SHARES LEASE

This Shares Lease ("Lease") is entered into between the David Knight ("Lessor") and the City of Redlands ("Lessee"). Lessor and Lessee agree as follows:

A. Lessor is the owner of 1,012 shares of the Capital Stock of Bear Valley Mutual Water Company ("Shares"); and

B. Lessor desires to lease 1000 of its Shares (hereinafter the "Leased Shares") to Lessee on the terms and conditions set forth hereinafter.

1. **Lease.** Lessor hereby agrees to lease the Leased Shares to Lessee and Lessee agrees to lease same from Lessor for the purpose of providing water to Lessee. Said water shall not be used by Lessee for human consumption prior to treatment by Lessee, to California Department of Health Services, Office of Drinking Water Standards.
2. **Term.** The term of this lease shall begin on June 6, 2006 and end on June 1, 2007, (in no event more than one year) ("Lease term"). Notwithstanding the foregoing, Lessee understands and agrees that (a) the real property owned by the Lessor ("Lessor's Real Property") could be the subject of a condemnation proceeding or other taking, (b) the Leased Shares are not currently subject to a condemnation proceeding or other taking, (c) In the event the Leased Shares are the subject matter of a condemnation award or in the event the Leased Shares as described are the subject matter of a condemnation proceeding then in that event the entire amount of any such award shall be the sole and exclusive property of Lessor and the Lessee shall have no interest therein, (d) in the event there is a taking of the Leased Shares by condemnation, then in that event this Lease shall terminate and the Lessee shall be entitled to a pro rata refund of the Rent as defined hereinbelow, and (e) there is no implied intention that this Lease or any rights or interest hereunder will be extended beyond the Lease Term.
3. **Rent.** Lessee hereby agrees to pay Lessor the sum of $3,000.00 upon execution of the Lease for the Leased Shares as set forth herein. Lessee further agrees to pay Lessor, within 30 days of an invoice, the amount of any stock assessment on said shares which would result in an annual assessment in excess of $2.00 per share, if any, and any delivery charges levied by Bear Valley Mutual for delivery of water associated with water deliveries associated with said shares.
4. **Assignability.** Lessee hereby agrees that it shall not have the right to assign, sublet or otherwise transfer or encumber the Leased Shares under this Lease.
5. **Voting Rights.** Lessor retains voting rights associated with ownership of the Leased Shares.
6. **Waiver.** Lessee hereby agrees to hold harmless Lessor from any loss, cost, expense and claims arising directly or indirectly out of (a) condemnation of the Lessor's Real Property or the Leased Shares prior to expiration of this Lease, (b) this Lease, and (c) from any environmental contamination of any water attendant to the Leased Shares, from whatever cause. Lessor assumes no responsibility for the quality or purity of any water attendant to the Leased Shares.

This Lease is executed on the 6th day of June, 2006.

"Lessor:" David Knight	"Lessee:" City of Redlands
BY: David B. Knight	BY: Jon Harrison Jon Harrison Mayor
	Attest: Lorrie Poyzer City Clerk

was unlined steel pipe, which tends to lose it structural integrity relatively quickly compared to other pipe materials. In recognition of this potential deficiency, a project to line the steel pipe with mortar was completed in the late 1950's in an effort to extend the life of the pipeline. After 80 years of service, the Highline has reached the end of its reliable, useful life and has been identified for replacement. Councilmember Gilbreath moved to approve an agreement to furnish design engineering services for the Highline Water Transmission Main Relocation Project with Dudek & Associates, Inc. in the amount of $204,115.00 and authorized the Mayor to execute, and the City Clerk to attest to, the document on behalf of the City. Motion seconded by Councilmember Gallagher and carried unanimously.

Water Pipeline Master Plan and Replacement Project - The request to award a contract for the Water Pipeline Master Plan and Replacement Project was pulled from the agenda.

Water Stock Leases - Due to a potential conflict of interest, Councilmember Gilbreath retired from the Council Chambers and did not participate in this matter; a Public Disclosure of Potential Conflict of Interest form is on file in the City Clerk's Office. Councilmember Gil moved to approve a lease of 1,000 shares of Bear Valley Mutual Water Company stock from David Knight and 98 shares of stock from Crafton Heights Pipeline Company to Bear Balley Mutual Water Company for the 2006-07 water delivery season. Motion seconded by Councilmember Gallagher and carried with Councilmember Gilbreath having abstained.

Donation of Land - Chief of Water Resources Headrick explained that Bixby Land Company processed a Commission Review and Approval (CRA 781) to allow the development of a 683,406 square foot warehouse distribution center. The City Council approved this project in conjunction with a Concept Plan Amendment on September 7, 2004. A condition of approval required final landscape plans to be approved the Planning Commission. On February 22, 2005, the Planning Commission approved a final landscape plan which included citrus on that portion of the property under the Edison easement from San Bernardino Avenue to Almond Avenue. Staff has allowed temporary occupancy of the building (to Ashley Furniture) but is holding up final occupancy pending the installation of the citrus trees so as to comply with the approved landscape plans. Mr. Pat Meyer, representing Bixby Land Company, approached the Citrus Preservation Commission on January 31, 2006, with an offer to donate approximately 14 acres of industrial-zoned land in Redlands between Lugonia Avenue and San Bernardino Avenue (APN 167-511-05) for citrus preservation. Approximately 6.5 acres of the property offered is included in the CRA 781 landscaping plan approved. On April 11, 2006, the Citrus Preservation Commission recommended against accepting the offered land based on the location's propensity for frost damage to citrus crops during winter months, the