the Customer Facilities on or before the Completion Date. Prior to commencement of irrigation water service to Customer under this Agreement, District shall continue to provide irrigation water service to Customer through the process set forth under the Previous Agreements and under the First Agreement. Further, after commencement of irrigation water service to Customer under this Agreement, in the event that the amount of groundwater produced by the District Facilities is not sufficient for provision of Service, as defined herein, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements and the First Agreement.

(f) Requirements for Well Drilling District shall cause the drill rig to be placed on site during the first week of May 2004. Actual drilling shall be completed by June 1, 2004 and the rig removed by that date. The site will be protected with mesh screening capable of stopping flying golf balls.

(g) Requirements for Servicing Drill Site Normal and/or heavy vehicles shall not be used to transport materials or personnel over or across Customer Property nor otherwise to service the site, other than for initial setup and post-digging removal. All transport shall be with "Gators" or other golf-cart related equipment. All transport shall be completed daily by 0700 or otherwise as Customer requires. In all respects, the well drilling activities shall be subject to Customer's reasonable requirements.

(h) Requirements for Associated Pipelines Pipeline work on Customer's site, related to the well drilling, will commence on April 28, 2004 and be completed by May 13, 2004. Customer's site will remain playable for golf at all times. Excavations will be filled and/or

covered each night. In all respects, the pipeline placement activities shall be subject to Customer's reasonable requirements.

2. Acknowledgment and Establishment of Water Rights

(a) Customer's Water Right Customer hereby represents and warrants that it has a right, under California law, to extract groundwater for reasonable and beneficial use upon the Customer Property, which is deemed to be the overlying land ("Customer Water Right"), for irrigation of the golf course. Nothing in this Agreement shall constitute the transfer of ownership of the Customer Water Right to District.

(b) District Water Right District hereby represents and warrants that according to California law, District is a public agency with the authority to enter into agreements for acquisition of water resources in order to provide water service to its customers and to take certain actions to appropriate, and otherwise secure, the right to water resources. District shall utilize the District Facilities to develop groundwater from Customer Property for use in providing irrigation water service to Customer and also for appropriation and conveyance of such water into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service. As between District and Customer, District shall have the full responsibility and right to take any and all actions to establish an appropriative water right, or any other applicable water right ("District Water Right"), in connection with the appropriation and conveyance of such water off of the Customer Property and into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service.

3. Sale, Purchase and Delivery of Irrigation Water Service

(a) Provision of Irrigation Water Service Beginning on the date which is no later than sixty (60) days after the Completion Date, District shall provide irrigation water service ("Service") to Customer pursuant to the provisions of this Agreement and District's Rules and Regulations for Water and Wastewater Service ("Rules and Regulations"), as said Rules and Regulations may be amended from time to time. In the event of a conflict between the provisions of this Agreement and the provisions of the Rules and Regulations, the provisions of this Agreement shall control. Said Service shall be provided by the production of groundwater from the Customer Property through the District Facilities and then the delivery of said groundwater to the Customer Facilities at the Connection Point. In the event the production of groundwater is not sufficient to meet: (i) the estimated quantities of water as set forth herein; and/or (ii) the delivery schedules to be developed by the parties, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements and the First Agreement. As a result, the groundwater produced from the Customer Property shall be credited, on an annual "bucket-for-bucket" basis, toward the amount that District would otherwise deliver to Customer for such Service through the process set forth under the Previous Agreements.

(b) Estimated Quality and Quantity of Groundwater The amount and quantity of groundwater which can be produced under the Program through the District Facilities cannot be determined until after District completes the first phase of the Program which involves the construction and installation of "test wells." For informational purposes only, the District estimates that based upon geo-hydrologic studies, the combined production capacity of the District Facilities could perhaps be between 50 to 100 gallons per minute ("gpm") or about 80 to 160 acre feet of water per year. The groundwater produced from the District Facilities shall be used for providing the Service. In the event District is able to produce through the District Facilities an amount of groundwater in excess of the amount necessary for the Service ("Surplus Water"), District shall have the right to utilize such Surplus Water by conveyance to the District System and establishing the applicable District Water Right in connection therewith. Surplus Water may be used by District in its discretion including, without limitation, for domestic drinking water supplies and service to District customers. The parties hereby acknowledge and agree that District's performance of its obligations under this Agreement including, without limitation, the obligation to design, construct and install the District Facilities, shall constitute the total consideration provided by District in exchange for District's establishment, ownership and use of the District Water Right and ownership and use of the Surplus Water.

(i) District's Obligation to Provide Service Through District Facilities District's obligation to provide the Service through the Program and the District Facilities shall be subject to the availability of groundwater from the Customer Property and the extent to which the applicable District Water Right can be established and secured for the transfer of such Surplus Water off of the Customer Property and into District's System for District's use in providing domestic drinking water supplies and service. In the event District determines that it is no longer possible or feasible to extract groundwater for the purposes contemplated under this Agreement and the Program, including without limitation for domestic water supplies and service, District may terminate the Program and this Agreement as provided for herein. In that event, District will continue to provide the Service pursuant to the process set forth in the Previous Agreements, the First Agreement, or as otherwise provided under this Agreement. For example, and not by way of limitation, District may determine that it is no longer possible or feasible to extract groundwater pursuant to the Program and this Agreement due to insufficient groundwater supplies, a challenge to the District Water Right, or the exercise of a superior right by another water right holder.

(c) Purchase Price The purchase price to be paid by Customer to District for the Service shall be at the rate ("Rate") provided for under the Previous Agreements. The Rate shall be applied to any water delivered through the process set forth under the Previous Agreements, as well as to groundwater produced from the Customer Property. The total amount of water delivered to Customer will not exceed the amounts and delivery schedule as set forth under the Previous Agreements. The Rate shall be subject to adjustment, from time to time, as provided for under the Previous Agreements and in accordance with the procedures and requirements in the Rules and Regulations.

(d) Metering For purposes of determining the quantities of groundwater which District delivers to Customer for the Service each month, District shall purchase and install, at

the Connection Point, and at the expense of District, a meter of adequate size, calibration and volume to accurately measure the quantities of groundwater delivered to Customer for the Service. District shall read such meter at the end of each month/two months. For the applicable monthly/bi-monthly billing period, District shall submit a monthly/bi-monthly bill to Customer, which sets forth the quantity of groundwater, delivered and the quantity of water delivered, if any, through the process under the Previous Agreements. Customer shall have the right to read and/or inspect the meter. District shall have the meter tested from time to time, as determined in its discretion, to determine if it is accurately recording the quantities of groundwater delivered to Customer. If the meter is determined by such a test to be operating inaccurately by approximately five percent (5%) or more of the manufacturer's recommended flow range, District shall have the meter repaired or replaced and the cost of such repair and replacement shall be borne by District.

(e) Billing and Payment District shall bill Customer for the Service in each calendar month pursuant to the payment terms and billing procedure set forth in District's Rules and Regulations and this Agreement and Customer shall pay said bills as required under the Rules and Regulations and this Agreement.

4. Term and Termination The term of this Agreement shall be for the period of thirty (30) years from the date of full execution of this Agreement by both parties, unless earlier terminated as set forth under this Agreement. The term may be extended for two (2) additional thirty (30) year periods upon the mutual written agreement of both parties prior to expiration of the original term or the first extended term. Upon sixty (60) days prior written notice to Customer, District may terminate the Program and this Agreement in the event District makes the determination provided for under Section 3(b)(i). In addition, this Agreement may be terminated in the event of a breach of this Agreement. In the event of a breach, the non-defaulting party shall submit a written notice of default to the defaulting party setting forth the breach or default and providing the defaulting party with thirty (30) days to cure said breach. In the event the defaulting party fails to cure said breach within the cure period, as said period may be extended by mutual agreement, the non-defaulting party may elect to terminate this Agreement and/or pursue any and all other remedies in law or equity. In the event of expiration or termination of this Agreement, either party may elect to have the District Facilities removed from the Customer Property. Any such removal shall be conducted by District at District's sole cost and expense. Following any such removal, District shall reasonably restore any ground on the Customer Property disturbed by the construction or operation of the District Facilities to its reasonable pre-disturbance state, at its sole cost and expense, reasonable wear and tear excepted. At all times including, without limitation, subsequent to the term of this Agreement, District shall own all right, title and interest to any and all District Facilities and any appurtenances thereto.

5. CEQA and NEPA Compliance District and Customer acknowledge and agree that the obligations of the parties under this Agreement are conditioned on District completing any applicable proceedings under the California Environmental Quality Act ("CEQA") and the National Environmental Protection Act ("NEPA") which may be required and the successful defense of any challenge, or the expiration of any challenge period, which may apply to CEQA or NEPA compliance in connection with this Agreement and the Program.

6. Compliance with Rules and Regulations This Agreement may be terminated by District in the event of Customer's breach of any of the provisions of this Agreement. In addition, Service may be discontinued, or otherwise restricted, pursuant to the provisions of the Rules And Regulations.

7. Indemnification Each party shall indemnify and hold harmless the other party from and against any and all liability, claims, losses, actions, and expenses (including attorneys fees), which may arise out of or are incident to, any acts, omissions or willful misconduct of said party in the performance of this Agreement and the Program.

8. Impact of this Agreement on the Previous Agreements In the event of any conflict between the provisions of this Agreement and the provisions of the Previous Agreements, the provisions of this Agreement shall be controlling. Notwithstanding the foregoing, nothing herein contained shall be construed to limit the amount of water service as established pursuant to the Previous Agreements, it being the express intent of the parties that the total amount of water service to which Customer may be entitled in the future as set forth under the Previous Agreements shall not be adversely impacted or otherwise limited by this Agreement. In the event water service from groundwater, as contemplated under this Agreement and the Program, is not provided at any time due to any of the reasons set forth in this Agreement, then Customer shall remain entitled to receive Service, as established pursuant to the Previous Agreements, which includes water supplies from Lake Arrowhead.

9. General Provisions

(a) Incorporation of Recitals The Recitals set forth in this Agreement are incorporated herein and made an operative part of this Agreement.

(b) Attorneys Fees In the event of any controversy, claim, or dispute between the parties which arises out of, or relates to, this Agreement or to the breach of the same, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

(c) Amendments This Agreement may not be amended except by a subsequent writing, which is signed by the parties.

(d) Successors and Assigns Neither party shall assign or otherwise transfer any rights under, or interest in, this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld. Unless specifically stated to the contrary in any consent, no assignment or transfer will release or discharge the assignor from any duty or responsibility under this Agreement.

(e) Severability Any provision or part of this Agreement held to be void or unenforceable shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the parties.

(f) Waiver Non-enforcement of a provision by either party shall not constitute a waiver of that provision, nor shall it affect enforceability of that provision or the remainder of this Agreement.

(g) Counterparts This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

(h) Entire Agreement This Agreement sets forth and contains the entire understanding and agreement of the parties, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein.

(i) Interpretations and Governing Law This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

(j) Jurisdiction and Venue Any action at law or in equity arising under this Agreement or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and prosecuted in the Superior Court of the County of San Bernardino, State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth below.

(signatures are on the following page)

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT

By: MSL
Marvin Shaw
General Manager

Dated: 5/13/04

LAKE ARROWHEAD COUNTRY CLUB

By: [Signature]
Herman F. Ott de Vries
General Manager

Dated: 5-6-04

EXHIBIT A
CUSTOMER PROPERTY

(SEE ATTACHED)

EASEMENT 1

AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES, WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID WATER LINES AND WATER WELLS, OVER A PORTION OF THE SOUTHWEST QUARTER OF SECTION 17 AND THE NORTHWEST QUARTER OF SECTION 20, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE & MERIDIAN, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, THE CENTERLINE OF SAID EASEMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST WESTERLY CORNER OF LOT 114, TRACT 6489, AS PER PLAT RECORDED IN BOOK 83, PAGES 76 THROUGH 83, INCLUSIVE, OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, SAID CORNER ALSO BEING A POINT ON THE EASTERLY RIGHT OF WAY OF BRENTWOOD DRIVE, HAVING A HALF-WIDTH OF 25 FEET, AND ALSO BEING THE BEGINNING OF A 175.00 FOOT RADIUS, NON-TANGENT CURVE, A RADIAL OF SAID CURVE BEARS SOUTH 59°56'30" EAST;

THENCE SOUTHWESTERLY ALONG SAID CURVE, AND THE SAID EASTERLY RIGHT OF WAY OF SAID BRENTWOOD DRIVE, THROUGH A CENTRAL ANGLE OF 4°56'21" AN ARC DISTANCE OF 15.09 FEET;

THENCE SOUTH 63°22'15" EAST, 42.67 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 26°37'45" WEST, 7.50 FEET;

THENCE SOUTH 40°11'51" WEST, 63.48 FEET;

THENCE SOUTH 17°23'56" WEST, 115.39 FEET;

THENCE SOUTH 34°47'26" WEST, 80.56 FEET;

THENCE SOUTH 01°28'22" EAST, 62.02 FEET;

THENCE SOUTH 08°35'57" WEST, 76.30 FEET;

THENCE SOUTH 06°38'11" WEST, 88.61 FEET;

THENCE SOUTH 07°12'36" WEST, 43.58 FEET;

THENCE SOUTH 14°01'56" WEST, 114.33 FEET;

THENCE SOUTH 07°50'23" EAST, 154.78 FEET;

THENCE SOUTH 24°21'17" EAST, 25.96 FEET;

THENCE SOUTH 07°57'27" EAST, 120.09 FEET;

THENCE SOUTH 30°01'13" EAST, 22.58 FEET;

THENCE SOUTH 36°46'17" EAST, 397.56 FEET;
THENCE SOUTH 08°18'00" EAST, 209.48 FEET;
THENCE SOUTH 11°34'19" EAST, 68.51 FEET;
THENCE SOUTH 02°21'42" WEST, 84.17 FEET;
THENCE SOUTH 03°20'37" WEST, 107.05 FEET;
THENCE SOUTH 11°50'36" WEST, 34.83 FEET;
THENCE SOUTH 32°02'05" WEST, 130.06 FEET;
THENCE SOUTH 35°21'42" WEST, 145.08 FEET;
THENCE SOUTH 26°27'26" WEST, 70.15 FEET;
THENCE SOUTH 34°28'16" WEST, 105.36 FEET;
THENCE SOUTH 27°26'38" WEST, 124.08 FEET;
THENCE SOUTH 80°27'25" WEST, 26.29 FEET TO THE POINT OF TERMINUS.

SUBJECT TO ALL RESERVATIONS, RESTRICTIONS, BASEMENTS, OFFERS OF DEDICATION, RIGHTS AND RIGHTS OF WAY OF RECORD.

EASEMENT 2

AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES, WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID WATER LINES AND WATER WELLS, OVER A PORTION OF THE WEST HALF OF SECTION 17, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE & MERIDIAN, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, THE CENTERLINE OF SAID EASEMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST EASTERLY CORNER OF LOT 118, TRACT 6489, AS PER PLAT RECORDED IN BOOK 83, PAGES 76 THROUGH 83, INCLUSIVE, OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY;


THENCE N 78°59'44" E, 308.95 FEET TO THE TRUE POINT OF BEGINNING;

THENCE NORTH 18°29'06" EAST, 73.25 FEET;

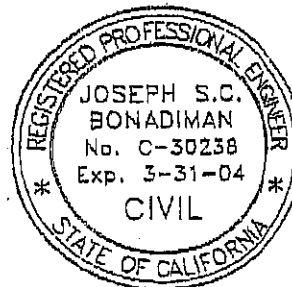
THENCE NORTH 15°08'30" EAST, 74.80 FEET;

THENCE NORTH 21°16'25" EAST, 34.38 FEET;
THENCE NORTH 36°30'46" EAST, 38.28 FEET;
THENCE NORTH 37°37'18" EAST, 50.86 FEET;
THENCE NORTH 05°58'38" EAST, 33.46 FEET;
THENCE NORTH 01°45'34" WEST, 612.16 FEET;
THENCE NORTH 07°31'10" EAST, 83.40 FEET;
THENCE NORTH 01°19'03" EAST, 132.96 FEET;
THENCE NORTH 86°44'39" WEST, 12.79 FEET;
THENCE NORTH 05°12'41" EAST, 78.14 FEET;
THENCE NORTH 09°25'02" EAST, 98.06 FEET;
THENCE NORTH 14°19'27" EAST, 97.05 FEET;
THENCE NORTH 03°55'56" EAST, 139.03 FEET;
THENCE NORTH 14°52'58" EAST, 47.30 FEET;
THENCE NORTH 3°01'19" EAST, 78.87 FEET;
THENCE NORTH 25°35'57" EAST, 164.50 FEET;
THENCE NORTH 27°01'20" EAST, 246.30 FEET TO THE POINT OF TERMINUS.

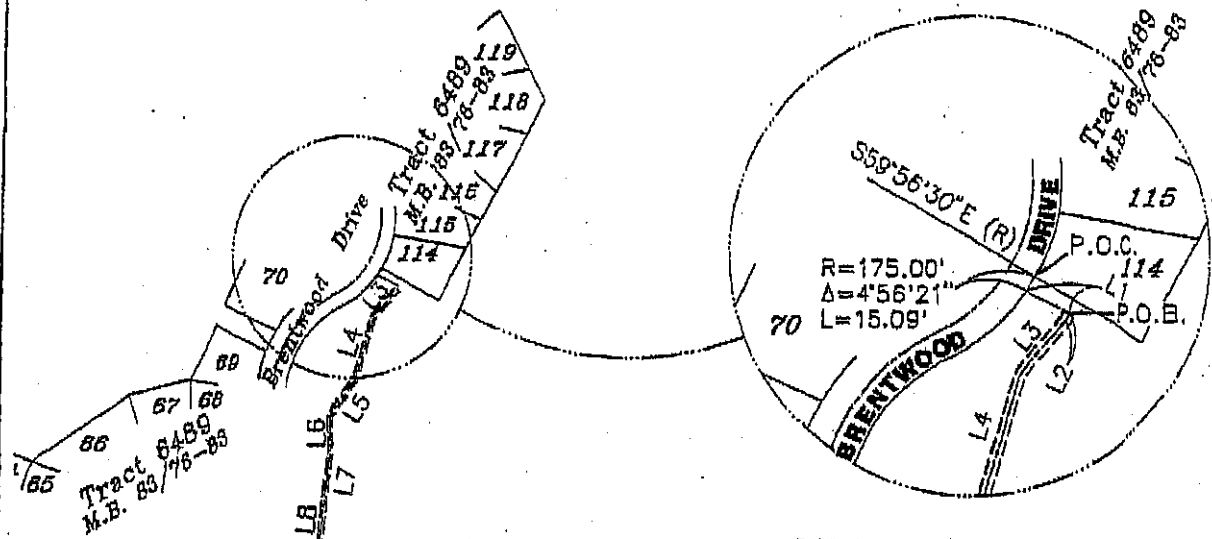
SUBJECT TO ALL RESERVATIONS, RESTRICTIONS, BASEMENTS, OFFERS OF
DEDICATION, RIGHTS AND RIGHTS OF WAY OF RECORD.



JOSEPH S. C. BONADIMAN, P.E. 2-17-04
LICENSE EXPIRES 3-31-04 DATE

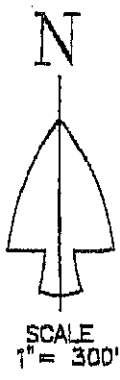


EASEMENT 1



LINE TABLE

NO.	BEARING	DIST.
L1	S 63°22'15" E	42.67'
L2	S 26°37'45" W	7.50'
L3	S 40°11'51" W	63.48'
L4	S 17°23'56" W	115.39'
L5	S 34°47'26" W	80.56'
L6	S 1°28'22" E	62.02'
L7	S 8°35'57" W	76.30'
L8	S 6°38'11" W	88.61'
L9	S 7°12'36" W	43.58'
L10	S 14°01'56" W	114.33'
L11	S 7°50'23" E	154.78'
L12	S 24°21'17" E	25.96'
L13	S 7°57'27" E	120.09'
L14	S 30°01'13" E	22.58'
L15	S 36°46'17" E	397.56'
L16	S 8°18'00" E	209.48'
L17	S 11°34'19" E	68.51'
L18	S 2°21'42" W	84.17'
L19	S 3°20'37" W	107.05'
L20	S 11°50'36" W	34.83'
L21	S 32°02'05" W	130.06'
L22	S 35°21'42" W	145.08'
L23	S 26°27'26" W	70.15'
L24	S 34°28'16" W	105.36'
L25	S 27°26'38" W	124.08'
L26	S 80°27'25" W	26.29'



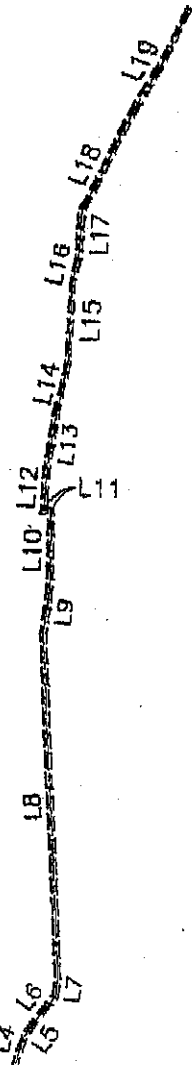
REGISTERED PROFESSIONAL ENGINEER
 JOSEPH S.C. BONADIMAN
 No. C-30238
 Exp. 3-31-04
 CIVIL
 STATE OF CALIFORNIA
 3-17-04

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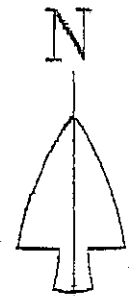
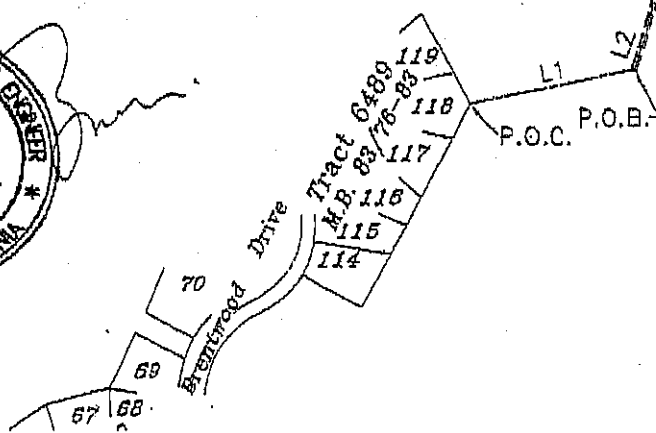
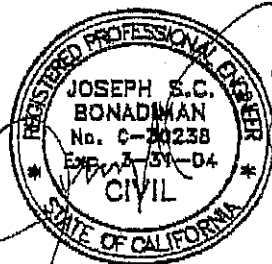
EASEMENT 2

LINE TABLE

NO.	BEARING	DIST.
L1	N 78°59'44" E	308.95'
L2	N 18°29'06" E	73.25'
L3	N 15°08'30" E	74.80'
L4	N 21°16'25" E	34.38'
L5	N 36°30'46" E	38.28'
L6	N 37°37'18" E	50.86'
L7	N 5°58'38" E	33.46'
L8	N 1°45'34" W	612.16'
L9	N 7°31'10" E	83.40'
L10	N 1°19'03" E	132.96'
L11	N 86°44'39" W	12.79'
L12	N 5°12'41" E	78.14'
L13	N 9°25'02" E	98.06'
L14	N 14°19'27" E	97.05'
L15	N 3°55'56" E	139.03'
L16	N 14°52'58" E	47.30'
L17	N 3°01'19" E	78.87'
L18	N 25°35'57" E	164.50'
L19	N 27°01'20" E	246.30'



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SCALE
1" = 300'

**LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
THIRD AGREEMENT FOR WATER SERVICE AND WELL DRILLING**

THIS THIRD AGREEMENT FOR WATER SERVICE AND WELL DRILLING ("Agreement") is entered between the Lake Arrowhead Community Services District, a public agency ("District") and the Lake Arrowhead Country Club, a California non-profit corporation ("Customer").

RECITALS

A. District is a public agency responsible for providing potable water service to approximately 7,500 customers in the area commonly known as Arrowhead Woods and irrigation water service. At this time, Lake Arrowhead is the sole source of water for the customers within Arrowhead Woods.

B. Irrigation water service is currently provided to Customer in accordance with certain agreements, which were entered into by predecessors-in-interest to District. Those agreements include, but are not necessarily limited to, that certain Agreement of Settlement and Compromise, dated August 22, 1964, and that certain Agreement for the Purchase and Sale of Assets of Arrowhead Utility Company, dated June 9, 1978 (both agreements are collectively referred to herein as the "Previous Agreements"). Said irrigation water service is currently provided by the delivery of water into Grass Valley Lake from Lake Arrowhead where it is then taken, by Customer, for irrigation of its golf course.

C. District is planning and implementing programs to supplement and diversify the sources of water supply for the Lake Arrowhead community. The purpose of this Agreement is to implement District's Cooperative Development And Management Program ("Program") in order to develop a more efficient method of providing irrigation water service to Customer and ensure the reasonable and beneficial use of water resources for all members of the Lake Arrowhead Community.

D. The parties desire to enter into this Agreement in order to: (1) establish a direct contractual arrangement for irrigation water service to be provided to Customer; which will supercede any contrary contractual provisions for such service which currently apply to such service and (2) establish a method for providing irrigation water service that is consistent with the critical need for conservation of water supplies in the Lake Arrowhead Community and for the reasonable and beneficial use of said water supplies; and (3) provide for the District's development and use of groundwater sources on Customer's property for domestic drinking water supplies and service.

E. In pursuit of the same purposes set forth above, on or about November 6, 2003, the parties entered into a separate Agreement For Water Service And Well Drilling (hereafter referred to as the "First Agreement") providing for, among other things, the design, construction and installation of two groundwater production wells by District on certain portions of the real property owned by Customer.

F. In pursuit of the same purposes set forth above, on or about May 6, 2004, the parties entered into a Second Agreement For Water Service And Well Drilling (hereafter referred to as the "Second Agreement") providing for, among other things, the design, construction and installation of "Well Number Three" on certain portions of the real property owned by Customer. It is intended that the Third Agreement be read together and in conjunction with the First Agreement and Second Agreement, where applicable.

IN CONSIDERATION FOR PERFORMANCE OF THE COVENANTS AND CONDITIONS SET FORTH HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. Construction and Installation of District Facilities At its sole cost and expense, District shall design, construct and otherwise install WELL NUMBER SIX (6) and appurtenant facilities ("District Facilities") on certain portions of the real property owned by Customer upon which Customer operates a golf course ("Customer Property"). The Customer Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference. The District Facilities also include, among other things, one or more tanks and pump houses and concrete slabs supporting such facilities. The District Facilities shall also include facilities for production of groundwater and delivery of said water to facilities of Customer ("Customer Facilities") for irrigation of the golf course on the Customer Property including the point of connection between the District Facilities and the Customer Facilities ("Connection Point"). The District Facilities shall also include facilities for conveyance of said groundwater by District from the production wells to facilities of District, which comprise District's overall system ("District System") for the provision of water service to its customers.

(a) Rights of Way Customer shall grant, convey and otherwise transfer to District any and all non-exclusive easements, licenses, rights of entry and any other rights-of-way District reasonably requires in connection with the construction, installation, operation and maintenance of the District Facilities. Any such property interests shall be transferred from Customer to District at no cost or expense. Any such easements, licenses, rights of entry or any other rights-of-way shall terminate at any such time as this Agreement is otherwise terminated.

(b) Description and Location of Facilities and Rights-of-Way A description of the District Facilities, and the rights-of-way which District requires, are more particularly described in Exhibit "B" attached hereto and incorporated herein by reference.

(c) Activities In Connection With Construction and Installation of District Facilities District shall be responsible, at its sole cost and expense, for performance of all activities in connection with the design, installation and construction of the District Facilities, and shall indemnify and hold Customer harmless from and against any and all liability, claims, losses, actions, and expenses (including attorney's fees), which may arise out of, or are incident to, the performance by District of all such activities including, without limitation, damages and injuries to other personal or real property, whether owned by Customer or third parties. Such activities shall include, without limitation, the following tasks:

- (i) Geo-hydrologic investigation and monitoring of groundwater resources.
- (ii) Environmental and regulatory compliance.
- (iii) Well drilling
- (iv) Survey, design, engineering and construction of facilities (wells, pumps, motors, storage and pipeline)
- (v) Operation and maintenance of facilities including the cost of water treatment, if necessary.
- (vi) Groundwater monitoring and reporting, for example, scheduled reporting to Customer and appropriate regulatory agencies of the amounts and quality of groundwater extracted.

(d) Ownership and Control of District Facilities While this Agreement remains in effect, District shall own, control and otherwise retain a non-exclusive right of access on Customer Property in order to operate and maintain all District Facilities, subject to Customer's reasonable requirements. District shall own, operate, repair and maintain all facilities, equipment, material, supplies and any other personal property in connection with the Program and the District Facilities.

(e) Completion of District Facilities District shall complete all actual drilling by July 1, 2004 and all additional non-drilling test and connection work by July 23, 2004 ("Completion Date"). Customer shall complete the construction and installation of the Customer Facilities on or before the Completion Date. Prior to commencement of irrigation water service to Customer under this Agreement, District shall continue to provide irrigation water service to Customer through the process set forth under the Previous Agreements, the First Agreement and the Second Agreement. Further, after commencement of irrigation water service to Customer under this Agreement, in the event that the amount of groundwater produced by the District Facilities is not sufficient for provision of Service, as defined herein, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements, First Agreement and Second Agreement.

(f) Requirements for Well Drilling District shall cause the drill rig to be placed on site during the week of June 14, 2004. Actual drilling shall be completed by July 1, 2004 and the rig removed by that date. The site will be protected with mesh screening capable of stopping flying golf balls.

(g) Requirements for Servicing Drill Site Normal and/or heavy vehicles shall not be used to transport materials or personnel over or across Customer Property nor otherwise to service the site, other than for initial setup and post-digging removal. All transport shall be with "Gators" or other golf-cart related equipment. All transport shall be completed daily by 0700 or

otherwise as Customer requires. In all respects, the well drilling activities shall be subject to Customer's reasonable requirements.

(h) Requirements for Associated Pipelines Pipeline work on Customer's site, related to the well drilling commenced on April 28, 2004 and was completed on June 10, 2004. Customer's site will remain playable for golf at all times. Excavations will be filled and/or covered each night. In all respects, the pipeline placement activities shall be subject to Customer's reasonable requirements.

2. Acknowledgment and Establishment of Water Rights

(a) Customer's Water Right Customer hereby represents and warrants that it has a right, under California law, to extract groundwater for reasonable and beneficial use upon the Customer Property, which is deemed to be the overlying land ("Customer Water Right"), for irrigation of the golf course. Nothing in this Agreement shall constitute the transfer of ownership of the Customer Water Right to District.

(b) District Water Right District hereby represents and warrants that according to California law, District is a public agency with the authority to enter into agreements for acquisition of water resources in order to provide water service to its customers and to take certain actions to appropriate, and otherwise secure, the right to water resources. District shall utilize the District Facilities to develop groundwater from Customer Property for use in providing irrigation water service to Customer and also for appropriation and conveyance of such water into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service. As between District and Customer, District shall have the full responsibility and right to take any and all actions to establish an appropriative water right, or any other applicable water right ("District Water Right"), in connection with the appropriation and conveyance of such water off of the Customer Property and into the District System for District's use in its discretion including, without limitation, domestic drinking water supplies and service.

3. Sale, Purchase and Delivery of Irrigation Water Service

(a) Provision of Irrigation Water Service Beginning on the date which is no later than sixty (60) days after the Completion Date, District shall provide irrigation water service ("Service") to Customer pursuant to the provisions of this Agreement and District's Rules and Regulations for Water and Wastewater Service ("Rules and Regulations"), as said Rules and Regulations may be amended from time to time. In the event of a conflict between the provisions of this Agreement and the provisions of the Rules and Regulations, the provisions of this Agreement shall control. Said Service shall be provided by the production of groundwater from the Customer Property through the District Facilities and then the delivery of said groundwater to the Customer Facilities at the Connection Point. In the event the production of groundwater is not sufficient to meet: (i) the estimated quantities of water as set forth herein; and/or (ii) the delivery schedules to be developed by the parties, then District shall provide the balance of the water for the Service by way of the process currently set forth under the Previous Agreements,

the First Agreement and Second Agreement. As a result, the groundwater produced from the Customer Property shall be credited, on an annual "bucket-for-bucket" basis, toward the amount that District would otherwise deliver to Customer for such Service through the process set forth under the Previous Agreements.

(b) Estimated Quality and Quantity of Groundwater The amount and quantity of groundwater which can be produced under the Program through the District Facilities cannot be determined until after District completes the first phase of the Program which involves the construction and installation of "test wells." For informational purposes only, the District estimates that based upon geo-hydrologic studies, the combined production capacity of the District Facilities could perhaps be between 170 to 200 gallons per minute ("gpm") or about 180 to 256 acre feet of water per year. The groundwater produced from the District Facilities shall be used for providing the Service. In the event District is able to produce through the District Facilities an amount of groundwater in excess of the amount necessary for the Service ("Surplus Water"), District shall have the right to utilize such Surplus Water by conveyance to the District System and establishing the applicable District Water Right in connection therewith. Surplus Water may be used by District in its discretion including, without limitation, for domestic drinking water supplies and service to District customers. The parties hereby acknowledge and agree that District's performance of its obligations under this Agreement including, without limitation, the obligation to design, construct and install the District Facilities, shall constitute the total consideration provided by District in exchange for District's establishment, ownership and use of the District Water Right and ownership and use of the Surplus Water.

(i) District's Obligation to Provide Service Through District Facilities District's obligation to provide the Service through the Program and the District Facilities shall be subject to the availability of groundwater from the Customer Property and the extent to which the applicable District Water Right can be established and secured for the transfer of such Surplus Water off of the Customer Property and into District's System for District's use in providing domestic drinking water supplies and service. In the event District determines that it is no longer possible or feasible to extract groundwater for the purposes contemplated under this Agreement and the Program, including without limitation for domestic water supplies and service, District may terminate the Program and this Agreement as provided for herein. In that event, District will continue to provide the Service pursuant to the process set forth in the Previous Agreements, the First Agreement, the Second Agreement, or as otherwise provided under this Agreement. For example, and not by way of limitation, District may determine that it is no longer possible or feasible to extract groundwater pursuant to the Program and this Agreement due to insufficient groundwater supplies, a challenge to the District Water Right, or the exercise of a superior right by another water right holder.

(c) Purchase Price The purchase price to be paid by Customer to District for the Service shall be at the rate ("Rate") provided for under the Previous Agreements. The Rate shall be applied to any water delivered through the process set forth under the Previous Agreements, as well as to groundwater produced from the Customer Property. The total amount of water delivered to Customer will not exceed the amounts and delivery schedule as set forth under the Previous Agreements. The Rate shall be subject to adjustment, from time to time, as provided

for under the Previous Agreements and in accordance with the procedures and requirements in the Rules and Regulations.

(d) Metering For purposes of determining the quantities of groundwater which District delivers to Customer for the Service each month, District shall purchase and install, at the Connection Point, and at the expense of District, a meter of adequate size, calibration and volume to accurately measure the quantities of groundwater delivered to Customer for the Service. District shall read such meter at the end of each month/two months. For the applicable monthly/bi-monthly billing period, District shall submit a monthly/bi-monthly bill to Customer, which sets forth the quantity of groundwater, delivered and the quantity of water delivered, if any, through the process under the Previous Agreements. Customer shall have the right to read and/or inspect the meter. District shall have the meter tested from time to time, as determined in its discretion, to determine if it is accurately recording the quantities of groundwater delivered to Customer. If the meter is determined by such a test to be operating inaccurately by approximately five percent (5%) or more of the manufacturer's recommended flow range, District shall have the meter repaired or replaced and the cost of such repair and replacement shall be borne by District.

(e) Billing and Payment District shall bill Customer for the Service in each calendar month pursuant to the payment terms and billing procedure set forth in District's Rules and Regulations and this Agreement and Customer shall pay said bills as required under the Rules and Regulations and this Agreement.

4. Term and Termination The term of this Agreement shall be for the period of thirty (30) years from the date of full execution of this Agreement by both parties, unless earlier terminated as set forth under this Agreement. The term may be extended for two (2) additional thirty (30) year periods upon the mutual written agreement of both parties prior to expiration of the original term or the first extended term. Upon sixty (60) days prior written notice to Customer, District may terminate the Program and this Agreement in the event District makes the determination provided for under Section 3(b)(i). In addition, this Agreement may be terminated in the event of a breach of this Agreement. In the event of a breach, the non-defaulting party shall submit a written notice of default to the defaulting party setting forth the breach or default and providing the defaulting party with thirty (30) days to cure said breach. In the event the defaulting party fails to cure said breach within the cure period, as said period may be extended by mutual agreement, the non-defaulting party may elect to terminate this Agreement and/or pursue any and all other remedies in law or equity. In the event of expiration or termination of this Agreement, either party may elect to have the District Facilities removed from the Customer Property. Any such removal shall be conducted by District at District's sole cost and expense. Following any such removal, District shall reasonably restore any ground on the Customer Property disturbed by the construction or operation of the District Facilities to its reasonable pre-disturbance state, at its sole cost and expense, reasonable wear and tear excepted. At all times including, without limitation, subsequent to the term of this Agreement, District shall own all right, title and interest to any and all District Facilities and any appurtenances thereto.

5. CEQA and NEPA Compliance District and Customer acknowledge and agree that the obligations of the parties under this Agreement are conditioned on District completing any applicable proceedings under the California Environmental Quality Act ("CEQA") and the National Environmental Protection Act ("NEPA") which may be required and the successful defense of any challenge, or the expiration of any challenge period, which may apply to CEQA or NEPA compliance in connection with this Agreement and the Program.

6. Compliance with Rules and Regulations This Agreement may be terminated by District in the event of Customer's breach of any of the provisions of this Agreement. In addition, Service may be discontinued, or otherwise restricted, pursuant to the provisions of the Rules And Regulations.

7. Indemnification. Each party shall indemnify and hold harmless the other party from and against any and all liability, claims, losses, actions, and expenses (including attorneys fees), which may arise out of or are incident to, any acts, omissions or willful misconduct of said party in the performance of this Agreement and the Program.

8. Impact of this Agreement on the Previous Agreements In the event of any conflict between the provisions of this Agreement and the provisions of the Previous Agreements, the provisions of this Agreement shall be controlling. Notwithstanding the foregoing, nothing herein contained shall be construed to limit the amount of water service as established pursuant to the Previous Agreements, it being the express intent of the parties that the total amount of water service to which Customer may be entitled in the future as set forth under the Previous Agreements shall not be adversely impacted or otherwise limited by this Agreement. In the event water service from groundwater, as contemplated under this Agreement and the Program, is not provided at any time due to any of the reasons set forth in this Agreement, then Customer shall remain entitled to receive Service, as established pursuant to the Previous Agreements, which includes water supplies from Lake Arrowhead.

9. General Provisions

(a) Incorporation of Recitals The Recitals set forth in this Agreement are incorporated herein and made an operative part of this Agreement.

(b) Attorneys Fees In the event of any controversy, claim, or dispute between the parties which arises out of, or relates to, this Agreement or to the breach of the same, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

(c) Amendments This Agreement may not be amended except by a subsequent writing, which is signed by the parties.

(d) Successors and Assigns Neither party shall assign or otherwise transfer any rights under, or interest in, this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld. Unless specifically stated to the contrary in any

consent, no assignment or transfer will release or discharge the assignor from any duty or responsibility under this Agreement.

(e) Severability Any provision or part of this Agreement held to be void or unenforceable shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon the parties.

(f) Waiver Non-enforcement of a provision by either party shall not constitute a waiver of that provision, nor shall it affect enforceability of that provision or the remainder of this Agreement.

(g) Counterparts This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

(h) Entire Agreement This Agreement sets forth and contains the entire understanding and agreement of the parties, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein.

(i) Interpretations and Governing Law This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.

(j) Jurisdiction and Venue Any action at law or in equity arising under this Agreement or brought by a party hereto for the purpose of enforcing, construing or determining the validity of any provision of this Agreement shall be filed and prosecuted in the Superior Court of the County of San Bernardino, State of California.

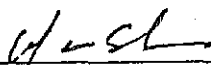
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth below.

(signatures are on the following page)

LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT


LAKE ARROWHEAD COUNTRY CLUB

By:



Marvin Shaw
General Manager

By:



Herman F. Ott de Vries
General Manager

Dated:

6/24/04

Dated:

6-18-04

EXHIBIT A
CUSTOMER PROPERTY

(SEE ATTACHED)

EXHIBIT B

DISTRICT FACILITIES AND RIGHTS OF WAY

(SEE ATTACHED)

EASEMENT 1

AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES, WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID WATER LINES AND WATER WELLS, OVER A PORTION OF THE SOUTHWEST QUARTER OF SECTION 17 AND THE NORTHWEST QUARTER OF SECTION 20, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE & MERIDIAN, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, THE CENTERLINE OF SAID EASEMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST WESTERLY CORNER OF LOT 114, TRACT 6489, AS PER PLAT RECORDED IN BOOK 83, PAGES 76 THROUGH 83, INCLUSIVE, OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY, SAID CORNER ALSO BEING A POINT ON THE EASTERLY RIGHT OF WAY OF BRENTWOOD DRIVE, HAVING A HALF-WIDTH OF 25 FEET, AND ALSO BEING THE BEGINNING OF A 175.00 FOOT RADIUS, NON-TANGENT CURVE, A RADIAL OF SAID CURVE BEARS SOUTH 59°56'30" EAST;

THENCE SOUTHWESTERLY ALONG SAID CURVE, AND THE SAID EASTERLY RIGHT OF WAY OF SAID BRENTWOOD DRIVE, THROUGH A CENTRAL ANGLE OF 4°56'21" AN ARC DISTANCE OF 15.09 FEET;

THENCE SOUTH 63°22'15" EAST, 42.67 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 26°37'45" WEST, 7.50 FEET;

THENCE SOUTH 40°11'51" WEST, 63.48 FEET;

THENCE SOUTH 17°23'56" WEST, 115.39 FEET;

THENCE SOUTH 34°47'26" WEST, 80.56 FEET;

THENCE SOUTH 01°28'22" EAST, 62.02 FEET;

THENCE SOUTH 08°35'57" WEST, 76.30 FEET;

THENCE SOUTH 06°38'11" WEST, 88.61 FEET;

THENCE SOUTH 07°12'36" WEST, 43.58 FEET;

THENCE SOUTH 14°01'56" WEST, 114.33 FEET;

THENCE SOUTH 07°50'23" EAST, 154.78 FEET;

THENCE SOUTH 24°21'17" EAST, 25.96 FEET;

THENCE SOUTH 07°57'27" EAST, 120.09 FEET;

THENCE SOUTH 30°01'13" EAST, 22.58 FEET;

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THENCE SOUTH 02°21'42" WEST, 84.17 FEET;
THENCE SOUTH 03°20'37" WEST, 107.05 FEET;
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THENCE SOUTH 34°28'16" WEST, 105.36 FEET;
THENCE SOUTH 27°26'38" WEST, 124.08 FEET;
THENCE SOUTH 80°27'25" WEST, 26.29 FEET TO THE POINT OF TERMINUS.

SUBJECT TO ALL RESERVATIONS, RESTRICTIONS, EASEMENTS, OFFERS OF DEDICATION, RIGHTS AND RIGHTS OF WAY OF RECORD.

EASEMENT 2

AN EASEMENT, 10.00 FEET IN WIDTH, FOR INGRESS, EGRESS, WATER LINES, WATER WELLS AND INCIDENTAL PURPOSES FOR THE MAINTENANCE OF SAID WATER LINES AND WATER WELLS, OVER A PORTION OF THE WEST HALF OF SECTION 17, TOWNSHIP 2 NORTH, RANGE 3 WEST, SAN BERNARDINO BASE & MERIDIAN, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, THE CENTERLINE OF SAID EASEMENT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST EASTERLY CORNER OF LOT 118, TRACT 6489, AS PER PLAT RECORDED IN BOOK 83, PAGES 76 THROUGH 83, INCLUSIVE, OF MAPS, RECORDS OF SAID SAN BERNARDINO COUNTY;


THENCE N 78°59'44" E, 308.95 FEET TO THE TRUE POINT OF BEGINNING;

THENCE NORTH 18°29'06" EAST, 73.25 FEET;

THENCE NORTH 15°08'30" EAST, 74.80 FEET;

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JOSEPH S. C. BONADIMAN, P.E. 2-17-04 DATE
LICENSE EXPIRES 3-31-04

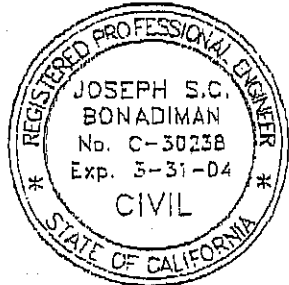


EXHIBIT B

EXHIBIT "A"

EASEMENT 1

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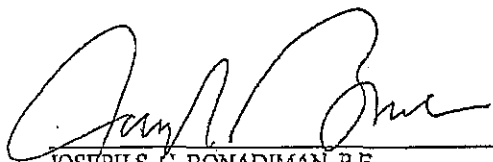
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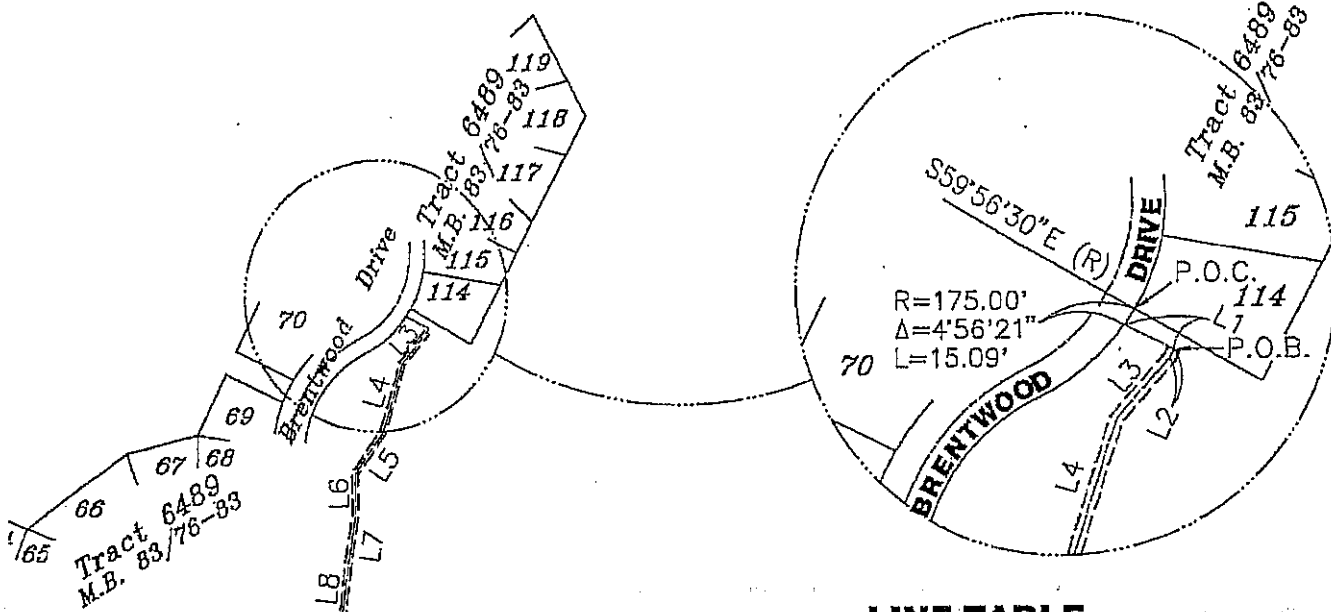
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JOSEPH S. C. BONADIMAN, P.E. 2-17-04
LICENSE EXPIRES 3-31-04 DATE

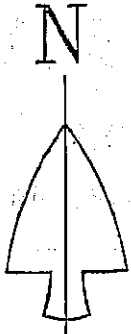


EXHIBIT 'B' EASEMENT 1

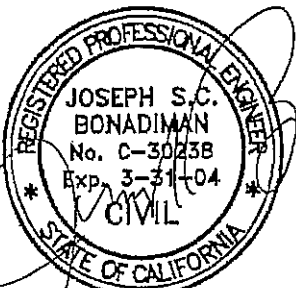


LINE TABLE

NO.	BEARING	DIST.
L1	S 63°22'15" E	42.67'
L2	S 26°37'45" W	7.50'
L3	S 40°11'51" W	63.48'
L4	S 17°23'56" W	115.39'
L5	S 34°47'26" W	80.56'
L6	S 1°28'22" E	62.02'
L7	S 8°35'57" W	76.30'
L8	S 6°38'11" W	88.61'
L9	S 7°12'36" W	43.58'
L10	S 14°01'56" W	114.33'
L11	S 7°50'23" E	154.78'
L12	S 24°21'17" E	25.96'
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L15	S 36°46'17" E	397.56'
L16	S 8°18'00" E	209.48'
L17	S 11°34'19" E	68.51'
L18	S 2°21'42" W	84.17'
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L20	S 11°50'36" W	34.83'
L21	S 32°02'05" W	130.06'
L22	S 35°21'42" W	145.08'
L23	S 26°27'26" W	70.15'
L24	S 34°28'16" W	105.36'
L25	S 27°26'38" W	124.08'
L26	S 80°27'25" W	26.29'



SCALE
1" = 300'



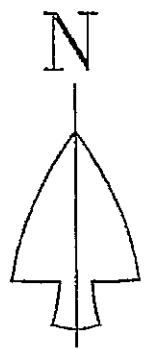
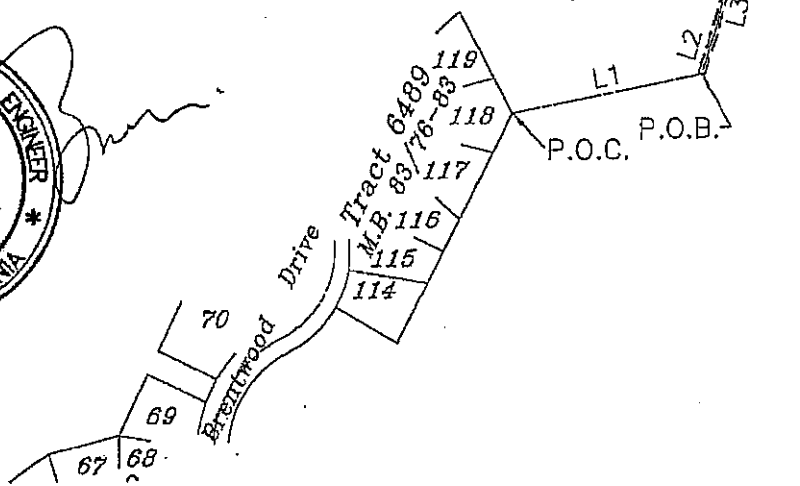
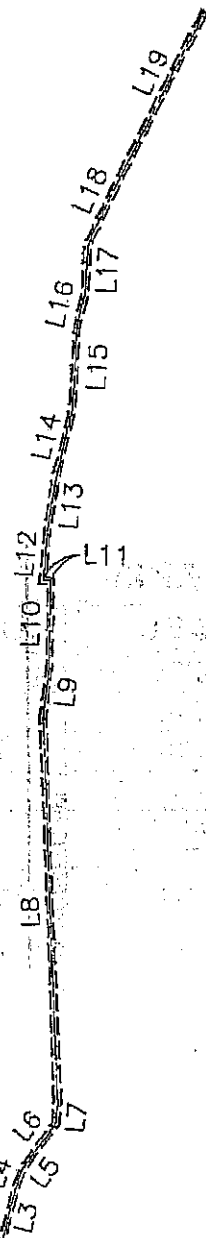
3-17-04

EXHIBIT 'B'

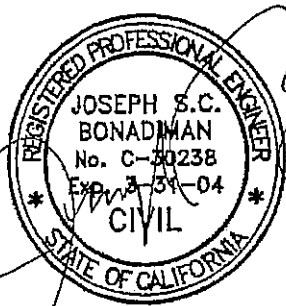
EASEMENT 2

LINE TABLE

NO.	BEARING	DIST.
L1	N 78°59'44" E	308.95'
L2	N 18°29'06" E	73.25'
L3	N 15°08'30" E	74.80'
L4	N 21°16'25" E	34.38'
L5	N 36°30'46" E	38.28'
L6	N 37°37'18" E	50.86'
L7	N 5°58'38" E	33.46'
L8	N 1°45'34" W	612.16'
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L12	N 5°12'41" E	78.14'
L13	N 9°25'02" E	98.06'
L14	N 14°19'27" E	97.05'
L15	N 3°55'56" E	139.03'
L16	N 14°52'58" E	47.30'
L17	N 3°01'19" E	78.87'
L18	N 25°35'57" E	164.50'
L19	N 27°01'20" E	246.30'



SCALE
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3-17-04

EXHIBIT C

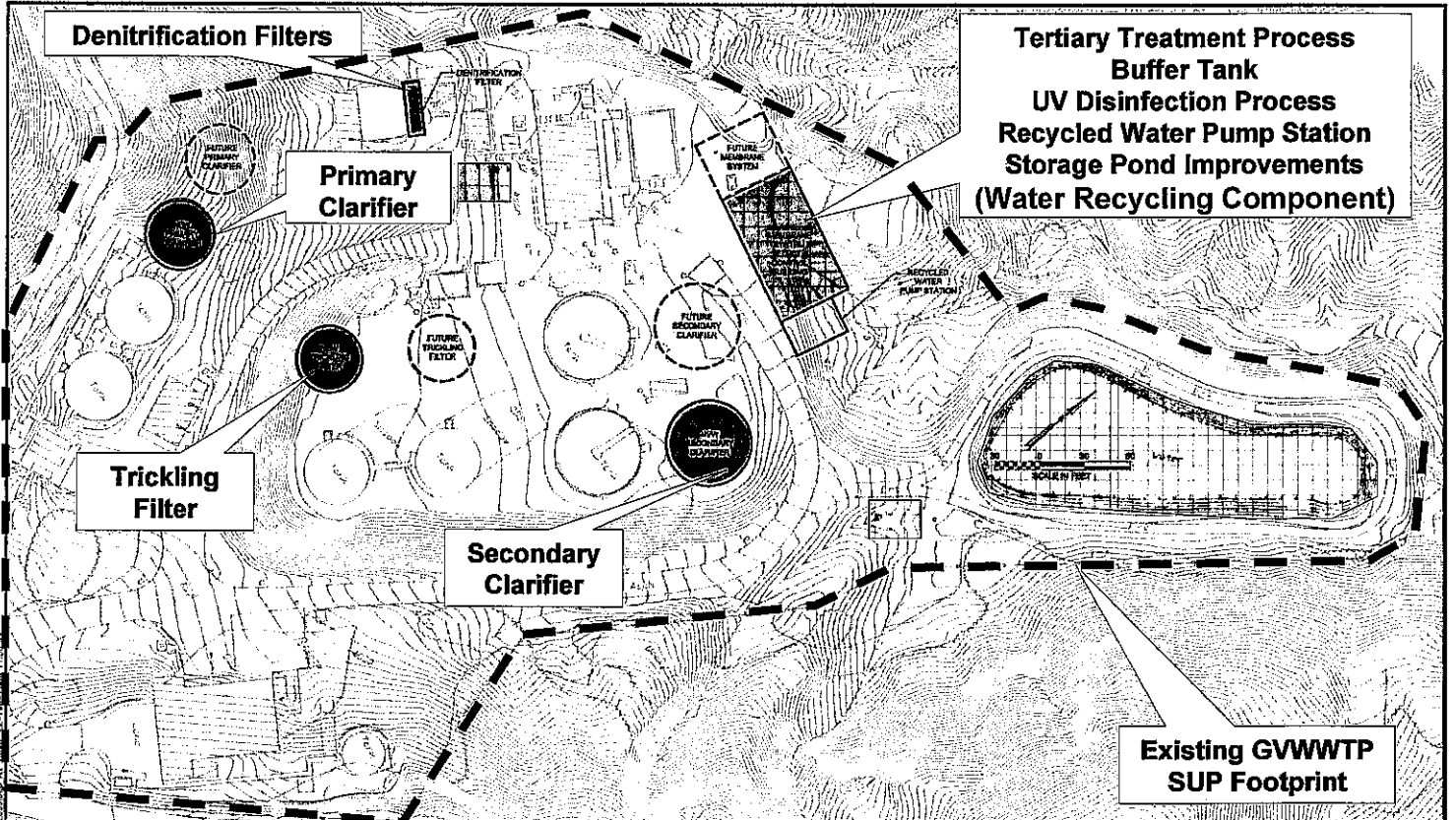
EXHIBIT D

Exhibit "D"

The recycled water facilities that the LACSD shall plan, design, construct, install, operate and maintain generally include the following:

1. Recycled water improvements at the Grass Valley Wastewater Treatment Plant (GVWWTP) including buffer tank, microfiltration (MF) membrane treatment system, ultraviolet (UV) disinfection system, recycled water storage pond and recycled water pumping system at an approximate cost of \$6.2 million.

2. Recycled water delivery pipeline from GVWWTP to LACC golf course to the delivery point in the vicinity of the existing LACC irrigation pump station near Grass Valley Lake and LACC hole #2 at an approximate cost of \$2.6 million.



Grass Valley Wastewater Treatment Plant Expansion & Upgrade

CH2MHILL
 3 HUTTON CENTER DRIVE, SUITE 200
 SANTA ANA, CA 92707
 (714) 439-7200

DESIGNED BY: C. BROWN, J.A.S.
 DRAWN BY: B. ALLEN, J.A.S.
 CHECKED BY: []
 DATE: []

REVIEWED BY: []
 PROJECT NUMBER: []
 SHEET: AS SHOWN
 DATE: []

LOUIS GROVING INC.
 WATER/WASTEWATER SYSTEM
 P.O. BOX 700
 LAKE ARROWHEAD, CA 92332
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RECYCLED WATER SYSTEM PHASE I
 PROJECT NO. 10000
OPTION 1

SHEET NO. 1 OF 2
 DATE: 1/2005
 DRAWING NO. []

PRELIMINARY

