IMPLEMENTATION MEMORANDUM OF UNDERSTANDING RELATING TO COOPERATIVE AGREEMENT BETWEEN THE CITY OF BEAUMONT AND THE BEAUMONT CHERRY VALLEY WATER DISTRICT

This Implementation Memorandum of Understanding (the "MOU") is made and entered into as of March, 1998 by and between the CITY OF BEAUMONT, a municipal corporation and public agency of the State of California (the "City") and the BEAUMONT CHERRY VALLEY WATER DISTRICT, a public agency organized and existing pursuant to Division 11 (commencing with Section 20500) of the California Water Code (the "District") and this MOU relates to the Cooperative Agreement made and entered into as of March 8, 1993, by and between the City and the District (the "Cooperative Agreement").

WHEREAS, the City and the District entered into the Cooperative Agreement to facilitate implementation of the City General Plan and Public Facilities Financing Program to insure logical and orderly development within the City and the service areas of the District and to cooperate in a long-term program to maintain safe groundwater management practices in the service area of the District;

WHEREAS, the City and the District recognize the need to develop new sources of water supply, including recycled or reclaimed water ("recycled water"), in such a way as to protect and preserve the existing water supply;

WHEREAS, pursuant to the Cooperative Agreement the City has adopted an ordinance which will require the use of recycled wastewater for irrigation purpose in accordance with State laws, has adopted an ordinance which requires the conservation of water in accordance with District policies, and is preparing to enter into an installment sale agreement with the Beaumont Financing Authority (the "Authority") in order to finance the construction of modifications to the wastewater treatment plant necessary to deliver recycled water;

WHEREAS, the District provides residents, businesses and industries in the City and the City Sphere of Influence with potable sources of water supply, storage and distribution for domestic and commercial use;

WHEREAS, conservation of potable water supplies is important for the future health, safety and welfare of the City of Beaumont and the City Sphere of Influence and for the preservation of groundwater resources and the use of recycled water is a cost-effective, reliable method of helping to meet the community's water supply needs;

WHEREAS, the State legislature has found and declared that the use of potable domestic water for nonpotable uses, including, but not limited to, cemeteries, golf courses, parks, highway landscaped areas, school athletic fields and industrial and irrigation uses, is a waste or an unreasonable use of the water within the meaning of Section 2 of Article X of the California

Constitution if recycled water is available which meets all of the conditions as determined by the State for use of recycled water;

WHEREAS, the State has provided that retail water suppliers and recycled water producers and wholesalers should promote the substitution of recycled water for potable water in order to maximize the appropriate cost-effective use of recycled water; and development of the infrastructure to distribute recycled water will provide jobs and enhance the economy and the environmental benefits of recycled water include a reduced demand for water and there is a need for a reliable source of water for uses not related to the supply of potable water;

WHEREAS, the State Department of Health Services has updated regulations for the use of recycled water;

WHEREAS, the District supports the City's program to modify the wastewater treatment plant at this time, including construction of a reservoir for recycled water, and to construct, operate and maintain a pumping and recycled water distribution system to deliver water to customers within the City, the City's sphere of influence and the District, which may utilize recycled water and thereby reduce demand on the regional groundwater basin;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained the parties agree as follows:

1. MOU to Cooperative Agreement. This MOU relates to the Cooperative Agreement and is entered into by the City and the District to provide for the construction, ownership, operation and maintenance by the City, at its sole cost and expense, of necessary modifications to the wastewater treatment plant, including construction of a reservoir for recycled water, a pumping station for pressurization of the system, and a recycled water distribution system for the City to deliver recycled water to customers and potential customers within the City, the City's sphere of influence and the District. A description of the recycled water facilities to be constructed by the City is attached hereto as Exhibit A. It is recognized that the system configuration, location and sizing shown in Exhibit A are conceptual and subject to change. The City will operate and maintain the recycled water system so as to provide recycled water at tertiary treatment levels meeting Regional Board and Department of Health Services criteria. The recycled water constitutes a viable alternate water supply and allows conservation of large quantities of higher quality potable water to be made available by the District for domestic use. Consistent with the provisions of the Cooperative Agreement, the District shall not establish a recycled water system competitive to the recycled water system constructed by the City.

The District shall have the right to review the plans for recycled water facilities prior to initiation of construction or installation by the City. The District's review of plans shall not be deemed acceptance or approval by District of the sufficiency of said plans or as any other obligation in regard to construction or operation of said facilities.

Nothing in this MOU shall be deemed as participation by the District in any activity by City regarding the recycled water facilities or as acceptance of said facilities to any degree whatsoever.

2. City Responsible for Recycled Water System. The City shall invoice those persons or entities who purchase recycled water. Potential users include, cemeteries, golf courses, parks, highway landscaped areas, school athletic fields and industrial and irrigation uses. Initially, recycled water purchasers may include the Oak Valley Golf Course, the California Department of Transportation, the City (with respect to City properties including the Sports Park), Beaumont Unified School District, and the Beaumont Cemetery District. Recycled water shall be provided by the City on a first come, first served basis, as long as recycled water is available to the extent described in Ordinance No. 775 of the City; however, agricultural use will be given priority over other non-domestic uses as described in Ordinance 775.

3. Notice. Any notice payment or instrument required or permitted by the MOU to be given or delivered to any party or other person shall be given in the manner set forth in Section 16 of the Cooperative Agreement.

4. Captions. Captions to section of this MOU are for convenience only and are not part of this MOU.

5. Severability. If any portion of this MOU is declared by a court of competent jurisdiction to be invalid or unenforceable, such portion shall be deemed severed from this MOU and the remaining parts shall remain in full effect as though such invalid or unenforceable provision had not been a part of this MOU.

6. No Third Party Beneficiaries. The parties do not intend the benefits of this MOU to inure to any third party, nor shall any of this MOU be construed or make or render the City or the District liable to any materialman, supplier, contractor, subcontractor, or purchaser, or for debts or claims accruing to any such persons. Notwithstanding anything to the contrary contained herein or in any document executed in connection with this transaction, or any conduct or course of conduct by any party hereto, before and after signing, this MOU shall not be construed as creating any claim, right or cause or action against the City, the District or their respective officers, directors, agents, administrators, engineers, consultants, or employees in favor of any materialman, supplier, contractor, subcontractor or purchaser, or the like.

7. Successors and Assigns. This MOU shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

8. Entire Agreement. This MOU is supplemental to the Cooperative Agreement, and this MOU and the Cooperative Agreement contain the entire agreement between the parties with respect to the matters provided herein.

9. Amendments. This MOU may be amended or modified only in writing signed by the parties hereto.

10. Exhibits. The following exhibit attached hereto is incorporated into this MOU by reference.

Exhibit	Description
"A"	Description of Recycled Water System

11. Counterparts. This MOU may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have executed this MOU as of the day and year indicated below.

CITY OF BEAUMONT

Dated: March, 1998

By: _____
Mayor of the City of Beaumont

ATTEST:

By: _____ (Deputy)
City Clerk of the City of Beaumont

BEAUMONT CHERRY VALLEY WATER DISTRICT

Dated: March 24, 1998

By: _____
President of the Beaumont Cherry Valley Water District

ATTEST:

By: _____
Secretary

EXHIBIT A

RECYCLED WATER SYSTEM

MODIFICATIONS TO THE WASTEWATER TREATMENT PLANT

RECYCLED WATER RESERVOIR

RECYCLED WATER DISTRIBUTION SYSTEM

MEMORANDUM OF UNDERSTANDING

RECYCLED WATER SYSTEM DELIVERY PROJECT FOR OAK VALLEY CHAMPIONS

THIS MEMORANDUM OF UNDERSTANDING, dated as of November 19, 2002, is executed by the CITY OF BEAUMONT, a municipal corporation ("CITY"), the BEAUMONT-CHERRY VALLEY WATER DISTRICT, a public agency ("DISTRICT"), and OAK VALLEY PARTNERS LP, a California Limited Partnership ("OV PARTNERS"), to set forth the parties' understandings relating to the following matters:

RECITALS

A. OV PARTNERS is the owner and the developer of a mixed-use project commonly known as "Oak Valley Champions", situated in the western sphere of influence of the CITY (the "PROJECT"). OV PARTNERS desires to annex its property to the CITY and to the DISTRICT.

B. Development of the PROJECT is governed by Specific Plan No. 318 approved by the County of Riverside in 2001 and the CITY in 2002. CHERRY VALLEY ACRES AND NEIGHBORS ("CVAN") filed a lawsuit challenging the County's approval of the Specific Plan, which lawsuit was resolved through execution of a Settlement Agreement between OV PARTNERS and CVAN effective as of January 30, 2002. Among other things, the Settlement Agreement required OV PARTNERS to advance at least $160,000.00 to the CITY to fund extension of a recycled water system to the PROJECT (the "ADVANCE").

C. OV PARTNERS is now prepared to make the ADVANCE required by the CVAN Settlement Agreement, with clarification that the ADVANCE is a pre-payment of recycled water system fees that would otherwise be payable to either the CITY or the DISTRICT following the annexations.

POINTS OF UNDERSTANDING

1. Within 30 days of the effective date of this Memorandum of Understanding, OV PARTNERS shall deposit with the CITY the sum of $160,000.00 to be expended for facilities and equipment needed to facilitate the delivery of recycled water to the PROJECT.

2. The DISTRICT levies and collects from all private land developers, a recycled water system fee presently in the amount of $667.00 per equivalent dwelling unit (the "FEE"). In

recognition of the ADVANCE, the DISTRICT shall credit OV PARTNERS, or its successors or assigns, with prepayment of such FEES up to a maximum of $160,000.00. The DISTRICT reserves the right, in its sole discretion, to change the amount of the FEE.

3. The DISTRICT shall deliver to the CITY the sum of $340,000.00 to be expended for facilities and equipment needed to facilitate the delivery of recycled water to the PROJECT within 30 days after the CITY provides written notice to the DISTRICT that it has begun construction on the Stage II Wastewater Treatment Plant Expansion.

4. The CITY shall begin purchasing equipment and construction of the Stage II Wastewater Treatment Plant Expansion within a reasonable period of time after receiving the deposit from OV PARTNERS pursuant to paragraph 1 above.

5. The DISTRICT and the CITY hereby agree to rescind that certain Memorandum of Understanding dated March, 1998, entitled Implementation MOU Relating to Coop. Agreement between the City of Beaumont and the Beaumont Cherry Valley Water District, in its entirety.

6. This Memorandum of Understanding may be executed in counterparts. The individual(s) signing this Memorandum of Understanding on behalf of a party represents that he or she has full authority to execute this Memorandum of Understanding on behalf of such party.

7. This Memorandum of Understanding shall inure to the benefit of, and be binding upon, the successors in interest and assignees of the respective parties. All such successors and assignees shall be bound by the duties of the parties arising under this Memorandum of Understanding.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Understanding to be executed effective as of the day and year first above written.

CITY OF BEAUMONT

By _____
BRIAN DEFORGE, Mayor

BEAUMONT-CHERRY VALLEY WATER DISTRICT

By _____
CHARLES J. BUTCHER
General Manager

OAK VALLEY PARTNERS LP

By: OAK VALLEY-HUNT, INC.,
Its: MANAGING GENERAL PARTNER

By _____
D. CRAIG MARTIN, President