

AGREEMENT TO EXCHANGE ENTITLEMENT WATER

This water entitlement exchange agreement ("Agreement") is made and entered into this 19th day of July, 2011 ("Effective Date"), by and between the City of Redlands, a municipal corporation ("City") and Russell Scheult ("Owner"). City and Owner are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

RECITALS

WHEREAS, the City and the Redlands Heights Water Company have entered into an agreement dated August 1, 1967, to exchange irrigation water, a copy of which is attached hereto as Exhibit "A;" and

WHEREAS, Owner is a shareholder of record of One (1) shares of Redlands Heights Water Company stock identified as No. 1198 (the "Shares"); and

WHEREAS, Owner wishes to take advantage of the opportunity to receive water from the City's domestic water system in exchange for Owner's assignment of the Shares to the City;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the City of Redlands and Russell Schuelt agree as follows:

AGREEMENT

1. Owner hereby assigns and shall cause all irrigation water entitlement derived from Owner's Shares to be delivered to a City water treatment facility. In exchange, Owner will receive an equal amount of potable water from City through City's domestic water system.

2. Owner shall comply with the provisions of City's agreement with Redlands Heights Water Company.

3. City agrees to furnish water under the conditions and in the amount indicated in compliance with City's agreement with Redlands Heights Water Company.

4. This Agreement constitutes the entire agreement between the Parties regarding the subject matter hereof. Any prior written or verbal agreements or representations respecting the subject matter of this Agreement not expressly set forth herein are null and void.

5. In the event any action is commenced to enforce or interpret the terms or conditions of this Agreement the prevailing Party shall, in addition to any costs and other relief, be entitled to the recovery of its reasonable attorneys' fees, including fees for use of in-house counsel by a Party.

6. This Agreement may be amended only by written instrument, executed by the Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

CITY OF REDLANDS

OWNER

BY: Pete Aguilar
Mayor, Pete Aguilar

BY: Russell Scheult
Russell Scheult

ATTEST:

BY: Sam Irwin
City Clerk, Sam Irwin

AGREEMENT

THIS AGREEMENT, executed by and between the City of Redlands, herein-after called "City" and the Redlands Heights Water Company, hereinafter called "Company" is entered into this First day of August, 1967.

RECITALS

1. The Company desires to relieve itself of the burden of maintaining pipelines in many areas where the usage is not sufficient to warrant large expenditures for such maintenance.
2. The City, being a substantial stockholder in the Company, deems it in the public interest to assist in the discontinuation of as many unnecessary and little used pipelines as possible.
3. Many of the Company's points of delivery may be served from the City's domestic water system.
4. The physical means exist for the City to receive water from the Company in exchange for water delivered by the City to Company stockholders.

COVENANTS

For and in consideration of the mutual covenants set forth herein, Company and City agree as follows:

1. The Company shall determine the size of connection required to serve each stockholder from the city system, and pay for installation of such connections, which shall serve also as the domestic connection to shareholders entitled to receive water service.
2. The Company, at its expense, shall make any connection to the irrigation system from the domestic system of a customer.
3. During irrigation months only, the customer may receive his stock entitlement through the domestic meter and all water thereafter shall be charged by the City at the domestic rates established by City ordinance or resolution.
4. Company agrees to deliver or have delivered to the City, all water entitlement due to any stockholder that is connected to the City's system in accordance with this agreement. All water shall be delivered in potable

condition or to a City facility capable of making the water potable.
All assessment and service charges for stock entitlement to such water shall be paid by the stockholders.

5. The City shall have the right to limit the maximum rate of delivery in order to maintain adequate service to domestic consumers.

6. The City shall make the exchange provided herein only for such services and under such circumstances as, in the judgement of the City, will result in the elimination of a substantial portion of the Company's transmission lines.

7. The Company shall pay the City ten cents (.10) per MID delivered in this manner and a bookkeeping charge of five dollars (\$5.00) per year per delivery point connected to the City's system. Billing shall be made monthly.

8. The Company shall maintain a service charge for providing service to each point of delivery irrespective of the quantity of water delivered. These charges shall be divided equally among points of delivery of all stockholders and shall include but not be restricted to:

- a. Office Expenses.
- b. Zanjero Expenses.
- c. Administrative Expenses.
- d. Bookkeeping charges from the City.
- e. Taxes.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names the day and year hereinabove written.

REDLANDS HEIGHTS WATER COMPANY

By *Robert J. Schmitt*
President
By *G. R. Reis*
Vice President

CITY OF REDLANDS

By *Walter B. Burroughs*
Mayor