AGREEMENT

This Agreement ("Agreement") is dated, for reference purposes only, this 13th day of July, 2010, amongst the CITY OF RIALTO, a municipal corporation ("City"), the RIALTO UTILITY AUTHORITY, a joint power authority created pursuant to the Joint Powers Law, Government Code § 6500 *et seq.* ("RUA"), and WEST VALLEY WATER DISTRICT, a public agency of the State of California ("District"). City, RUA, and District are sometimes referred to individually as a "Party" and collectively as "Parties."

RECITALS

A. City is a general law city and a municipal corporation duly organized and existing under the laws of the State of California. City is engaged in delivering water in the City of Rialto, California.

B. The RUA was created by that certain Joint Exercise of Powers Agreement Creating Rialto Utility Authority dated as of May 1, 2001 (the "Joint Exercise of Powers Agreement"). The Joint Exercise of Powers Agreement has a term which continues until the later of May 1, 2045 or the date on which the indebtedness and other obligations of the RUA and the interest thereon shall have been paid in full or other events occur as more fully set forth in the Joint Exercise of Powers Agreement.

C. City and RUA entered into that certain Lease Agreement (Water Enterprise) dated as of May 1, 2001 (the "Lease Agreement (Water Enterprise)") and that certain Water Enterprise Management Agreement dated as of May 1, 2001 (the "Water Enterprise Management Agreement"). Pursuant to the terms and provisions of the Water Enterprise Management Agreement, City operates a well and appurtenances thereto ("Rialto No. 6") on certain real property located in the City of Rialto, County of San Bernardino, State of California and legally described on Exhibit "A" and depicted on Exhibit "B" attached hereto and by this reference incorporated herein ("Well Site No. 6" or the "Rialto Owned Property").

D. District is a county water district organized and existing under the California County Water District Law, codified at § 30000, *et seq.*, of the California Water Code, engaged in delivering water in the County of San Bernardino, California. Pursuant to its statutory authority, District has developed a well and appurtenances thereto ("WVWD No. 11") on that certain real property located in the City of Rialto, County of San Bernardino, State of California and legally described on Exhibit "C" and depicted on Exhibit "B" attached hereto and by this reference incorporated herein, and a sixteen inch (16") pipeline and appurtenances thereto shown on Exhibit "B" attached hereto ("District Pipeline") which currently takes water from WVWD No. 11 to that certain treatment facility shown on Exhibit "B" attached hereto ("District Treatment Site") (collectively, the "District Owned Property").

E. Water taken from Rialto No. 6 contains concentrations of perchlorate and tricholoroethene ("TCE") (collectively the "Groundwater Contaminants"), with perchlorate readings of 320 parts per billion (ppb) and TCE in excess of federal standards. WVWD No. 11 contains perchlorate at readings up to 8.6 ppb. Rialto No. 6 and WVWD No. 11 are sometimes referred to herein collectively as "Affected Wells." The Affected Wells are located within the Rialto Basin. The Rialto Basin shall mean that certain territory in the County of San Bernardino, State of California and more particularly described on Exhibit "D" attached hereto and by this reference incorporated herein. The Parties' rights to extract water from the Rialto Basin are more particularly set forth in that certain Decree dated December 22, 1961 ("Decree"), filed on December 22, 1961, in *Lytle Creek Water and Improvement Company, a corporation, Plaintiff vs. Fontana Ranchos Water Company, a corporation, et al., Defendants*, Action No. 81264 in the Superior Court of the State of California, County of San Bernardino.

F. On or about March 9, 2009 the Parties executed that certain Memorandum of Understanding ("MOU") for the preparation and submission of an application to the State of California acting by and through the California Department of Health ("DPH") for Proposition 84 funding established pursuant to Sections 75020, *et seq.* of the California Public Resources Code in the sum of Ten Million Dollars ($10,000.000.00) (the "Proposition 84 Grant") for the construction of certain facilities more particularly described in said application and depicted on

Exhibit "E" attached hereto and by this reference incorporated herein ("Project"). The Project shall cause: (i) Rialto No. 6 to be tied into the District Pipeline, (ii) the upgrade and/or construction of new facilities on the District Treatment Site. Rialto No. 6, WVWD No. 11, the District Pipeline, the current facilities on the District Treatment Site and the facilities to be constructed as part of the Project shall be collectively referred to herein as the "Integrated Facilities."

G. The United States of America, by and through the Department of Defense, has appropriated the sum of Three Million Dollars ($3,000,000.00) ("ESTCP Grant") from the Environmental Security Technology Certification Program for construction and operation of a pilot cleanup facility, which grant is administered by the U.S. Environmental Protection Agency.

H. The Parties submitted a request dated March 9, 2009 to the California Regional Water Quality Board Santa Ana Region ("Regional Board") for approximately Two Million Six Hundred Thousand Dollars ($2,600,000.00) (the "SWPCAA Grant") from the State Water Pollution Cleanup and Abatement Account established pursuant to §§ 13440-13443 of the California *Water Code* to be used in the design and construction of the Project. On or about April 24, 2009 the Regional Board approved the SWPCAA Grant and directed its executive officer to submit a request to the State Water Resources Control Board ("State Board") to approve the use of the SWPCAA Grant for the design and construction of the Project. On July 7, 2009 the State Board adopted Resolution No. 2009-0054 approving use of CAA funding for a WVWD/Rialto Joint Wellhead Treatment Project, for purpose of developing a new plume interception and wellhead treatment project and to develop and initiate a remedial action plan for perchlorate and VOC pollution. In accordance with Resolution No. 2009-0054, the Regional Board has to date approved One Million Forty-Two Thousand Four Hundred Twenty Seven and 92/100 Dollars ($1,042,427.92) for such purposes and notified the Parties on May 5, 2009 that CAA funds of One Million Six Hundred Eighteen Thousand Dollars ($1,618,000.00) remain available in accordance with Resolution No. 2009-0054 until March 31, 2011. For purposes of this Agreement, the Proposition 84 Grant, ESTCP Grant, and the SWPCAA Grant shall be referred to collectively as the "Anticipated Funding."

I. In the event that the application for the Proposition 84 Grant is approved and funded, this Agreement shall be effective and City and District shall cause the construction of the Project and operation of the Integrated Facilities in accordance with the terms and provisions of this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS OF THE PARTIES AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, IT IS HEREBY AGREED AS FOLLOWS:

AGREEMENT

1. This Agreement shall be effective upon the execution of the agreement for the Proposition 84 Grant by the District. In the event that the Proposition 84 Grant is not funded or the actual cost of the design and construction on the Project is not funded in full, the rights and obligations of the Parties with respect to the application and costs related thereto shall be governed by the provisions of the MOU and Section 5 hereof.

2. District shall act as lead agency for the purpose of compliance with the California Environmental Quality Control Act ("CEQA"), the National Oil and Hazardous Substances Pollution Contingency Plan, 42 U.S.C. §§ 9605, 9607(a)(4)(B), 40 Code of Federal Regulations, § 300, *et seq.* ("NCP") and all other applicable state and federal environmental laws and requirements (collectively "Environmental Requirements") for the Project. District shall prepare or cause to be prepared, all instruments, documents, reports and other like or kind writings ("CEQA Documents") to be prepared and/or filed in accordance with CEQA. District shall in a timely manner prepare and file or cause to be prepared, and filed all instruments, documents, notices, reports, and other like or kind writings ("NCP Documents") for compliance of the Project with the NCP. District shall retain a qualified consultant to perform the actions necessary for compliance with the NCP. District shall submit all NCP Documents, and all amendments, modifications, or supplements thereto, to City for City's prior approval, which shall not be

unreasonably withheld, conditioned or delayed, and, where the District's NCP consultant provides notice, City's comments shall be made within five (5) business days. City shall reasonably cooperate with District's preparation of CEQA Documents, NCP Documents, and all other documents submitted to comply with Environmental Requirements. All costs incurred by City shall be at City's cost and expense except in the event that District fails to comply with this Section 2, in which event any costs and expenses reasonably incurred by City to cause compliance or remedy any non-compliance shall become a cost of the Project to be reimbursed pursuant to the provisions of Sections 4 and 5 hereof. Compliance with NCP requirements can be waived with respect to the Project and use of Anticipated Funding and the funding provided in Section 5 below with the consent of the U.S. Environmental Protection Agency and Regional Board, and in the event of waivers of NCP compliance by the defendants named by Rialto in the pending federal and state litigation over the Basin.

3. District has to date and shall continue to prepare and submit to DPH all detailed plans and specifications ("Plans") for the Project necessary for timely and proper compliance with all applicable requirements of DPH and the design of the Project in accordance with sound engineering and environmental practices and standards. District shall deliver copies of all Plans and all amendments, modifications, or supplements thereto and correspondence, draft agreements, and agreements with DPH, relating to the Project, to City. If District materially changes the Plans after the date of execution of the Agreement, the City shall be entitled to retain a consultant, as a cost of the Project, to review such changes on behalf of the City. Changes in the Plans shall be subject to the provisions of Section 10.

4. District has to date and shall continue to retain consultants and engineers for the preparation and submission of the Plans and for compliance with CEQA, NCP, the Environmental Requirements, and all other matters in connection therewith. District shall advance and pay all of said costs ("District's Costs"). The time and costs incurred for District's staff, employees, and attorneys shall not be deemed a reimbursable part of the Project and shall not be part of District's Costs. District's Costs, to the extent actually paid by District, shall be reimbursed, to the extent such funding is available, from the Anticipated Funding in accordance

with the requirements applicable thereto, to the extent actually paid, expended or incurred by District. Prior to any disbursement to the District which exceeds the anticipated funding of Fifteen Million Six Hundred Thousand Dollars ($15,600,000.00) District shall submit an accounting of all District's Costs to City. District shall submit an accounting of all such District Costs along with all supporting documentation reasonably requested by City. City shall have fourteen (14) days after receipt thereof to approve or disapprove of such expenses, which approval shall not be unreasonably withheld. If City disapproves of any such expenses City shall nonetheless advance its pro rata portion of the amount in dispute to District up to the City's maximum of Three Million Dollars ($3,000,000.00) pursuant to Section 5 hereof, and City shall have the right to submit the matter for resolution pursuant to Section 16 of this Agreement, provided such election shall be made within six (6) months of such disapproval.

5. The Parties estimate that the Anticipated Funding, inclusive of the Proposition 84 Grant, ESTCP Grant and SWPCAA Grant, will total approximately Fifteen Million Six Hundred Thousand Dollars ($15,600,000.00), inclusive of the sum of One Million Forty-Two Thousand Four Hundred Twenty Seven and 921100 Dollars ($1,042,427.92) advanced to District by the Regional Board. The Parties anticipate that the actual cost of the design and construction of the Project will be between Nineteen Million Dollars ($19,000,000.00) and Twenty-One Million Dollars ($21,000,000.00). City and District each agree to pay one-half (1/2) of the shortfall between the Anticipated Funding actually received and the actual cost of the design and construction of the Project, up to a total amount of Six Million Dollars ($6,000,000.00), and a maximum of Three Million Dollars ($3,000,000.00) for District and Three Million Dollars ($3,000,000.00) for City. In the event the shortfall exceeds Six Million Dollars ($6,000,000.00) (''Exceedence Amount''), then either Party may elect to pay the Exceedence Amount. If both Parties elect to pay the Exceedence Amount, then such amounts shall be equally split between the Parties. If neither Party elects to pay the Exceedence Amount, this Agreement shall terminate and this Agreement shall not be effective and both Parties shall be relieved from any and all liabilities and obligations hereunder except City shall pay District twenty-five percent (25%) of the amount expended or incurred by District for Preconstruction Costs (''Reimbursable

Amount") which are not reimbursed from the Anticipated Funding; provided the Reimbursable Amount to be paid by City shall not exceed One Hundred Thousand Dollars ($100,000.00). In such event, District shall invoice the City for the Reimbursable Amount.

Nothing herein shall prevent the Parties from seeking other sources of funding, including money from potentially responsible parties, including defendants in the pending Federal and State litigation over the Basin. Any amounts received from additional grant applications or other sources within federal and state agencies for reimbursement of the actual cost of the design and construction of the Project shall, if allowable and subject to the terms of the funding source, be applied, first, to reimburse District and City on an equal basis for the amounts expended pursuant to Section 5 hereof up to the maximum of Three Million Dollars ($3,000,000.00) for District and Three Million Dollars ($3,000,000.00) for City, and if additional funding from such source is recovered in excess of said amounts, the funds shall be distributed to the Parties on a pro-rata basis based upon the amounts the Parties have contributed for the Exceedence Amount. Any amounts received from additional grant applications to federal and state agencies for the operation of the Project shall be applied to reimburse the Parties for past operational costs on the Project on a pro-rata basis or to the future operational costs of the Project as required by the terms of the grant(s). Any amounts received for contribution to or reimbursement of the actual cost of design and construction of the Project from potentially responsible parties, including defendants in the pending federal and state litigation over the Basin, by agreement, settlement, or on a voluntary basis, shall be applied, first, to reimburse District and City on an equal basis for the amounts expended pursuant to Section 5 hereof up to the maximum of Three Million Dollars ($3,000,000.00) for District and Three Million Dollars ($3,000,000.00) for City, and if additional funding from such source is recovered in excess of said amounts, the funds shall be distributed to the Parties on a pro-rata basis based upon the amounts that the Parties have contributed for the Exceedence Amount. Any amounts received from potentially responsible parties, including defendants in the pending federal and state litigation over the Basin, by agreement, settlement, or on a voluntary basis, for the operation of the Project, shall be applied to reimburse the Parties for past operational costs of the Project on a pro-rata basis and, if additional funds are available, to

the future operational costs of the Project. Notwithstanding the foregoing, any amounts recovered by Rialto and RUA pursuant to judgments entered against potentially responsible parties in the pending federal and state litigation over the Basin shall be the property of Rialto and RUA. Additionally, City's recovery by judgments is limited to actual amounts paid by City for the Project and the City's share of ongoing treatment of Groundwater Contaminants pursuant to this Paragraph 5, and related incidental costs. In the event that any Party enters into an agreement or settlement with a potentially responsible party by agreement, settlement, or on a voluntary basis, for contribution to or reimbursement of the actual cost of design and construction of the Project and/or for the operation of the Project, or is awarded a grant for the actual cost of the design or construction of the Project or the operation of the Project, such Party shall so notify the other Parties in writing and provide true and correct copies of such agreements, settlements, or grants therewith, within ten (10) business days.

6. District and City shall take all reasonable action necessary to apply for and receive and to comply with all requirements for the Anticipated Funding. In connection therewith, District and City hereby agree to execute such documents, instruments, agreements and authorizations as are required by the funding source.

7. In the event the Project is to be constructed by District pursuant to the provisions of Section 5, District shall cause construction of the Project in full compliance with the Plans, CEQA, NCP and the Environmental Requirements, including, but not limited to, the following:

(a) District shall advertise and obtain bids for the construction of the Project or the discrete components thereof. Subject to the provisions of California law relating to public works projects, District shall award the work to the lowest responsible bidder ("Contractor"). The Parties recognize, acknowledge and agree that District shall be the awarding body without the approval and consent of City. District shall negotiate and enter into all contracts and agreements with the Contractor (collectively "Construction Agreements") with respect to the construction of the Project. It is anticipated that the District will use its standard form construction contract, with such changes as shall be reasonably determined by District.

(b) District may, but is not required to, retain the services of a project manager as a cost of the Project, to oversee the furnishing and installation of the Project.

(c) District may cause the inspection of the installation of the Project as a cost of the Project.

(d) District shall apply for or cause the Contractor or other consultants to obtain all necessary approvals, consents, permits, authority, licenses or entitlements (collectively, "Permits") as shall be required from the appropriate governmental authorities for the construction and operation of the Project.

(e) District shall pay for the costs of construction and installation of the Project and Permits from the Anticipated Funding at such time or times set forth in the Construction Agreements or other agreements with its consultants.

(f) District shall provide monthly progress reports to City with respect to the construction of the Project. City shall reasonably cooperate with District, Contractor and any consultants and representatives of District in the construction of the Project. Such cooperation shall be at City's sole cost and expense. District or Contractor shall provide City with prior written notice of such date Contractor shall initiate construction of the applicable portion of the Project on Well Site No. 6 and the tie-in of Rialto No. 6 into the Integrated Facilities. During all pre-construction and construction activities, District and City shall reasonably cooperate with each other and their agents, contractors, employees, representatives and consultants including entry, testing, and investigation of well sites, pipelines, and properties, as necessary and appropriate for planning and construction of the Project, including, without limitation, soil and subsoil conditions and to conduct environmental studies, engineering studies, land use and planning feasibility studies. In the event of any drilling or testing, District shall cause the Contractor to restore such property as a cost of the Project. District will take all steps necessary to ensure that any conditions on such property caused by or on behalf of District shall not unreasonably interfere with the normal operation of the property.

(g) In addition to the other procedures set forth in this Agreement, District shall hold quarterly meetings at the District offices or other suitable location for the purpose of informing the City, Regional Board, DPH, U.S. Environmental Protection Agency, and any interested local agencies and water purveyors, on the status of the Project including, but not limited to, construction, operation, regulatory compliance, compliance with regulations and applicable laws, and cost issues.

8. Notwithstanding any other provision of this Agreement, (i) City and RUA shall continue to own the Rialto Owned Property and the Lease Agreement (Water Enterprise) and Water Enterprise Management Agreement shall continue in full force and effect, and (ii) District shall continue to own the District Owned Property. Upon completion of construction of the Project, City shall, subject to the Lease Agreement (Water Enterprise) and Water Enterprise Management Agreement, own those Project facilities constructed on and within the Rialto Owned Property and District shall own those Project facilities constructed on and within the District Owned Property. This Agreement shall be in effect during the Term of Project Operation. As used herein, the term "Term of Project Operation" shall mean the first to occur of (a) expiration of the term set forth in Section 11(b) hereof, (b) completion of treatment of the Groundwater Contaminants pursuant to plan(s) described in Section 9(b), if applicable, or (c) mutual agreement of the Parties that satisfactory remediation of the Groundwater Contaminants has occurred and the Project should be terminated. The Parties shall operate the Project subject to the terms and provisions of the Agreement, including the provisions of Sections 9 and 10 hereof, and the annual operation provisions of Section 11 hereof.

9. The Parties agree that the Project shall be operated for the Term of Project Operation in accordance with the following:

(a) The requirements set forth in the Proposition 84 Grant.

(b) The Parties declare that it is their objective, and that they shall use their best efforts, to operate the Project pursuant to a comprehensive basinwide groundwater quality management and remediation plan for the Rialto-Colton Basin when such a plan is issued or

approved by the U.S. Environmental Protection Agency and/or the Regional Board, developed in cooperation with other local agencies and water purveyors. The Parties shall consider entering into appropriate agreement(s) with the U.S. Environmental Protection Agency and/or Regional Board to provide for operation of the Project in compliance with such a plan. Notwithstanding the foregoing, in the event that the Parties do not enter into an agreement with either the U.S. Environmental Protection Agency and/or the Regional Board to provide for operation of the Project in compliance with such a plan, City shall have the right to enter into any and all agreement(s) with the U.S. Environmental Protection Agency and/or Regional Board. Until such time as a plan may be developed, the Parties shall in good faith confer and consider U.S. Environmental Protection Agency and Regional Board recommendations relating to the Project.

(c) All requirements imposed on the Parties and the operation of their respective water systems by the Department of Public Health or any successor agency having jurisdiction thereof.

(d) All other applicable federal, State of California, and local laws.

(e) In addition and subject to requirements set forth in Section 9(a)-(d) inclusive, and subject to the reasonable discretion of the District, priority shall be given to pumping the Parties' respective shares of water so as to cause the greatest removal of Groundwater Contaminants.

10. During the Term of Project Operation, District shall bear the net cost of operation, maintenance, and any necessary capital expenditures for operation of the Project. Except as otherwise provided in Section 9 hereof, any change or expansion of the Project, including, but not limited to, a change in the Plans, which exceeds the current budget and/or individually or cumulatively increase the cost of the Project by more than five percent (5%) shall be deemed a major decision that shall require the approval and consent of City, RUA and District.

11. (a) During the Term of Project Operation, District shall have access to Rialto No. 6 and shall operate and maintain a supervisory control and data acquisition system and all

equipment at Rialto No. 6 used in the operation of the Integrated Facilities and Project. City shall have the right to interrupt the supervisory control in the event of Emergency. As used herein, "Emergency" shall mean a threat or risk of damage to health, safety and welfare.

(b) Subject to the provisions of Section 8, District is hereby granted the right to extend the Term of Project option pursuant to this Section 11(b) for up to two (2) successive twenty (20) year renewal periods. To exercise each, District shall be required to give City written notice not less than one (1) year prior to the expiration of the then current period. In the event of District's extension of the Term of Project Operation pursuant to this Section 11(b), District shall continue to operate the Project subject to all the terms and provisions of this Agreement. In the event that District does not provide written notice of extension of the Term of Project Operation on or before one (1) year prior to the expiration of the then current period, City shall have until nine (9) months prior to the expiration of the then current period in which City shall have the right to extend the term as follows: (A) City shall have the right to extend by a designated period of not less than one (1) nor more than twenty (20) years; (B) District shall continue to operate the Project in the same manner as during the initial term pursuant to the formula set forth in Section 12(c) except that City shall bear the initial cost of any necessary capital renovations or expenditures, which shall be capitalized and amortized over a term not less than the period of option extension under generally recognized accounting principles. In the event that City elects not to extend the Term of Project Operation on or before nine (9) months prior to the expiration of the then current period, the Term of Project Operation shall terminate at the end of the then current period. In such event, District shall, within 180 days after the expiration of the Term of Project Operation, disconnect the supervisory control and data acquisition system and shall restore the equipment at Rialto No. 6 as provided herein. All access by District to Rialto No. 6 shall terminate at the expiration of the Term of Project Operation, except for the purpose of disconnecting the supervising control and data acquisition system and restoring equipment.

(c) District shall operate and maintain Rialto No. 6, any facilities which were constructed on the Rialto Owned Property as part of the Project and any other improvements

located thereon. District shall construct such improvements in accordance with the applicable law, building codes and ordinances. Such improvements shall be completed lien free. District may, at its option, and at its own cost and expense, in compliance with Sections 9 and 10 hereof, from time to time, make such alterations, changes, replacements, improvements and additions to the improvements located on Rialto No. 6 as District may deem desirable for the proper operation of the Project.

(d) (i) District shall pay the applicable utility companies for all utilities consumed on Well Site No. 6 by District. Neither City nor RUA shall take any action or omission which shall interrupt or interfere with any electric, gas, water, sewage or telephone service to Well Site No. 6.

(ii) District shall have the right to enter into reasonable agreements with utility companies creating easements in favor of such companies as are required for additional service to improvements on Rialto No. 6.

(e) At the end of the Term of Project Operation, District shall restore the equipment at Rialto No. 6 to the same condition and configuration as existed prior to the construction of the Project, and District shall quit and surrender Well Site No. 6, and improvements located thereon, broom clean and in good condition and repair (ordinary wear and tear excepted). Title to all improvements located on Rialto No. 6 shall at all times be vested in the City and RUA. On the expiration of the Term of Project Operation, District shall disconnect, at District's cost and expense, Rialto No. 6 from the Integrated Facilities. City shall be required to connect Well Site No. 6, at City's cost and expense, to the City's domestic water system.

(f) During the Term of Project Operation, District shall, at its own cost and expense, properly observe and comply (unless District contests the same and protects City and RUA, at no cost to City and RUA) with all present and future laws, ordinances, requirements, orders, directives, rules and regulations of any governmental body applicable to the Project.

(g) If, because of any act or omission of District, any mechanic's lien or other lien, charge or order for the payment of money shall be filed against any portion of the Rialto Owned Property, District shall, at its own cost and expense, cause the same to be discharged of record or bonded within thirty (30) days after written notice from City, RUA or District of the filing thereof, and District shall indemnify and hold harmless City and RUA against and from all costs, liabilities, suits, penalties, claims and demands, including reasonable counsel fees, resulting therefrom.

12. (a) After the construction of the Project, water from the Affected Wells may not be processed through the Integrated Facilities until District has received the appropriate consents and approval from DPH ("DPH Approval"). The Parties anticipate that such approvals will be granted in approximately one (1) year after the completion of the Project. Until District obtains the DPH Approval, it is anticipated that District shall, subject to the requirements of any other governmental agencies having jurisdiction thereof, discharge water from the Affected Wells to the Cactus Basin. The Parties hereby agree that the Permits shall include any consents or approvals needed by District to discharge water from the Affected Wells, if such approvals and consents are necessary, to the Cactus Basin or such other location as District shall determine.

(b) The Parties acknowledge that Rialto No. 6 has a meter connected thereto which measures the water coming therefrom ("Well No. 6 Water"). District shall measure water coming therefrom which has been placed into the Cactus Basin or the Integrated Facilities, as the case may be.

(c) On and after the receipt of DPH Approval, District shall take water from the Affected Wells to the District Treatment Site. The water treated and produced by the Project is defined and shall be referred to herein as the "Entitlement Water." After the Entitlement Water has been treated and produced, City shall have priority or the 'first call' on Entitlement Water up to the amount of City's allocation pursuant to the Decree (the "First Call"). District shall provide notice ("Option Notice") to the City as to the amount of Entitlement Water production each month. City shall have the option to appropriate all or a portion of the Entitlement Water shown

in the Option Notice by delivering written notice (the "City Exercise Notice") of City's exercise of the option within thirty (30) days of deemed receipt of the Option Notice pursuant to Section 17. The City Exercise Notice shall provide the amount of Entitlement Water set forth in the Option Notice that City notifies District to deliver, not to exceed the amount of Entitlement Water set forth in said Option Notice. Water shall be delivered by District on a daily scheduled designated, from time to time, by City. A failure by City to provide District with a timely City Exercise Notice shall conclusively be deemed an election by City not to exercise its option for First Call Entitlement Water for the month covered by the Option Notice. The District shall, subject to the terms and conditions set forth in this Agreement, deliver such Entitlement Water to City within thirty (30) days after the exercise of the option provided that such water, when added to other water taken by or on behalf of City from the Rialto Basin, does not exceed City's allocation pursuant to the Decree. Delivery of Entitlement Water by District to City shall be on a daily schedule to be designated, from time to time, by City. District shall deliver the Entitlement Water to the City's Zone 2 or such other locations as shall be mutually agreed to by the Parties ("Delivery Point"). City shall, at its cost and expense, make such arrangements and provide facilities to accept the Entitlement Water at the Delivery Point. Notwithstanding the foregoing, District shall have the right to provide other water supplies of like quantity to the Entitlement Water at the Delivery Point or such other locations as shall be mutually agreed to by the Parties. In the event that City fails to exercise an option hereunder for any portion of First Call Entitlement Water or Entitlement Water is available from the Project in excess of the amount designated and claimed by the City Exercise Notice for each month, District shall be entitled to use such unclaimed Entitlement Water, if any, remaining under the Option Notice, not to exceed District's allocation pursuant to the Decree (the "Second Call"), without prejudice to City's right to take Entitlement Water in subsequent months or that water year not in excess of City's allocation pursuant to the Decree or to City's rights pursuant to the Decree. Within ten (10) days of deemed receipt of the City Exercise Notice pursuant to Section 17, District shall provide notice to City of District's Second Call use of Entitlement Water, if any, for such month (the "District Exercise Notice"). A failure by District to provide City with a timely District Exercise Notice shall conclusively be deemed an election by District not to exercise its option for Second Call

Entitlement Water for the month covered by the City Exercise Notice. In addition to City's First Call rights, City shall also have the right to take additional Entitlement Water in excess of City's allocation pursuant to the Decree in the event City acquires additional rights to water from third parties by purchase, lease, or assignment ("Third Call"); provided, however, that delivery of such Third Call water by District shall not have priority over and shall be subject to District's Second Call use of Entitlement Water on a month-to-month or annual basis. City shall include notice of its call for Third Call Entitlement Water with the City Exercise Notice for each month. In addition to District's Second Call rights, District shall also have the right to take additional Entitlement Water in excess of District's allocation pursuant to the Decree in the event District acquires additional rights to water from third parties by purchase, lease, or assignment ("Fourth Call"); provided, however, that delivery of such Fourth Call water shall not have priority over and shall be subject to City's First Call use of Entitlement Water on a month-to-month or annual basis. District shall include notice of its call for Fourth Call Entitlement Water with the District Exercise Notice for each month. In the event that City exercises its Third Call right to take additional Entitlement Water and District exercises its Fourth Call right to take additional Entitlement Water and insufficient Entitlement Water is available after satisfaction of City's First Call use of Entitlement Water and District's Second Call use of Entitlement Water, City's Third Call use of Entitlement Water and District's Fourth Call use of Entitlement Water shall be equitably prorated, on a month-to-month and annual basis. No exercise or failure to exercise any right to call for City's Third Call for Entitlement Water or District's Fourth Call for Entitlement Water shall prejudice City's right to First Call Entitlement Water or District's right to Second Call Entitlement Water. As used herein, reference to the allocation of City pursuant to the Decree and allocation of District pursuant to the Decree shall mean the allocations set forth in and to which they are respectively entitled pursuant to the Decree, after allowance for utilization of any portion of such allocations by City and District from other location(s) during each water year specified in the Decree. Nothing here shall authorize District or City to exceed their respective allocations and rights pursuant to the Decree.

City shall pay to the District the actual cost to extract, transport and treat the water to the Delivery Point, amortized on an acre-foot basis after credit for any outside funding that is available or applicable, based on the following formula:

(i) Power Costs (Edison);

(ii) Treatment cost;

(iii) Employee cost to run the Project;

(iv) Emergency repair costs; and

(v) In the event either or both of the Parties wholesale water attributable to the Project to another public agency or private utility, they shall each be entitled to reasonably capitalize their actual costs expended pursuant to Section 5 up to the maximum of $3,000,000 for District and $3,000,000 for City and Exceedance Amounts, if any.

(d) District shall not be liable to City for any damages or liability for a failure to deliver the Entitlement Water to City due to matters outside the control of District, including, but not limited to, constraints of the treatment plant capacity.

(e) District shall have the right, upon giving reasonable notice in advance thereof to City, to control, curtail, interrupt or suspend the delivery of Entitlement Water to City whenever District shall reasonably determine that any such action is required for the proper inspection, repair, maintenance or operation of the Integrated Facilities or the delivery facilities are necessary.

(f) This Agreement shall not be construed as a conveyance, abandonment or waiver of any water right which is held by the Party. Nor shall it be construed as conferring any right whatsoever upon any person, firm or other public or private entity not a party to this Agreement.

(g) The obligations under this Section 12, including, without limitation, the obligation of District to provide Entitlement Water to City shall terminate on the Expiration Date.

(h) The Parties shall bargain in good faith with respect to a lease of one or more years for the District's unused allocation of water from the Rialto Basin pursuant to the Decree. A contract with respect to the lease of such rights shall not exist unless and until the Parties have executed a lease agreement approved by their respective counsel regarding the subject matter of this subsection.

13. In the event of termination of the Water Enterprise Management Agreement-, RUA shall be substituted in place and instead of City with respect to all ongoing operations under this Agreement, in accordance with the terms thereof. In the event of termination of the Lease Agreement (Water Enterprise), City shall be substituted in place and instead of RUA with respect to all ongoing operations under this Agreement, in accordance with the terms thereof.

14. The Parties have specifically negotiated the indemnification provisions and exclusions between them set forth in this Section 14 and agree that the provisions of this Section 14 shall control notwithstanding any other provisions of Government Code Section 895, et seq. District shall indemnify and save harmless City from and against any and all costs, claims, liability, damage, penalties or judgments (collectively, "Costs") resulting from any act or acts or omissions of District, or District's agents, servants, employees or contractors in connection with matters relating to or arising out of this Agreement. Notwithstanding the foregoing indemnity provision, the District's indemnity of the City shall not apply in any of the following circumstances: (1) a claim, action or lawsuit brought against the City alleging the City's liability for causing the release of any contaminants and/or the negligent spread, movement or migration of contaminants in the Rialto/Colton groundwater basin allegedly arising prior to the date of commencement of operation of the Project; (2) any claim, action or lawsuit brought against the City alleging the City's liability for exacerbating or otherwise causing the spread, movement or migration of any contaminants at Well No. 6 or the sphere of influence of Well No. 6, from and after the commencement of operation of the Project, provided District is acting in compliance

with applicable laws, Permits and recommendations and any applicable agreement(s) with the U.S. Environmental Protection Agency and/or Regional Board; (3) any claim, action or lawsuit brought by the City against the District; and/or (4) any claim, action or lawsuit brought against the District by any third party or public regulatory agency which was the result of an action allegedly initiated by the City. In the event that the District is obligated to defend the City pursuant to the terms of this indemnity provision, the City will be defended by counsel reasonably selected by the District. District shall, at its own cost and expenses, defend any and all suits or actions which may be brought against City, or in which City may be interpled with others upon any such matter, claim or claims except for Costs caused by negligence, intentional acts or willful misconduct of City or its officers, administrators, representatives, consultants, employees and agents. City shall indemnify and save harmless District from and against any and all Costs resulting from any act or acts or omissions of City, or City's agents, servants, employees or contractors from and after the commencement of operation of the Project and arising from or relating to this Agreement, except for matters caused or allegedly caused by negligence, intentional acts or willful misconduct of District or its officers, administrators, representatives, consultants, employees and agents. Each Party shall keep in force commercial general liability insurance with respect to injury or death to one or more than one person in any accident or other occurrence in the amounts normally carried by such Party. District shall also keep and maintain, during the term of the operational provisions of Section 11, fire and casualty insurance with broad form, extended coverage endorsements including, but not limited to, vandalism and malicious mischief, in an amount adequate to cover the replacement value of improvements located on Well Site No. 6. Any insurance required to be provided by District may contain a deductible provision and may be provided by blanket insurance covering Well Site No. 6 and other locations in which District has any interest. District has the right to self-insure, in whole or in part, for the risks provided hereunder. As used in this Section 14, reference to City shall also include RUA.

15. All Permits, Plans, operating manuals, surveys and as-built drawings associated with the design, approval, construction, and operation of the Project shall be jointly owned by City and District.

16. All disputes and claims arising under this Agreement, whether relating to its interpretation, application, enforcement or breach, shall be heard by a reference of the San Bernardino County Superior Court pursuant to California Code of Civil Procedure Section 638 *et seq*. The Parties shall have the rights of discovery and appeal provided by California Code of Civil Procedure Section 638 *et seq*. For all judicial reference proceedings under this Agreement, the Parties shall agree upon a single referee, who shall try all issues, whether of fact or law, and report a finding and judgment thereon and issue all legal and equitable relief appropriate under the circumstances before him or her. If the Parties are unable to agree on referee within ten (10) days of a written request to do so by any Party hereto, any Party may seek to have one appointed pursuant to California Code of Civil Procedure Section 640. The Parties agree that any referee to be selected or appointed shall be a retired judge of the Superior Court of the State of California, California Court of Appeal, or U.S. District Court from a district in the State of California. The cost of such proceeding shall initially be borne equally by the Parties, but shall ultimately be borne by the Party or Parties who does not prevail. In addition, the prevailing Party in the judicial reference and in any subsequent legal proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket costs paid by the non-prevailing Party(ies). Any referee selected pursuant to this section shall be considered a temporary judge appointed pursuant to Article 6, Section 21 of the California Constitution.

NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED WITHIN THE SCOPE OF THE JUDICIAL REFERENCE PROVISION ABOVE DECIDED BY NEUTRAL REFEREE AS PROVIDED BY CALIFORNIA LAW, AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OF JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL WITH RESPECT TO THE MATTERS SUBJECT TO JUDICIAL REFERENCE, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE JUDICIAL REFERENCE PROVISION. IF YOU REFUSE TO SUBMIT TO JUDICIAL REFERENCE AFTER AGREEING TO THIS PROVISION, YOU MAY BE

COMPELLED TO SUBMIT UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS JUDICIAL REFERENCE PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE JUDICIAL REFERENCE PROVISION TO A NEUTRAL REFEREE.

District	RUA	City

The laws of the State of California shall govern the interpretation and enforcement of this Agreement. Should legal action be brought by any Party for breach of this Agreement to enforce any provision, the prevailing Party(ies) in such action shall be entitled to actual attorneys' fees, court costs, and other litigation expenses including, without limitation, expenses incurred for preparation and discovery, and on appeal. The entitlement to recover such fees, costs and expenses shall accrue upon the commencement of the action regardless of whether the action is prosecuted to final judgment.

17. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage pre paid, return receipt requested, or by a nationally recognized courier service which provides a written receipt of delivery, or facsimile, to the addresses set forth in this Section 19, with a copy to designated legal counsel. The notices or other communications shall be deemed received and effective upon: (i) if personally delivered, the date of delivery to the address of the person to receive such notice; (ii) if mailed, the date of delivery or refusal to accept delivery indicated in the certified or registered mail receipt; (iii) if given by courier service, on the date of delivery evidenced by the receipt for delivery provided by the courier service; or (iv) if faxed, when sent. Any notice, request, demand, direction or other communication sent by fax must be confirmed within forty eight (48) hours by letter mailed or delivered in accordance with the foregoing.

DISTRICT:

West Valley Water District
Post Office Box 920
Rialto, CA 92377-0920
Attn: Anthony Araiza, General Manger

RUA:
Rialto Utility Authority
150 S. Palm Avenue
Rialto, CA 92376
Attn: Rialto City Manager and City Clerk

CITY:

City of Rialto
1335 West Rialto
Rialto, CA 92376
Attn: Water Superintendent

With Copy to:

Rialto City Attorney
150 S. Palm Avenue
Rialto, CA 92376

Such written notices, demands, correspondence and communications may be sent in the same manner to such other persons and addresses as either Party may from time to time designate in writing as provided in this Section. Notice shall be effective upon the date of personal delivery or, in the case of mailing, on the date of delivery or attempted delivery as shown on the U.S. Postal Service certified mail return receipt.

18. (a) This Agreement shall bind and inure to the benefit of the Parties to this Agreement and their respective successors and assigns.

(b) The terms and provisions of this Agreement shall not cause the Parties hereto to be construed in any manner whatsoever as partners, joint venturers or agents of each other in the performance of their respective duties and obligations under this Agreement, or

subject either Party to this Agreement to any obligations, loss, charge or expense of the other Party unless the Party to be held responsible has independently contracted with the claimant so as to make it directly responsible for the performance and/or payment, as appropriate, of the pertinent obligation, loss, charge or expense.

(c) Should any provisions of this Agreement require interpretation, it is agreed that the person or persons interpreting or construing the same shall not apply a presumption that the terms of this Agreement shall be more strictly construed against one Party by reason of the rule of construction that a document is to be construed more strictly against the Party thereto who itself or through its agent or counsel prepared the same or caused the same to be prepared; it being agreed that the agents and counsel of both of the Parties hereto have participated equally in the negotiation and preparation of this Agreement.

(d) Time is of the essence of this Agreement and the performance of all obligations hereunder.

(e) Unless otherwise required by a specific provision of this Agreement, time hereunder is to be computed by excluding the first day and including the last day. If the date for performance falls on a Saturday, Sunday, or legal holiday, the date for performance shall be extended to the next business day.

(f) To the best knowledge and belief of the Parties to this Agreement, this Agreement contains no provision that is contrary to any federal, state or local Law or to any regulatory requirement or other ruling or regulation of a federal, state or local agency or that would be in breach of the obligations of either or both of the Parties hereto under the terms and provision of any legally binding agreement. However, if any provision of this Agreement, or any part thereof, shall at any time be held to be invalid, in whole or in part, under any applicable federal, state or local Law by a court of competent jurisdiction, or by arbitrators or an administrative agency of the federal, state or local government with proper jurisdiction, then such provision or a portion thereof, as appropriate, shall be curtailed and limited only to the extent necessary to bring it within the requirements of the Law and the validity and

enforceability of the remaining provisions of this Agreement shall remain in effect and shall in no way be affected, impaired or invalidated, unless the invalidated provision(s) shall uniquely, materially and adversely affect the rights and obligations of a Party to this Agreement.

(g) Each of the Parties hereto shall execute and deliver any and all additional papers, documents, instruments and other assurances and shall do any and all other acts and things reasonably necessary to carry out the purposes of this Agreement and the intent of the Parties hereto.

(h) This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the Parties regarding all or any part of the subject matter hereof. All modifications, additions or amendments to this Agreement shall be in writing and signed by the Parties hereto.

(i) Any consent, approval or other instrument described in this Agreement to be given by the City or RUA may be granted, given or executed by the City Manager or designee on behalf of the City or RUA and the City Manager or designee shall be authorized to take action on behalf of the City or RUA consistent with the terms of the agreement without the need for further authorization from such Parties' legislative body; provided, however that, notwithstanding the foregoing, the City Manager or designee may, in his or her sole discretion, refer to such Parties' legislative body any item for which the City Manager or designee has authority to act hereunder.

(j) This Agreement may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

(k) In the event of any litigation or other action between the Parties arising out of or relating to this Agreement or the breach thereof, the prevailing Party shall be entitled, in addition to such other relief as may be granted, to its reasonable costs and attorneys' fees.

(l) Each Party hereto agrees to execute and deliver such other documents and perform such other acts as may be necessary to effectuate the purposes of this Agreement.

(m) This Agreement is entered into within the State of California, and all questions concerning the validity, interpretation and performance of any of its terms or provisions or any of the rights or obligations of the Parties hereto shall be governed by and resolved in accordance with the laws and regulations of the State of California, including but not limited to the current and future regulations of the DPH applicable to the Project.

(n) No delay on the part of any Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder, nor shall any single or partial exercise of any right, power or privilege hereunder, preclude any other or further exercise of any other right, power or privilege hereunder.

(o) Each individual executing this Agreement hereby represents and warrants that he or she has the full power and authority to execute this Agreement on behalf of the named Parties.

(p) All of the Recitals are incorporated herein by this reference to the same extent as though herein again set forth in full.

(q) If the performance, in whole or in part, of the obligations of the respective Parties under this Agreement is hindered, interrupted or prevented by wars, strikes, lockouts, fire, Acts of God or by other acts of military authority, or by any cause beyond the control of the respective Parties, whether similar to the causes herein specified or not, such obligations of the respective Parties under this Agreement shall be suspended to the extent and for the time of performance thereof as is affected by such act. Notwithstanding any act described in this Section, the Parties shall diligently undertake all reasonable effort to perform this Agreement.

(r) The MOU has been completely implemented by this Agreement.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date and year hereinabove written.

DISTRICT:

WEST VALLEY WATER DISTRICT,
a public agency of the State of California

By: _____

Its: BOARD PRESIDENT

RUA:

RIALTO UTILITY AUTHORITY,
a joint power authority

By: _____

Its: Chairperson

ATTEST:

By: _____

Its: City Clerk
Authority Secretary

CITY:

CITY OF RIALTO, a municipal corporation

By: _____

Its: Mayor

ATTEST:

By: _____

Its: City Clerk

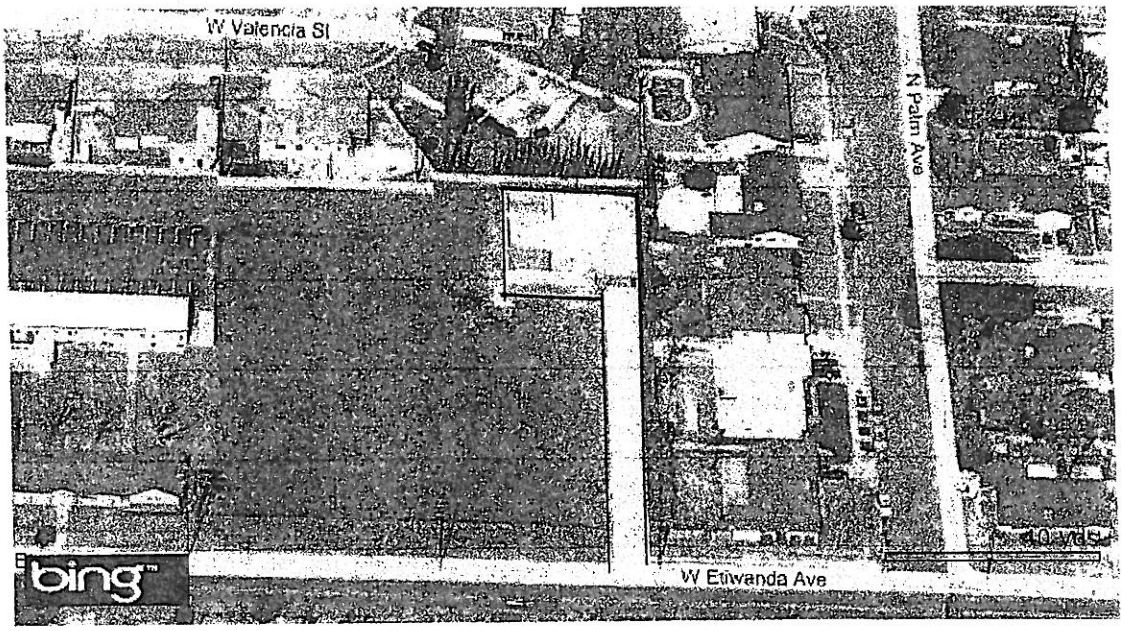
EXHIBIT LIST

EXHIBIT "A"	LEGAL DESCRIPTION WELL SITE NO. 6
EXHIBIT "B"	DEPICTION WELL SITES NOS. 6, 11 AND DISTRICT TREATMENT SITE
EXHIBIT "C"	LEGAL DESCRIPTION WELL SITE NO. 11
EXHIBIT "D"	LEGAL DESCRIPTION RIALTO BASIN
EXHIBIT "E"	DESCRIPTION OF PROJECT

EXHIBIT "A"

TO AGREEMENT

LEGAL DESCRIPTION WELL SITE NO. 6


W Valencia St
N Palm Ave
W Etiwanda Ave
40 yds
bing

City of Rialto
California

December 30, 1988

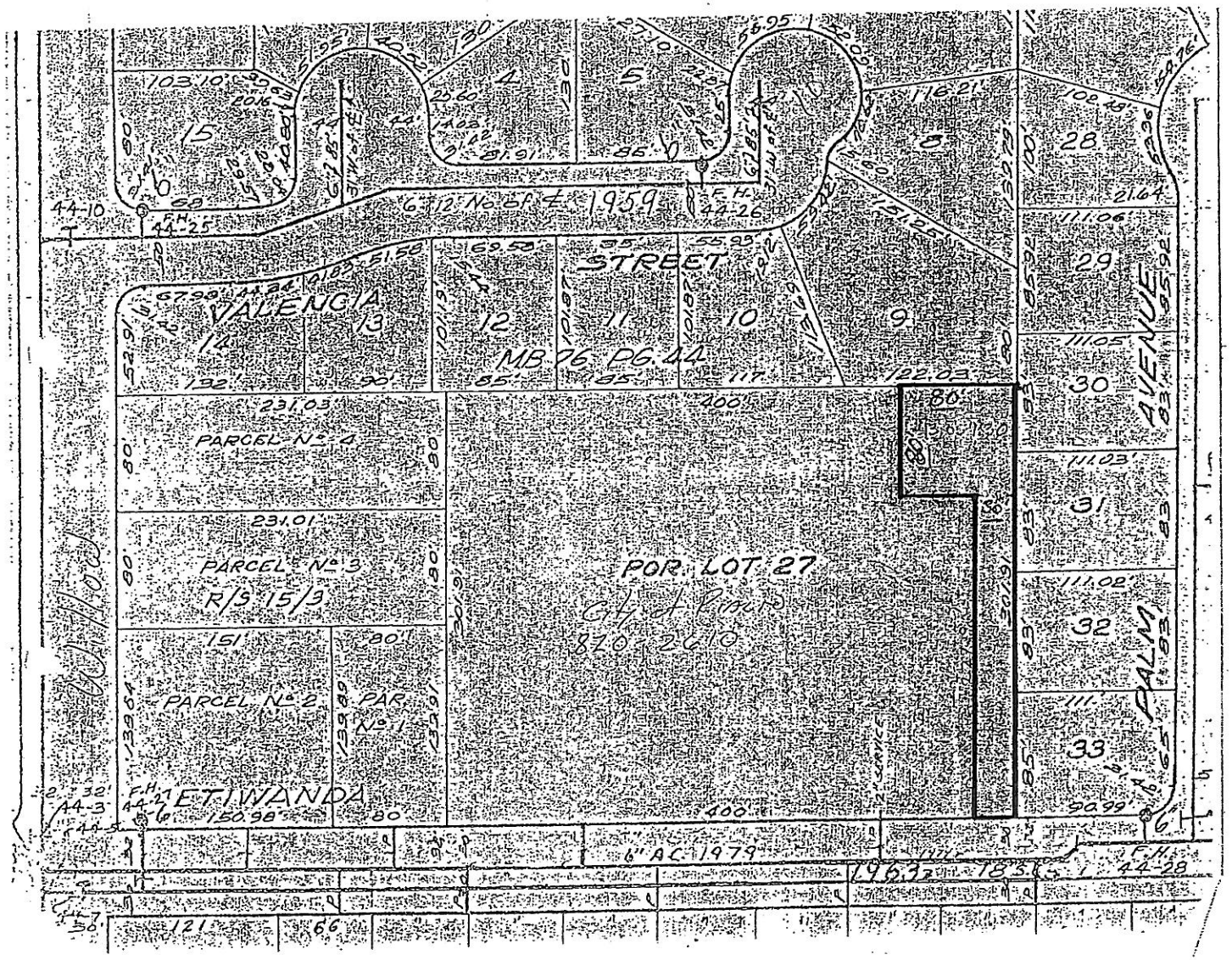
ETIWANDA WELL SITE

That portion of Parcel No. 2 of Parcel Map No. 11645 as shown by map on file in book 129 of maps, page 36, official records of San Bernardino County, California, being more particularly described as follows:

Commencing at the centerline intersection of Etiwanda Avenue and Willow Avenue;

Thence N.0° 03'13"E., a distance of 331.91 feet; thence S.89° 55'48"E., a distance of 263.01 feet to the northwest corner of Parcel No. 1 of Parcel Map No. 11645; thence S.89°55'48"E., a distance of 320.39 feet to the Point of Beginning;

Thence continuing S.89°55'48"E., a distance of 80.00 feet; thence S.0° 04'20"W., a distance of 299.92 feet; thence N.89°55'45"W., a distance of 30.00 feet; thence N.0°04'20"E., a distance of 219.92 feet; thence N.89° 55'48"W., a distance of 50.00 feet; thence N.0°04'20"E., a distance of 80.00 feet to the Point of Beginning.



VALENCIA
STREET
MB 76 PG. 44
PARCEL No. 4
PARCEL No. 3
R/S 15/3
PARCEL No. 2
PAR. No. 1
POR. LOT 27
City of Rialto
820-2610
ETIWANDA
PALM AVENUE
6" AC 1979
6-12 No. of ℄ 1959
F.H. 44-25
F.H. 44-26
F.H. 44-27
F.H. 44-28
44-10
44-3

EXHIBIT "B"

TO AGREEMENT

DEPICTION WELL SITES NOS. 6, 11 AND

DISTRICT TREATMENT SITE

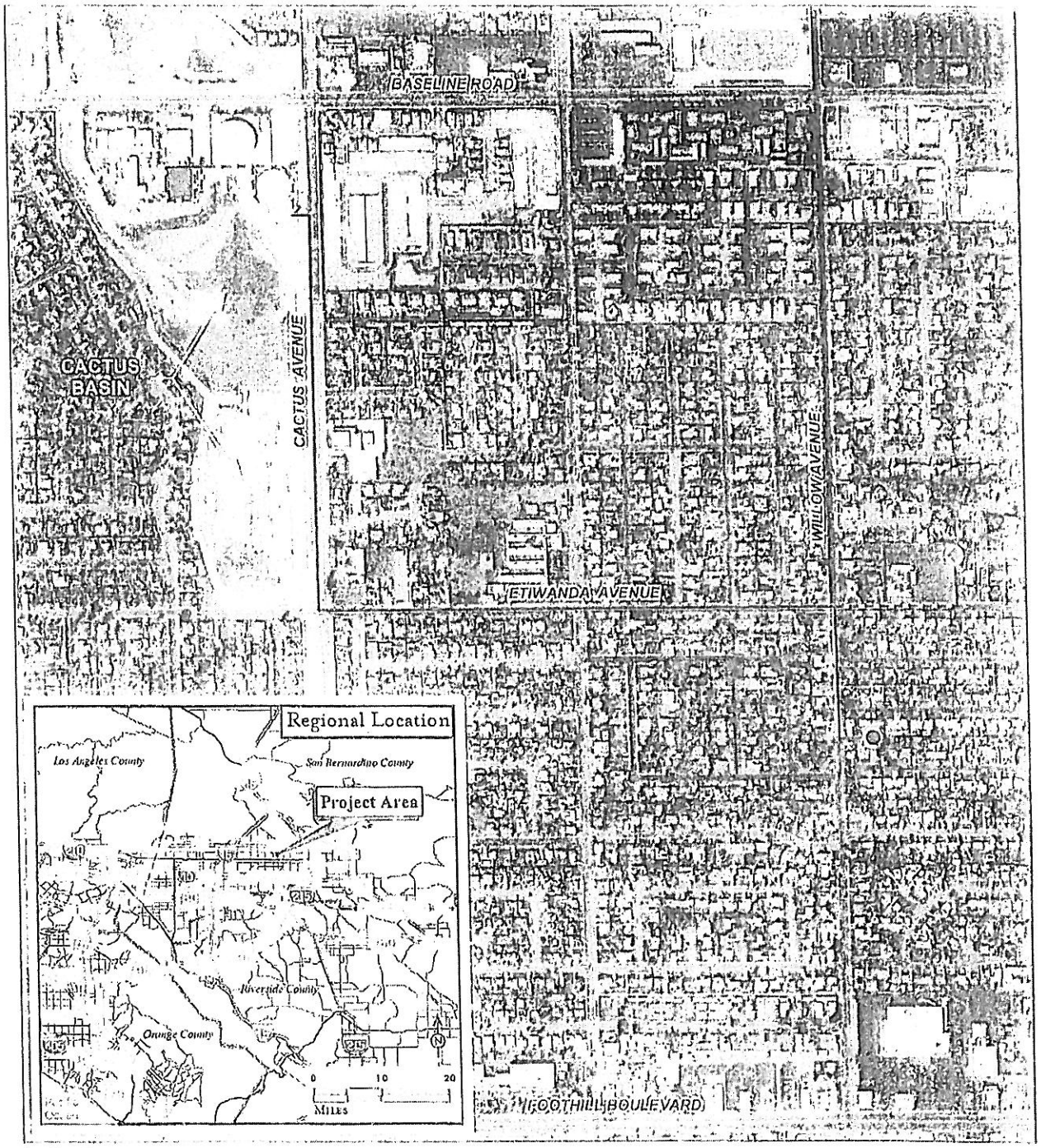


FIGURE 1

West Valley Water District and City of Rialto
Wellhead Treatment System Project
Initial Study

Regional and Project Location

SOURCE: AirPhotoUSA, 2008; Thomas Bros., 2007

I:\WVW0901\Reports\IS\fig1_reg_loc.mxd (06/30/09)

EXHIBIT "C"

TO AGREEMENT

LEGAL DESCRIPTION WELL SITE NO. 11

That land referred to herein below is situated in the County of San Bernardino, State of California and is descried as follows:

TOWN OF RIALTO AND AD SUBS COM AT INTERSECTION N L1 LOT 43 WITH 3 LI WILLOW ST TH S 25 FT THE E 130 FT TH S 110 FT TH E 50 FT TH N 135 FT TO N LI SD LOT TH W 180 FT TO POB

APN 012-501-160-000

EXHIBIT "D"

TO AGREEMENT

LEGAL DESCRIPTION RIALTO BASIN

DESCRIPTION OF BOUNDARIES OF RIALTO BASIN

BEGINNING at a point on the centerline of Meridian Avenue, as shown on plat of Town of Rialto and Adjoining Subdivisions, as recorded in Map Book 4, page 11, records of the County Recorder of said County, said point being 950 feet North of the intersection of said Meridian Avenue and San Bernardino Avenue; thence Northwesterly to a point on the centerline of Rialto Avenue (Arrow Route) as shown on said subdivision plat, said point being 400 feet East of the intersection of West Rialto Avenue and Cactus Avenue; thence Northwesterly to a point on the center line of Foothill Boulevard (State Highway Route No. 9), said point being 1,050 feet East of the intersection of said Foothill Boulevard and Linden Avenue, said intersection being the Southwest corner of Section 3, TIS, R5W, SBB&M; thence Northwesterly to a point in said Linden Avenue, said point being 700 feet North of said Foothill Boulevard; thence Northwesterly to a point in the centerline of Laurel Avenue as shown on said subdivision plat, said point being 3,600 feet North of said Foothill Boulevard; thence Northwesterly to the Intersection of Alder Avenue and Baseline Road, said intersection being the Southeast corner of Section 32, TIN, R5W, SBB&M; thence Northwesterly to a point at the base of the San Gabriel Mountains, said point being 1,100 feet North and 1,400 feet West of the Southeast corner of Section 15, TIN, R6W, SBB&M; thence Northeasterly along the base of the San Gabriel Mountains in a direct line to a point in the East line of Section 13, T1N, R6W, said point being 3,700 feet North of the Southeast corner of said Section 13; thence Northeasterly along the base of the San Gabriel Mountains in a direct line to a point in fractional Section 7, TIN, R5W, said point being 2,200 feet North and 3,700 feet East of the Southwest corner of said Section 7; thence Southeasterly to a point in Muscupiabe Rancho, said point being 2,500 feet North and 950 feet East of the Southwest corner of fractional Section 22, TIN, R5W, SBB&M; thence Southeasterly to a point in said Muscupiabe Rancho, said point being 700 feet North and 3,700 feet East of the Southwest corner of said fractional Section 22, thence Southeasterly to a point in said Muscupiabe Rancho, said point being 4,000 feet North and 2,500 feet East of the Southwest corner of fractional Section 26, T1N, RSW, SBB&M; thence Southeasterly to a point in fractional Section 6, TIS, R4W, SBB&M, said point being 1,500 feet North and 4,300 feet East of the Southwest corner of said fractional Section 6; thence Southeasterly to a point on the centerline of Mill Street, as shown on plat The Martin Tract, as recorded in Map Book 3, page 27, Records of the County Recorder of said County, said point being 1,050 feet West of the intersection of said Mill Street and Mt. Vernon Avenue; thence Southwesterly to the point of beginning

EXHIBIT "E"

TO AGREEMENT

DESCRIPTION OF PROJECT

That certain California Resources Code §§ 75001 *et seq.* Project Number P84-3610004-801, collectively described and set forth in:

1. The Initial Study Wellhead Treatment System Project West Valley Water District, San Bernardino County, California, dated August 28, 2009 prepared by LSA Associates, Inc.

2. Engineering Plans and Specifications prepared by Kennedy, Jenks, Project 098901500 WVWD – Wellhead Treatment.

3. The Funding Agreement Between the State of California Department of Public Health and West Valley Water District, Project Number: P84-3610004-801.