

SHARES LEASE

This Shares Lease ("Lease") is entered into this ____ day of June, 2008 ("Effective Date") by the City of Redlands ("Lessor") and Pete Marcum ("Lessee"). Lessor and Lessee agree as follows:

RECITALS

- A. Lessor is the owner of shares of the Capital Stock of the Crafton Water Company ("Shares");
and
- B. Lessor desires to lease 30 of its Shares (hereinafter the "Leased Shares") to Lessee on the terms and conditions set forth hereinafter.

AGREEMENT

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 the date of execution of this Lease and end on March 31, 2009 ("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 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 \$1,800.00, upon Lessor's execution of this Lease, for the Leased Shares. Lessee shall also pay to Lessor, within ten (10) days of the date of written request of Lessor, the amount of any stock assessment on the Leased Shares, which would result in an annual assessment in excess of \$50.00 per share, if any, and any delivery

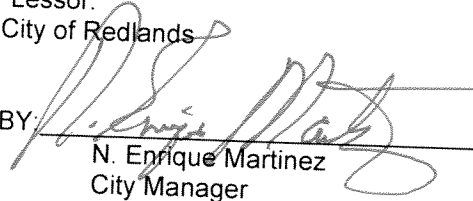
or entitlement charge levied by the Crafton Water Company for delivery of water associated with the Leased Shares.

4. **Assignability.** Lessee shall not assign, sublet or otherwise transfer or encumber the Leased Shares. Any such purported assignment, subletting or transfer shall, at the discretion of Lessor, result in the immediate termination of this Lease.
5. **Voting Rights.** Lessor retains voting rights associated with ownership of the Leased Shares.
6. **Waiver.** Lessee shall 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 ____ day of June, 2008

"Lessor:"
City of Redlands

BY:


N. Enrique Martinez
City Manager

"Lessee:"
Pete Marcum

BY:



Attest:


City Clerk