

SHARES LEASE

This agreement for the lease of Crafton Water Company Shares ("Lease") is entered into this 9th day of April, 2009 ("Effective Date"), by and between the City of Redlands ("Lessor") and Mike Micallef ("Lessee"). Lessor and Lessee are sometimes individually referred to herein as a "Party" and, together, as the "Parties." Lessor and Lessee agree as follows:

RECITALS

WHEREAS, Lessor is the owner of shares of the Capital Stock of the Crafton Water Company ("Shares"); and

WHEREAS, Lessor desires to lease eight (8) of its Shares (hereinafter the "Leased Shares") to Lessee on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises contained herein, Lessor and Lessee agree as follows:

AGREEMENT

1. **Lease.** Lessor hereby leases the Leased Shares to Lessee and Lessee leases the same from Lessor for the purpose of providing water to Lessee. Such water shall not be used by Lessee for human consumption without prior treatment by Lessee to California Department of Public Health, Office of Drinking Water standards, and all other applicable laws.
2. **Term.** The term of this Lease shall commence on its Effective Date and shall end on March 31, 2010, ("Lease term"). Notwithstanding the foregoing, Lessee 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

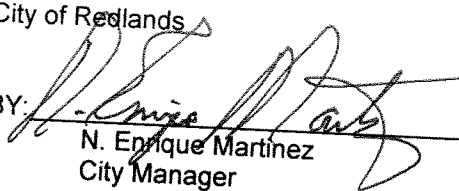
interest therein, (d) in the event there is a taking of the Leased Shares by condemnation, then in that event this Lease shall terminate and Lessee shall be entitled to a pro rata refund of the Rent as defined herein below, and (e) there is no implied intention that this Lease or any rights or interest hereunder will be extended beyond the Lease Term.

3. **Rent.** Lessee shall pay Lessor the sum of \$740.00 within three (3) business days from and after the Effective Date of this Lease. Lessee further agrees to pay Lessor the amount of any stock assessment on the Leased Shares, which would result in an annual assessment in excess of \$80.00 per share, if any, and any delivery or entitlement charge levied by Crafton Water Company for delivery of water associated with the Leased Shares.
4. **Assignability.** Lessee shall not assign, sublet or otherwise transfer or encumber the Leased Shares.
5. **Voting Rights.** Lessor retains voting rights associated with ownership of the Leased Shares.
6. **Waiver.** Lessee shall defend, indemnify and 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 9th day of April, 2009.

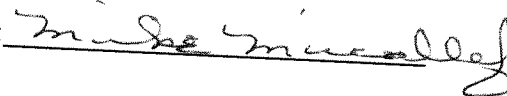
"Lessor:"
City of Redlands

BY:

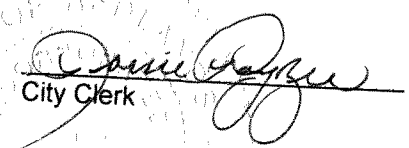

N. Enrique Martinez
City Manager

"Lessee:"
Mike Micallef

BY:



Attest:


City Clerk