

SHARES LEASE

This Shares Lease ("Lease") is entered into between the City of Redlands ("Lessor") and Pete Marcum, an individual, ("Lessee"). Lessor and Lessee are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

RECITALS

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

Whereas, Lessor desires to lease 30.75 of his Shares (hereinafter the "Leased Shares") to Lessee on the terms and conditions set forth hereinafter;

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

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 June 1, 2007 and end on the date of the Bear Valley Mutual Water Company's annual shareholder meeting for the calendar year 2008 ("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 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 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 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 One Thousand Five Hundred Sixty-Eight and 25/100ths Dollars (\$1,568.25) upon execution of the Lease for the Leased Shares as set forth herein.

4. Assignability. Lessee 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 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.

7. Attorneys' Fees. In the event any action is commenced to enforce or interpret the terms or conditions of this Lease 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 the use of in-house counsel by a Party.

This Lease is executed on 15th day of May, 2007.

"Lessor"

"Lessee"

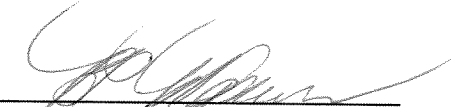
City of Redlands

Pete Marcum

By:


Jon Harrison
Mayor

By:


Pete Marcum

Attest:


City Clerk