

AGREEMENT TO PROVIDE DOMESTIC AND IRRIGATION WATER

This Agreement is made and entered into this 6th day of August, 1996 by and between the Redlands Water Company, a mutual water company organized and existing under the laws of the State of California ("Company"), and the City of Redlands, a municipal corporation ("City"), which together are sometimes referred to herein as the "Parties."

RECITALS

Whereas, Company desires to relieve itself of the burden of maintaining pipelines in geographical areas where water usage by Company shareholders is not sufficient to warrant significant expenditures for the capital maintenance of such pipelines; and

Whereas, City, being a substantial shareholder in Company, deems it in the public interest to assist Company in the discontinuation of as many unnecessary and little used pipelines as possible; and

Whereas, many of Company's points of water delivery may be served from City's domestic water system; and

Whereas, the physical means exist for City to receive water from Company in exchange for water delivered by City to Company shareholders;

Now, therefore, in consideration of the mutual promises contained herein, and for such other good and valuable consideration, the receipt of which is hereby acknowledged, the Redlands Water Company and the City of Redlands agree as follows:

AGREEMENT

1. On the terms and conditions stated herein, City commits to provide water service for both domestic and irrigation purposes to all parcels of real property which meet each and all of the following requirements: (1) the property is owned by a shareholder of record of the Company; (2) the property was receiving water service from the company on or before July 1, 1996 or the owner of the property owns a minimum of five shares of Company stock; and (3) the property is located within the limits of the City of Redlands or is located outside the limits of the City of Redlands but within the City's and Company's water service delivery area. Each parcel of real property which satisfies each and all of the above three conditions is referred to herein as a "Subject Property."

Company and City shall determine the size, number, and location of the connections required to serve each Subject Property from City's system. City shall use its best efforts to make such connections within one hundred-twenty days after City's receipt from Company of a written request for each connection to a Subject Property, but the City, with the assistance of Company, shall in all events have completed the service connections for all Subject Properties within two years from the date of this Agreement. The connections shall be made to City's domestic system and Company shall pay City's costs for the installation of each such connection on an actual cost time and materials basis.

City is obligated under the terms of this Agreement to provide irrigation service to each Subject Property only for so long as the respective Subject Property is devoted: (1) to agricultural usage; (2) to greenbelt usage; (3) to a mixed agricultural and greenbelt usage; or (4) to a mixed usage which involves the shareholder's personal residential usage of the Subject Property together with agricultural and/or greenbelt usage.

If and when a Subject Property is subdivided for residential purposes or is otherwise developed for a usage not related to agricultural or greenbelt purposes, City's obligation to provide water service to that Subject Property under this Agreement shall cease. If only a portion of a Subject Property is subdivided for residential purposes or is otherwise developed for a non-agricultural or non-greenbelt usage, the City shall still be obligated to provide water service under this Agreement to the portions of that Subject Property which are not so developed.

2. Company's individual shareholders shall, at each individual shareholder's own expense, make any required on site connections to the irrigation systems of company shareholders from the domestic water system of City.

3. Company shareholders shall receive their stock entitlement of water through a City domestic meter, and all water thereafter shall be charged by City at the domestic rates established by City. City will honor stock entitlements of other mutual companies used on properties connected under this Agreement provided the shareholder agrees to assign the delivery rights thereof.

4. Company shall deliver, or have delivered, to City all water entitlement due to any shareholder that is connected to City's system pursuant to the terms of this Agreement. All water delivered by Company shall be in potable condition, or delivered to the City's Hinckley Water Treatment Plant in a condition capable of being made potable by conventional water treatment methods. All assessments and service charges for stock entitlement to such water shall be paid by the individual shareholders to the Company.

5. During periods of high water demand City shall have the right to determine the rate of delivery to Company's shareholders in order to maintain equitable and adequate service to all of City's water customers, but the City's obligations to deliver to each shareholder of Company the shareholder's full entitlement of water shall not be abrogated or diminished in any way.

6. Company shall pay City ten cents (\$0.10) per miner's inch per day of water delivered pursuant to this Agreement and a bookkeeping charge of five dollars (\$5.00) per year per shareholder delivery point connected to the City's system. City shall bill Company monthly for such fees and charges. City shall bill Company's shareholders directly on a monthly basis for each shareholder's individual service charges to Bear Valley Mutual Water Company ("BVM charges"). The BVM charges will be billed at Bear Valley Mutual Water Company's established rate on a per inch basis for each shareholder's actual usage. The payment of BVM charges shall be the obligation of the individual shareholders and not the obligation of Company.

7. Company and City acknowledge and agree that the terms of their existing agreement dated February 5, 1913, for City water deliveries from Ford Park to Company shall continue in effect. Except for Company's and City's agreement relating to the "Ford Park Delivery," this Agreement contains the entire agreement of the Parties hereto as to the matters contained herein, and supersedes any and all prior oral or written agreements between the Parties relating to the same.

8. In the event any legal 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 recover its reasonable attorneys' fees.

9. This Agreement may be amended only by written instrument executed by the Parties hereto.

10. This Agreement shall be binding upon and inure to the benefit of the successors-in-interest and assigns of the Parties.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates set forth opposite their respective signatures hereto.

REDLANDS WATER COMPANY

By: Joseph Buoye
Joseph Buoye, President

Executed this 6th day of August, 1996
at Redlands, California

And: Charlotte Van Eyk
Charlotte Van Eyk, Secretary

CITY OF REDLANDS

By: Swen Larson
Swen Larson, Mayor

Executed this 6th day of August, 1996
at Redlands, California

ATTEST:

Lorrie Poyzer
Lorrie Poyzer, City Clerk