

1 Scott S. Slater (SBN 117317)
Michael T. Fife (SBN 203025)
2 HATCH AND PARENT
21 East Carrillo Street
3 Santa Barbara, CA 93101
Phone: 805-963-7000
4 Fax: 805-965-4333

FILED-Rancho Cucamonga District
SAN BERNARDINO COUNTY
SUPERIOR COURT

MAR 29 2002

By *Nancy Salinas* Deputy

5 Attorneys for CHINO BASIN WATERMASTER
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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF SAN BERNARDINO - RANCHO CUCAMONGA DIVISION

11	CHINO BASIN MUNICIPAL WATER DISTRICT,)	CASE NO. RCV 51010
12	Plaintiff,)	Judge: Honorable J. MICHAEL GUNN
13	v.)	DESALTER POST-HEARING
14	THE CITY OF CHINO,)	BRIEF
15	Defendants.)	Hearing Date: None
16		Dept: 8

19 On January 31, 2002, the Chino Basin Watermaster filed a Motion for a Declaration
20 Regarding Discharge of Obligations Under Article VII of the Peace Agreement. This Motion was
21 set for hearing on February 20, 2002. At this hearing the Court granted Watermaster's request but
22 requested a clarification of certain facts that Watermaster General Counsel believes to be
23 undisputed and to summarize, without prejudice to any party to the Judgment, the process that
24 led to the Motion and to explain the interplay between the various desalter agreements and
25 documents.

26 There were no oppositions filed or voiced to the above referenced Motion. The parties
27 who have been negotiating the multiple agreements believe in earnest that the Term Sheet and
28 the agreements executed in furtherance of the terms of the Term Sheet (a comprehensive list is

1 attached hereto as Exhibit "A"), fully satisfy the applicable goals of the Optimum Basin
2 Management Program ("OBMP") and by unanimous agreement of the real parties in interest,
3 satisfy their respective obligations arising from Article VII of the Peace Agreement.

4 Less than all the parties to the Peace Agreement have direct responsibility for selling and
5 purchasing desalted water. Those parties that do have direct responsibility (Purchasers and
6 Sellers) have worked almost continuously since July 13, 2000 in an effort to negotiate the
7 necessary implementing agreements. The Purchasers and Sellers receive benefits and burdens of
8 performance under the Peace Agreement regarding the desalted water and they struck a deal as
9 expressed in the Term Sheet previously transmitted to the Court.

10 Nevertheless, the success of the OBMP and the rights and remedies under the Peace
11 Agreement are not held exclusively by the Purchasers and Sellers. All parties to the Peace
12 Agreement have made related covenants and enjoy certain rights and remedies to compel specific
13 performance. Consequently, while the Purchasers and Sellers reached an agreement on material
14 terms through the Term Sheet, they desired the security of receiving an Order of the Court that
15 finds that they have satisfied their applicable contractual commitments under the Peace
16 Agreement.

17 All parties to the Peace Agreement, parties to the Judgment, Watermaster and this Court
18 were duly informed of the progress of the Purchasers and Sellers since July 13, 2000 through the
19 regular filings by Watermaster. Watermaster has provided updates to the Court on the
20 development of the desalter negotiations in pleadings dated December 27, 2000, March 22, 2001,
21 March 30, 2001, September 19, 2001 and December 13, 2001. In addition, Watermaster general
22 counsel has regularly reported on the progress of the desalter negotiations at the monthly
23 Watermaster meetings. There is no known opposition to the transaction proceeding as planned.

24 **A. The Desalter Obligation**

25 The OBMP Phase I Report describes how a decline of agricultural production in the
26 southern end of the Basin will likely result in rising groundwater which will spill from the Basin
27 into the Santa Ana River. (OBMP Phase I Report 4-15.) This suggests that without the desalters
28

1 there will be a loss of yield for the Basin and an impact on the water quality of the Santa Ana
2 River.

3 The Phase I Report says that:

4 Groundwater Production for municipal use will be increased in the southern part
5 of the Basin to: meet the emerging demand for municipal supplies in the Chino
6 Basin, maintain safe yield, and to protect water quality in the Santa Ana River. All
7 new southern Basin production will require desalting prior to use. The cities of
8 Chino, Chino Hills, Ontario and Norco, and the JCSD will maximize their use of
9 groundwater from the southern part of the Basin prior to using other supplies. The
10 SAWPA desalter [now known as Chino I], currently under construction will have
11 to be expanded from 8 million gallons per day (mgd) to 10 mgd by 2003. Two
12 new desalters will need to be constructed – the east and west desalters [now
13 known as Chino II and III]. The east desalter will need to be on-line by late 2003
14 at a capacity of 14 mgd. The west desalter will need to be on-line by 2010 with a
15 capacity of 7.5 mgd.

16 (Phase I Report 4-19 - 4-20.)

17 The OBMP Implementation Plan (Exhibit “B” to the Peace Agreement), reiterates these
18 commitments with regard to the capacity of the expansion of Chino I and the construction of
19 Chino II by committing to construct *an additional* minimum 12 mgd of capacity by 2003.

20 (Implementation Plan p.24.) The Implementation Plan contained what was discovered to be an
21 overly ambitious construction schedule according to which construction would begin in early
22 2001, and which schedule has accordingly since been revised as reported to the Court on
23 December 13, 2001.¹

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26 _____
27 ¹ This goal was formulated based upon an assumed institutional structure that was articulated in the Peace
28 Agreement. However, when negotiations commenced, the parties discovered that there was a more efficient structure
that could be created. While this structure will result in greater long term efficiencies, it has caused an initial delay while
the essential components were negotiated.

1 **B. The Peace Agreement**

2 Article VII of the Peace Agreement represents a contractual commitment by the parties to
3 the Judgment in several important areas. First, it commits the parties collectively to the
4 implementation of the OBMP. Second, specific rights and obligations are expressly delegated to
5 identified parties to the Agreement. For example, the Inland Empire Utilities Agency (“IEUA”)
6 and the Western Municipal Water District of Riverside County (“WMWD”) were identified as
7 sellers of desalted water. Prospective purchasers were also defined.

8 The Phase I Report specifies that, “[t]he cost of the southern Basin desalting system will
9 be shared by all Basin producers such that the agencies making direct use of this water . . . are not
10 unfairly burdened with the cost of treating this water.” (Phase I Report 4-20.) The Peace
11 Agreement established the basic terms under which the expansion of the Chino I Desalter and the
12 construction of the Chino II Desalter were to occur so as to take advantage of money made
13 available through the passage of Proposition 13 (also known as the “Water Bond”). In summary
14 and in relevant part, the Peace Agreement states:

- 15 1. Desalter Ownership. The Chino I Expansion and Chino II Desalters would be
16 owned and operated by IEUA and WMWD acting independently, or in the
17 complete discretion of IEUA and WMWD, acting through Project Committee 14
18 (“PC14”) of the Santa Ana Watershed Project Authority (“SAWPA”) in the same
19 manner as the Chino I Desalter except as otherwise specified in the Peace
20 Agreement. (Peace Agreement § 7.2(b).)
- 21 2. Design and Construction. IEUA and WMWD acting independently or in their
22 complete discretion acting through PC14 agreed to design and construct the Chino
23 I Expansion and the Chino II Desalter. (Peace Agreement § 7.3.)
- 24 3. Capacity. The Peace Agreement specified that the Chino I Desalter, with an
25 existing capacity of 8 mgd, would be expanded by between 2 and 6 mgd, and the
26 Chino II Desalter would be built with an initial capacity of 10 mgd for a total
27 minimum additional desalter capacity of 12 mgd. (Peace Agreement § 7.3(b).)

28

- 1 4. Location. The specific location of wells to supply the Chino II Desalter shall be
2 determined with Watermaster approval and shall be in a location which is
3 consistent with and carries out the purpose of the OBMP. (Peace Agreement §
4 7.3(d).)
- 5 5. Production. The production wells will be designed and constructed to produce
6 water high in total dissolved solids and located in this respect in a manner
7 consistent with the OBMP. (Peace Agreement § 7.3(e).)
- 8 6. Funding. It was agreed that the capital costs of the Chino I Expansion and the
9 Chino II Desalter would be met primarily through the use of Proposition 13 funds.
10 The Peace Agreement anticipated as much as \$35 million would be available for
11 this purpose. The agreement established a priority according to which any unmet
12 capital costs would be met. (Peace Agreement § 7.4(b).)
- 13 7. Replenishment Water. The Agreement sets forth priorities according to which
14 replenishment water will be procured to offset desalter production. (Peace
15 Agreement § 7.5.)
- 16 8. Sale of Water. The terms under which water will be purchased from the desalters
17 is described. It was agreed that the terms and conditions for the purchase of water
18 would be based upon the actual cost of producing the water, but would not
19 exceed \$375 per acre-foot. (Peace Agreement § 7.6(b)-(e).)

20 These provisions contractually bind the parties to the Peace Agreement to a common plan
21 for implementation. Each of the Pools, the Advisory Committee and Watermaster approved the
22 Peace Agreement, inclusive of these terms, and forwarded the Agreement to the Court along with
23 the OBMP Implementation Plan. On July 13, 2000, the Court approved the OBMP and Ordered
24 that Watermaster proceed in a manner consistent with the Peace Agreement and the OBMP
25 Implementation Plan. (July 13, 2000 Order, p.4.)

26 **C. The Term Sheet**

27 Implementation of the desalter component of the OBMP has been the subject of further
28 status reports and Orders of the Court since the July 13, 2000 Order. Following the Court Order,

1 the parties with the primary responsibility to purchase and sell the desalted water began to meet
2 almost immediately. It was always envisioned that further supplemental contracts would be
3 required to effect the intention of the parties with regard to the desalters. The parties reached an
4 agreement on all material points on April 17, 2001 as expressed in the Integrated Chino-
5 Arlington Desalters System Term Sheet ("Term Sheet"). A copy of the Term Sheet was delivered
6 to the Court and the Court commended the parties for their progress and expressed its pleasure
7 that a consensus had been reached on a framework for preparation of formal agreements related
8 to the desalter element of the OBMP. (April 19, 2001 Order, p.6.). The Effective Date of the
9 Term Sheet is July 18, 2001, that being the date of the latest execution by one of the parties. A
10 fully executed copy of the Term Sheet is attached to this pleading as Exhibit "B."

11 The parties to the Term Sheet are WMWD, IEUA, and the Orange County Water District
12 ("OCWD"), collectively known as the "sellers"; the cities of Chino, Chino Hills, Ontario and
13 Norco, and the Jurupa Community Services District ("JCSD") and the Santa Ana River Water
14 Company ("SARWC"), collectively known as the "purchasers"; and the State of California.
15 The Sellers identified in the Term Sheet are the same parties specified in the Peace Agreement
16 as those that would bear the responsibility for constructing and operating the Chino I Expansion
17 and Chino II Desalters. The Purchasers identified in the Term Sheet include all of the parties
18 listed in the Phase I Report as those entities who would maximize their use of groundwater from
19 the southern part of the Basin in order to accomplish the goals of Program Element 3.

20 The Term Sheet has already been the subject of analysis by the Referee and the Court (*see*
21 *Special Referee's Report and Comments Concerning Desalter Status Report*, filed with the Court
22 on November 8, 2001), and no party to the Judgment opposed or filed an objection to its
23 execution. The Term Sheet expressly required that Watermaster make the motion that was placed
24 before the Court for hearing and granted on Wednesday, February 20, 2002. The Term Sheet
25 specifies that:

26 The Parties to this Term Sheet shall collectively request that the Court exercising
27 continuing jurisdiction in the Chino Basin Judgment issue an order in its case No.
28 51010, declaring that performance of this Term Sheet and any agreements

1 executed in furtherance [thereof], shall fully discharge and satisfy all obligations,
2 responsibilities, and liabilities of IEUA and WMWD under the Peace Agreement
3 under Article VII of that Agreement, with the exception of those provisions of
4 Article VII regarding "Future Desalters."

5 (Term Sheet § 7(b)(ii).)

6 The Term Sheet is consistent with the Peace Agreement on each of the aspects of the
7 Chino I, Chino I Expansion and Chino II Desalters addressed by the Peace Agreement.

- 8 1. Desalter Ownership. The Term Sheet describes the formation of a Joint Enterprise
9 Group ("JEG") to be composed initially of the Purchasers. (Term Sheet §
10 2(b)(vi).) The Term Sheet described the execution of a lease to purchase
11 agreement between the Sellers and JEG whereby the JEG would eventually take
12 ownership of not only the Chino I Expansion and Chino II Desalters, but also of
13 the Chino I Desalter. The JEG was formed by a Joint Exercise of Powers
14 Agreement ("JPA") and is known as the Chino Basin Desalter Authority
15 ("CDA"). The effective date of the formation of the CDA is September 25, 2001.
16 Once the CDA was formed the parties elected to forego the intermediate step of
17 the lease to purchase agreement and instead to simply arrange an immediate
18 purchase of the facilities by the CDA. A draft of the Facilities Acquisition
19 Agreement was included in the January 31, 2002 filing with the Court, and the
20 execution copy is attached to this pleading as Exhibit "C." Funding for this
21 purchase has been arranged through a bond issuance occurred on February 27,
22 2002. (See Part E, below.)
- 23 2. Design and Construction. The Term Sheet provides for a transfer of ownership of
24 the desalter facilities from the Sellers to the Buyers but does not diminish the
25 requirement for the development of desalted water. (See 3 below) Under the
26 Term Sheet, the Sellers were primarily responsible for the design and construction
27 of the Chino I Expansion and the Chino II Desalter under the direction of the JEG.
28 (Term Sheet § 4(a).) Correspondingly, the Purchasers agreed to exercise good

1 faith and best efforts to provide direction (Term Sheet § 2(b)(ii)), and assume the
2 full legal and financial consequences associated with the direction provided (Term
3 Sheet § 4(a)(i)).

4 3. Capacity. Exhibit “A-3” to the Term Sheet describes the deliveries of water which
5 the Purchasers commit to receive from the Chino I Expansion and the Chino II
6 Desalters.² The Peace Agreement called for a minimum capacity of the new
7 facilities of 12 mgd. (Peace Agreement § 7.3(b).) The Term Sheet calls for
8 24,600 acre-feet per year of desalter production and commits the purchasers to
9 operate the Chino I Expansion and Chino II Desalters at or above the minimum
10 quantity specified in the Peace Agreement. (Term Sheet § 2(b)(iii).) The Term
11 Sheet thus does not reduce the Peace Agreement minimum total volume of water
12 that will be desalted.

13 4. Location. The Term Sheet and associated agreements do not address the location
14 of the desalter wells and thus does not alter the commitment in the Peace
15 Agreement to locate the desalter wells with Watermaster approval and in a
16 specific location which is consistent with and carries out the purposes of the
17 OBMP.

18 5. Production. The Term Sheet and associated agreements do not address the
19 requirement to produce water high in total dissolved solids and to locate the wells
20 in this respect in a manner consistent with the OBMP and thus do not alter this
21 commitment in the Peace Agreement.

22 6. Funding. The Term Sheet and associated agreements preserve the terms of the
23 Peace Agreement which state that the primary source of capital funding will be
24 from Proposition 13 funds. In fact, the Term Sheet describes the funding for the
25 desalters. It provides that 77% of the funding for the Chino I Expansion and the
26

27
28 ² The CDA Joint Powers Agreement reiterates this commitment by requiring that the CDA shall produce a
minimum of 24,600 acre-feet of desalted water per year. (JPA § 5.1(a).)

1 Chino II Desalter will come from Proposition 13 funding, up to a maximum of
2 \$48 million. (Term Sheet § 4(c).)

3 7. Replenishment Water. The Term Sheet and associated agreements do not address
4 the issue of replenishment water and thus do not alter the commitments in the
5 Peace Agreement regarding replenishment water.

6 8. Sale of Water. The purchasers agreed to each assume their pro-rata share of the
7 cost of the debt service of the facilities and the cost of producing desalter water.
8 (Term Sheet § 2(b)(i).) In exchange, each purchaser has the right to use the
9 desalted water generated by the facilities. (Id.) The quantities of water to be
10 delivered to each purchaser are expressed in the schedule attached to the Term
11 Sheet as Exhibit "A-3." Under the Term Sheet, a purchaser may assume its
12 financial responsibilities through a purchase contract, as a participating member of
13 CDA, or both. (Id.) Financial analysis performed to date indicates that the price
14 of the water is acceptable to the parties.

15 **D. Chiuo Basin Desalter Authority Joint Powers Agreement**

16 The Chino Basin Desalter Authority ("CDA") Joint Powers Agreement ("JPA")
17 implements the requirement of the Term Sheet that the Purchasers form a Joint Enterprise Group
18 comprised of some or all of the Purchasers with a sufficient constituency to assume the debt
19 service for the Chino I, Chino I Expansion and Chino II Desalters. (Term Sheet § 2(b)(vi).) Each
20 of the purchasers elected to join the CDA, as did IEUA as an ex officio member. The effective
21 date of the CDA JPA is September 25, 2001.

22 The CDA is governed by a Board of Directors that is composed of one member from each
23 of the Purchaser entities and one member from IEUA in its ex officio capacity. Voting on the
24 Board is weighted according to the relative proportion that each members' then existing firm
25 commitment to purchase water bears to the total quantity of water then available for purchase
26 from the CDA by all of its members. (JPA § 2.7.) Since all of the Purchasers elected to become
27 members of CDA, the initial allocation of voting power is proportionate to the water delivery
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1 schedule found in Exhibit "A-3" of the Term Sheet. (Id.) Provision is made in the JPA for the
2 addition and withdrawal of members in the future. (JPA Article IX.)

3 **E. Facilities Acquisition Agreement**

4 The Term Sheet required the execution of a Lease to Purchase Agreement between the
5 Sellers and the Purchasers for the Chino I, Chino I Expansion and Chino II Desalters. (Term
6 Sheet § 2(b)(i).) Subsequent to this, the Sellers and Purchasers agreed that CDA itself would
7 construct the Chino I Expansion and Chino II Desalters and that the transfer of ownership of the
8 Chino I Desalter would be accelerated through a direct acquisition by CDA. The Facilities
9 Acquisition Agreement implements this agreement.

10 On February 27, 2002, CDA issued \$100,000,000 in Variable Rate Demand Desalter
11 Revenue Bonds (Series 2002A) in order to finance the construction of the Chino I Expansion and
12 Chino II Desalters, and to fund the acquisition of the Chino I Desalter. (Facilities Acquisition
13 Agreement § 5(k).) Under the terms of the Facilities Acquisition Agreement, closing on the
14 transfer of the Chino I Desalter occurred simultaneously with the bond issuance. (Facilities
15 Acquisition Agreement § 7(b).)

16 The Facilities Acquisition Agreement is intended to satisfy the obligations of the parties
17 under sections 2(a)(i), 2(b)(i) through (iii), 2(b)(vi) and (vii), 3, 4(a), 5(a) and 5(c) of the Term
18 Sheet in regards to the Chino I facilities. (Facilities Acquisition Agreement § 17(h).)

19 **F. Water Purchase Contracts**

20 Water Purchase Contracts have been drafted and all of the parties have executed the
21 agreements. Execution of these contracts guarantees that the water produced by the desalters will
22 be purchased under terms and conditions that ensure the financial viability of the desalters. A
23 representative copy of one of the Water Purchase Contracts is attached to this pleading as Exhibit
24 "D."

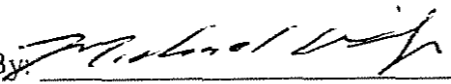
25 **G. Conclusion**

26 The Term Sheet and all of the agreements that have necessarily followed from the Term
27 Sheet, including but not limited to the CDA JPA, the Facilities Acquisition Agreement, and the
28 many other agreements that have been necessary in order to transfer the existing desalting

1 facilities to the CDA and guarantee the proper implementation of the Integrated Chino-Arlington
2 Desalter System and implement the basic intention of the Peace Agreement. The desalter
3 facilities will be constructed in a manner and in a location that is consistent with the OBMP, and
4 the entities identified in the OBMP will receive groundwater from the southern part of the Basin
5 so that production in that part of the Basin is maintained. While the method of ownership and
6 operation of the desalters has been modified from the scheme actually described in the Peace
7 Agreement, the current arrangement will be equally effective to achieve the goals of the OBMP.
8
9

10 DATED: March 28, 2002

HATCH AND PARENT

11
12 By 

13 SCOTT S. SLATER
14 MICHAEL T. FIFE
15 Attorneys for Chino Basin Watermaster
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Exhibit "A"

EXHIBIT "A"

BASIC INSTRUMENTS

1. Indenture of Trust
2. Letter of Credit and Reimbursement Agreement
3. Specimen Letter of Credit
4. Remarketing Agreement
5. Water Purchase Agreement by and between the Authority and the City of Chino dated as of January 15, 2002
6. Water Purchase Agreement by and between the Authority and the City of Chino Hills dated as of January 15, 2002
7. Water Purchase Agreement by and between the Authority and Jurupa dated as of January 15, 2002
8. Water Purchase Agreement by and between the Authority and the City of Norco dated as of January 15, 2002
9. Water Purchase Agreement by and between the Authority and the City of Ontario dated as of January 15, 2002
10. Water Purchase Agreement by and between the Authority and Santa Ana River Water Company dated as of January 15, 2002

PROJECT DOCUMENTS

11. Facilities Acquisition Agreement by and between Santa Ana Watershed Project Authority ("SAWPA") and the Authority, dated as of January 15, 2002
12. Operation and Maintenance Agreement by and among the Authority, IEUA, and Jurupa dated January __, 2002 (the "O&M Agreement")
13. Four Party Agreement by and among the Authority, IEUA, Orange County Water District ("OCWD"), and Western Municipal Water District of Riverside County ("WMWD") dated as of January 1, 2002 (the "Four Party Agreement")

14. Agreement for the Transportation of Water from the Future Expanded Chino I and Chino II Desalters by and among the Authority, Jurupa, the City of Ontario, the City of Norco, and Santa Ana River Water Company dated as of January 1, 2002 (the "Transportation Agreement")
15. Capacity Transfer, Use and Option Agreement by and between the Authority and IEUA regarding the acquisition of Santa Ana Regional Interceptor Pipeline and Disposable Capacity, dated as of February ___, 2002 (the "Capacity Transfer Agreement")
16. The Assignment of Rights, Delegation of Duties and First Amendment to Joint Participation Agreement, by and between the Authority and SAWPA and agreed to by the MWD, WMWD, IEUA, OCWD and SAWPA dated _____, 2002 (the "MWD Assignment")
17. The Assignment, Acceptance, Assumption and Clarification of Intent of Lease and Consent to Assignment, Acceptance, Assumption and Clarification of Intent of Lease, by and between the Authority and the Santa Ana Watershed Project Authority, dated as of February 1, 2002 (the "Airport Lease Assignment")

DOCUMENTS TO BE DELIVERED BY THE AUTHORITY

18. Resolution No. 2002-013 of the Authority entitled "Resolution of the Chino Basin Desalter Authority Approving in Substantial Form a Facilities Acquisition Agreement, Authorizing the Chairman or Chairman's Designee and the Secretary to Execute the Facilities Acquisition Agreement and Authorizing Certain Acts in Connection Therewith" adopted January 16, 2002; Minutes of the January 16, 2002 Meeting
19. Resolution No. 2002-014 of the Authority entitled "Resolution of the Chino Basin Desalter Authority Approving in Substantial Form Six Water Purchase Agreements, Authorizing the Chairman or Chairman's Designee and the Secretary to Execute the Water Purchase Agreements and Authorizing Certain Acts in Connection Therewith" adopted January 16, 2002; Minutes of the January 16, 2002 Meeting

20. Resolution No. 2002-015 of the Authority entitled "Resolution of the Chino Basin Desalter Authority Approving in Substantial Form Financing Documents in Connection with the Issuance of Variable Rate Demand Desalter Revenue Bonds, Series 2002A, Authorizing the Chairman, Secretary and Treasurer to Execute Certain Documents with Respect to the Issuance of Such Bonds and Authorizing Certain Acts in Connection Therewith" adopted January 16, 2002; Minutes of the January 16, 2002 Meeting
21. Resolution No. 2002-017 of the Authority entitled "Resolution of the Board of Directors of the Chino Basin Desalter Authority Approving in Substantial Form a Letter of Credit and Reimbursement Agreement, Authorizing the Chairperson or Chairperson's Designee and the Secretary to Execute the Letter of Credit and Reimbursement Agreement and Authorizing Certain Acts in Connection Therewith" adopted February 13, 2002; Minutes of the February 13, 2002 Meeting
22. Resolution No. 2002-018 of the Authority entitled "Resolution of the Board of Directors of the Chino Basin Desalter Authority Ratifying Certain Prior Actions and Authorizing Certain Acts in Connection Therewith adopted February 13, 2002; Minutes of the February 13, 2002 Meeting
23. Resolution No. 2002-0__ of the Authority entitled "Resolution of the Board of Directors of The Chino Basin Desalter Authority Ratifying Proposed Changes in the Facilities Acquisition Agreement, the Water Purchase Agreements, the Indenture and Certain Other Agreements and Authorizing Certain Actions in Connection Therewith" adopted February 20, 2002; Minutes of the February 20, 2002 Meeting
24. Certificate Regarding Effectiveness of Joint Powers Agreement; Joint Exercise of Powers Agreement by and among Jurupa Community Services District ("Jurupa"), the Santa Ana River Water Company, the cities of Chino, Chino Hills, Norco and Ontario and the Inland Empire Utilities Agency ("IEUA"), dated as of September 25, 2001; Acknowledgment from Secretary of State re: filing of A Notice of Joint Powers Authority Agreement; Roster of Public Agencies Filing and Acknowledgment from Secretary of State
25. Amendment to the Joint Exercise of Powers Agreement by and among Jurupa, the Santa Ana River Water Company, the cities of Chino, Chino Hills, Norco and Ontario and IEUA, dated as of _____, 2001 (the "JPA Amendment")
26. Authority Incumbency, Signature and Secretary Certificate
27. Written Order and Instruction to Trustee
28. Requisition No. 1 for Disbursements from Costs of Issuance Fund
29. Requisition No. 1 for Disbursements from Project Fund

30. Tax Certificate, together with Certificates of Underwriter and Credit Provider; IRS Form 8038-G
31. DTC Blanket Issuer Letter of Representations
32. CDIAAC Report of Proposed Debt Issuance, Acknowledgment and Report of Final Sale
33. Specimen Bond
34. Uniform Facsimile Signature Filing
35. Rule 15c2-12 Certificate
36. Closing Certificate of the Authority required by Section 7(d)(xiii) of the Bond Purchase Agreement
37. Certificate of the Authority required by Section 15(a) of the Water Purchase Agreement
38. Opinion of General Counsel required by Section 15 of the Water Purchase Agreements
39. Opinion of General Counsel required by Section 5(a)(vii) of the Letter of Credit and Reimbursement Agreement
40. Opinion of General Counsel required by Section 7(d)(iii) of the Bond Purchase Agreement

DOCUMENTS TO BE DELIVERED BY THE CITY OF CHINO

41. Resolution No. _____ of the City of Chino approving the JPA Agreement adopted _____, 2001; Minutes of the _____, 2001 Meeting
42. Resolution No. _____ of the City of Chino approving the JPA Amendment adopted _____, 2001; Minutes of the _____, 2001 Meeting
43. Resolution No. _____ of the City of Chino entitled "Resolution of the City of Chino Approving a Water Purchase Agreement, Certain Information for Inclusion in an Official Statement Relating to the Chino Basin Desalter Authority Variable Rate Demand Desalter Revenue Bonds, Series 2002A and Approving Certain Other Matters in Connection Therewith" adopted _____, 2002; Minutes of the _____, 2002 Meeting
44. Incumbency, Signature and Secretary Certificate of Chino, including copies of:

- (a) Installment Sales Agreement by and between Chino and The Redevelopment Agency of the City of Chino, dated as of February 1, 1993, with an aggregate principal amount of \$5,950,000
- (b) Installment Purchase Agreement between Chino and the Water Facilities Authority dated as of October 1, 1997
- 45. Closing Certificate of Chino required by Section 7(d)(xv) of the Bond Purchase Agreement
- 46. 15c2-12 Certificate
- 47. Opinion of Chino Special Counsel required by Section 15 of the Water Purchase Agreement
- 48. Opinion of Chino Special Counsel required by Section 7(d)(v) of the Bond Purchase Agreement and Section 5(a)(viii) of the Letter of Credit and Reimbursement Agreement
- 49. [Consent of Auditor if required]

DOCUMENTS TO BE DELIVERED BY THE CITY OF CHINO HILLS

- 50. Resolution No. _____ of the City of Chino Hills approving the JPA Agreement adopted _____, 2001; Minutes of the _____, 2001 Meeting
- 51. Resolution No. _____ of the City of Chino Hills approving the JPA Amendment adopted _____, 2001; Minutes of the _____, 2001 Meeting
- 52. Resolution No. _____ of the City of Chino Hills entitled "Resolution of the City of Chino Hills Approving a Water Purchase Agreement, Certain Information for Inclusion in an Official Statement Relating to the Chino Basin Desalter Authority Variable Rate Demand Desalter Revenue Bonds, Series 2002A and Approving Certain Other Matters in Connection Therewith"; Minutes of the _____, 2002 Meeting
- 53. Incumbency, Signature and Secretary Certificate of Chino Hills, including copies of:
 - (a) Installment Sales Agreement by and between Chino Hills and Chino Hills Capital Improvement Corporation are parties to a certain Installment Sales Agreement dated as of May 1, 1996, with an original aggregate principal amount of \$21,645,000
 - (b) Installment Purchase Agreement between Chino Hills and the Water Facilities Authority dated as of October 1, 1997

54. Closing Certificate of Chino Hills required by Section 7(d)(xvi) of the Bond Purchase Agreement
55. 15c2-12 Certificate
56. Opinion of Chino Hills Special Counsel required by Section 15 of the Water Purchase Agreement
57. Opinion of Chino Hills Special Counsel required by Section 7(d)(iv) of the Bond Purchase Agreement and Section 5(a)(viii) of the Letter of Credit and Reimbursement Agreement

DOCUMENTS TO BE DELIVERED BY JURUPA COMMUNITY SERVICES DISTRICT

58. Resolution No. _____ of Jurupa approving the JPA Agreement adopted _____; Minutes of the _____ Meeting
59. Resolution No. _____ of Jurupa approving the JPA Amendment adopted _____; Minutes of the _____ Meeting
60. Resolution No. _____ of Jurupa entitled "Resolution of Jurupa Community Services District Approving a Water Purchase Agreement, Certain Information for Inclusion in an Official Statement Relating to the Chino Basin Desalter Authority Variable Rate Demand Desalter Revenue Bonds, Series 2002A and Approving Certain Other Matters in Connection Therewith" adopted _____; Minutes of the _____ Meeting
61. Incumbency, Signature and Secretary Certificate of Jurupa, including copies of:
 - (a) Installment Sales Agreement by and between JCSD and the JCSD Public Facilities Corporation, dated as of September 1, 1993
 - (b) Installment Sales Agreement between JCSD and the CSDA Public Facilities Corporation, dated as of December 1, 2001
62. Closing Certificate of Jurupa required by Section 7(d)(xix) of the Bond Purchase Agreement
63. 15c2-12 Certificate
64. Opinion of Jurupa Special Counsel required by Section 15 of the Water Purchase Agreement
65. Opinion of Jurupa Special Counsel required by Section 7(d)(ix) of the Bond Purchase Agreement and Section 5(a)(viii) of the Letter of Credit and Reimbursement Agreement

DOCUMENTS TO BE DELIVERED BY THE CITY OF NORCO

66. Resolution No. _____ of the City of Norco approving the JPA Agreement adopted _____, 2002; Minutes of the _____, 2002 Meeting
67. Resolution No. _____ of the City of Norco approving the JPA Amendment adopted _____, 2002; Minutes of the _____, 2002 Meeting
68. Resolution No. _____ of the City of Norco entitled "Resolution of the City of Norco Approving a Water Purchase Agreement, Certain Information for Inclusion in an Official Statement Relating to the Chino Basin Desalter Authority Variable Rate Demand Desalter Revenue Bonds, Series 2002A and Approving Certain Other Matters in Connection Therewith" adopted _____, 2002; Minutes of the _____, 2002 Meeting
69. Incumbency, Signature and Secretary Certificate of Norco, including copies of:
 - (a) Installment Purchase Agreement by and between Norco and Western Riverside County Regional Wastewater Authority, dated as of March 1, 1996
 - (b) Installment Sales Agreement by and between Norco and the Norco Financing Authority, dated as of July 1, 1998
70. Closing Certificate of Norco required by Section 7(d)(xvii) of the Bond Purchase Agreement
71. 15c2-12 Certificate
72. Opinion of Norco Special Counsel required by Section 15 of the Water Purchase Agreement
73. Opinion of Norco Special Counsel required by Section 7(d)(vii) of the Bond Purchase Agreement and Section 5(a)(viii) of the Letter of Credit and Reimbursement Agreement

DOCUMENTS TO BE DELIVERED BY THE CITY OF ONTARIO

74. Resolution No. _____ of the City of Ontario approving the JPA Agreement adopted _____, 2002; Minutes of the _____, 2002 Meeting

75. Resolution No. _____ of the City of Ontario approving the JPA Amendment, adopted _____, 2002; Minutes of the _____, 2002 Meeting
76. Resolution No. _____ of the City of Ontario entitled "Resolution of the City of Ontario, California Approving a Water Purchase Agreement, Certain Information for Inclusion in an Official Statement Relating to the Chino Basin Desalter Authority Variable Rate Demand Desalter Revenue Bonds, Series 2002A and Approving Certain Other Matters in Connection Therewith", adopted _____, 2002; Minutes of the _____, 2002 Meeting
77. Incumbency, Signature and Secretary Certificate of Ontario, including copies of:
 - (a) Installment Purchase Agreement between Ontario and the Water Facilities Authority dated as of October 1, 1997
 - (b) Loan Agreement by and between Ontario and State of California Department of Water Resources dated as of October 4, 1977
 - (c) Ontario Municipal Code
78. Closing Certificate of Ontario required by Section 7(d)(xviii) of the Bond Purchase Agreement
79. 15c2-12 Certificate
80. Opinion of Ontario Special Counsel required by Section 15 of the Water Purchase Agreement
81. Opinion of Ontario Special Counsel required by Section 7(d)(viii) of the Bond Purchase Agreement and Section 5(a)(viii) of the Letter of Credit and Reimbursement Agreement
82. [Consent of Auditor if required]

DOCUMENTS TO BE DELIVERED BY SANTA ANA RIVER WATER COMPANY

83. Resolution No. _____ of Santa Ana River Water Company approving the JPA Agreement adopted _____, 2002; Minutes of the _____, 2002 Meeting

84. Resolution No. _____ of Santa Ana River Water Company approving the JPA Amendment adopted _____, 2002; Minutes of the _____, 2002 Meeting
85. Resolution No. _____ of Santa Ana River Water Company entitled "Resolution of Santa Ana River Water Company Approving a Water Purchase Agreement, Certain Information for Inclusion in an Official Statement Relating to the Chino Basin Desalter Authority Variable Rate Demand Desalter Revenue Bonds, Series 2002A and Approving Certain Other Matters in Connection Therewith" adopted _____, 2002; Minutes of the _____, 2002 Meeting
86. Incumbency, Signature and Secretary Certificate of Santa Ana River Water Company, including copies of:
 - (a) Loan Agreement by and between Santa Ana River Water Company and State of California Department of Water Resources, dated as of October 14, 1980
87. Closing Certificate of Santa Ana River Water Company required by Section 7(d)(xx) of the Bond Purchase Agreement
88. 15c2-12 Certificate
89. Opinion of Santa Ana River Water Company Special Counsel required by Section 15 of the Water Purchase Agreement
90. Opinion of Santa Ana River Water Company Special Counsel required by Section 7(d)(x) of the Bond Purchase Agreement and Section 5(a)(viii) of the Letter of Credit and Reimbursement Agreement

DOCUMENTS TO BE DELIVERED BY IEUA

91. Resolution No. _____ of IEUA approving the JPA Agreement adopted _____, 2001; Minutes of the _____, 2001 Meeting
92. Resolution No. _____ of IEUA approving the JPA Amendment adopted _____, 2002; Minutes of the _____, 2002 Meeting
93. Resolution No. _____ of IEUA entitled "Resolution of Inland Empire Utilities Agency Approving in Substantial Form the Four Party Agreement, the Assignment of Rights Delegation of Duties and First Amendment to Joint Participation Agreement, Authorizing the President or President's Designee and the Secretary to Execute Such Agreements, Terminating Certain Water Sale Contracts and Approving Certain Acts in Connection Therewith"; Minutes of the _____ Meeting
94. Incumbency, Signature and Secretary Certificate of IEUA, including copies of:

- (a) Term Sheet; and
- (b) Joint Participation Agreement by and among the Metropolitan Water District of Southern California ("MWD"), WMWD, the Chino Basin Municipal Water District (now IEUA), OCWD and SAWPA dated December 7, 1995 (the "MWD Agreement")
- 95. Closing Certificate of IEUA required by Section 7(d)(xiv) of the Bond Purchase Agreement
- 96. Opinion of IEUA General Counsel required by Section 7(d)(iv) of the Bond Purchase Agreement

DOCUMENTS TO BE DELIVERED BY OCWD

- 97. Resolution No. _____ of OCWD approving the MWD Assignment and the Four Party Agreement, adopted _____; Minutes of the _____ Meeting
- 98. Signature and Secretary Certificate of OCWD
- 99. Closing Certificate of OCWD
- 100. Opinion of General Counsel to OCWD

DOCUMENTS TO BE DELIVERED BY WMWD

- 101. Resolution No. _____ of WMWD entitled "Resolution of Western Municipal Water District of Riverside County Approving in Substantial Form the Four Party Agreement, the Assignment of Rights Delegation of Duties and First Amendment to Joint Participation Agreement, Authorizing the President or President's Designee and the Secretary to Execute Such Agreements, Terminating Certain Water Sale Contracts and Approving Certain Acts in Connection Therewith" adopted _____; Minutes of the _____ Meeting
- 102. Incumbency, Signature and Secretary Certificate of WMWD
- 103. Closing Certificate of WMWD
- 104. Opinion of General Counsel to WMWD

DOCUMENTS TO BE DELIVERED BY SAWPA

- 105. Resolution No. _____ of SAWPA approving the MWD Assignment, adopted _____; Minutes of the _____ Meeting

106. Resolution No. _____ of SAWPA approving the Facilities Acquisition Agreement, adopted _____; Minutes of the _____ Meeting
107. Incumbency, Signature and Secretary Certificate of SAWPA, including copy of:
 - (a) Agricultural Drainage Water Management Loan Program Water Conservation and Water Quality Bond Law of 1986 Loan Contract No. 1-819-550-0, dated July 15, 1992, between The State Water Resources Control Board and Santa Ana Watershed Project Authority (the "State Water Resources Control Board Loan").
108. Closing Certificate of SAWPA
109. Opinion of General Counsel to SAWPA required by the Bond Purchase Agreement

DOCUMENTS TO BE DELIVERED BY TRUSTEE

110. Certificate of Incumbency and Resolution of Trustee
111. Closing Certificate of the Trustee required by Section 7(d)(xxi) of the Bond Purchase Agreement
112. Trustee's Receipt of Proceeds and Other Funds
113. Opinion of Counsel to Trustee required by Section 7(d)(xii) of the Bond Purchase Agreement

DOCUMENTS TO BE DELIVERED BY THE UNDERWRITER AND REMARKETING AGENT

114. Purchase Agreement
115. Preliminary Official Statement
116. Official Statement
117. Rating Letters
118. Underwriter's Receipt for the Bonds
119. Signature Certificate of Underwriter
120. Certificate of Remarketing Agent required by Section 7(d)(xxvii) of the Bond Purchase Agreement

121. Opinion of Counsel to the Underwriter and Remarketing Agent required by Section 7(d)(xi) of the Bond Purchase Agreement

DOCUMENTS TO DELIVERED BY THE CREDIT PROVIDER

122. Certificate of Credit Provider required by Section 7(d)(xxx) of the Bond Purchase Agreement
123. Incumbency and Signature Certificate required by Section 7(d)(xxxii) of the Bond Purchase Agreement
124. Opinion of United States Counsel to Credit Provider
125. Opinion of Foreign Counsel to Credit Provider required by Section 7(d)(xxxiii) of the Bond Purchase Agreement

BOND COUNSEL OPINIONS

126. Bond Counsel Final Approving Opinion required by Section 7(d)(i) of the Bond Purchase Agreement
127. Bond Counsel Supplemental Opinion to Underwriter required by Section 7(d)(ii) of the Bond Purchase Agreement
128. Bond Counsel Reliance Letter addressed to Underwriter and Credit Provider required by Section 7(d)(iii) of the Bond Purchase Agreement

MISCELLANEOUS

129. Receipt For Payment of State Loan
130. Receipt For Payment from Chino Basin Regional Financing Authority
131. Notice to Trustee
132. Bondholder Notice
133. Letter of Credit Draw Certificate

DOCUMENTS TO BE DELIVERED IN CONNECTION WITH FACILITIES TRANSFER

134. Preliminary Title Report for Real Property required by Section 5(a) of the Facilities Acquisition Agreement
135. ALTA Survey of Real Property, including ALTA certification required by Section 5(a) of the Facilities Acquisition Agreement
136. Closing Certificate of SAWPA required by Section 5(e) of the Facilities Acquisition Agreement
137. Audit of Diehl Evans required by Section 5(b) of the Facilities Acquisition Agreement
138. Certificate of the Secretary of SAWPA certifying Resolution No. _____ of SAWPA approving the project authorization package for grant proceeds from the State of California, adopted February 19, 2002; Minutes of the February 19, 2002 Meeting
139. Certified lien search required by Section 3(b) of the Facilities Acquisition Agreement
140. Black & Veatch Report required by Section 5(m) of the Facilities Acquisition Agreement
141. Grant Deed required by Section 3(a) of the Facilities Acquisition Agreement
142. Warranty Bill of Sale required by Section 3(b) of the Facilities Acquisition Agreement
143. Assignment of Service Contracts, Warranties, and Guaranties and other Intangible Property by and between SAWPA and the Authority dated _____, 2002, ("Assignment of Service Contracts") required by Section 3(c) of the Facilities Acquisition Agreement
144. RBF Consulting Design Contract required by Section 3(c) of the Facilities Acquisition Agreement
145. [Waiver of Chino Basin Desalination Program Wellhead Facilities, Extracted GW Pipeline and Jurupa CSD Pipeline, including Warranty from E.G. Meyers, including Notice of Completion required by Section 3(c) of the Facilities Acquisition Agreement]
146. [Waiver of Kenko Contract, including Warranty on the Construction Contract for the Chino Basin Desalination, Program City of Chino Offsite Facilities, including Notice of Completion required by Section 3(c) of the Facilities Acquisition Agreement]
147. [Waiver of C.W. Roen Contract, including Warranty on the Construction Contract for the Chino Basin Desalination, Program On-Site Treatment System Facilities, including Notice of Completion required by Section 3(c) of the Facilities Acquisition Agreement]
148. [Written Notice from Buyer to Seller accepting liability and control of unsettled claims] required by Section 5 of the Facilities Acquisition Agreement

149. Hargis Agreement required by Section 5 of the Facilities Acquisition Agreement
150. Letter from Hydranautics, including Membrane Element Warranty No. SAWI4300 required by Section 3(c) of the Facilities Acquisition Agreement
151. Certificate of Transferor other than an Individual (FIRPTA Affidavit) required by Section 3(a) of the Facilities Acquisition Agreement
152. Certificate of Authority Treasurer certifying
 - (a) Insurance Policy relating to the Facilities required by Section 5(g) of the Facilities Acquisition Agreement has been secured; and
 - (b) Authority has reviewed and approved the Certificates of Occupancy
153. All Government Permits and Approvals provided to the Authority by SAWPA required by Section 5(d) of the Facilities Acquisition Agreement, including:
 - (a) Permit relating to Chino Basin Desalination Program Chino Hills Treated Water Pipeline (Permit No. p-19901) issued by the Transportation/Flood Control Department of San Bernardino County
 - (b) Permit relating to Chino Basin Desalination Program Wellhead Facilities, Extracted GW Pipeline and Jurupa (Permit No. p-197023) issued by the Transportation/Flood Control Department of San Bernardino County
 - (c) Permit relating to Chino Basin Desalination Program JSCSD Product Water Pipeline (Permit No. p-196053) issued by the Transportation/Flood Control Department of San Bernardino County
 - (d) Water Supply Permit No. 03-13-00P-001, as amended, issued by Department of Health Services to SAWPA, relating Chino Desalter Unit No. 1
 - (e) Road permit issued by San Bernardino Public Works Group Transportation Department, to excavate and/or encroach within County right-of-way (related to GW pipeline)
 - (f) Caltrans Encroachment Permit, granting permission to construct driveway approach within State Route 83 right-of-way (at the On-Site Treatment Facility)
 - (g) Caltrans Encroachment Permit, granting permission to construct groundwater transmission pipelines (related to the GW Pipeline)
 - (h) Caltrans Encroachment Permit, granting permission to construct install and thereafter own and maintain CML/CMC WSP steel casing across I-15 (relates to JCSD Pipeline)
 - (i) Caltrans Encroachment Permit, granting permission to construct pvc pipeline within unimproved portion of State Route 83 (relating to Chino Off-Site facilities)

- (j) Caltrans Encroachment Permit, granting permission to construct pipeline to convey brine discharge from water treatment plant along right-of-way on side of State Route 83
- (k) Riverside County Transportation Department Encroachment Permits, granting permission to install and maintain 50,000 feet water main (relating to Chino Basin Desalination Program JCSD Product Water Pipeline Project)
- (l) Riverside County Flood Control and Water Conservation District Encroachment Permit (related to Chino Basin Desalination Program JCSD Product Water Pipeline Project) to construct, operate and maintain waterline across the district's San Sevaine Channel
- (m) Riverside County Flood Control and Water Conservation District Encroachment Permit (related to Chino Basin Desalination Program JCSD Product Water Pipeline Project) to construct, operate and maintain waterline across the district's Day Creek Channel

Exhibit "B"

INTEGRATED CHINO-ARLINGTON DESALTERS SYSTEM TERM SHEET

1. **The Parties.** The Parties to this Term Sheet include the Western Municipal Water District ("WMWD"), Inland Empire Utilities Agency ("IEUA") and the Orange County Water District ("OCWD") (collectively "the Sellers"), and the Cities of Chino, Chino Hills, Norco and Ontario, the Jurupa Community Services District ("JCSD"), Santa Ana River Water Company (collectively "the Purchasers"), and the State of California ("State").

2. **Statement of General Covenants.** WMWD, IEUA and OCWD, through Project Committees No. 9 and No. 14 ("PC No. 9 and PC No. 14") as they are defined in their authorizing agreements of the Santa Ana Watershed Project Authority ("SAWPA"), plan to design, finance and construct the Integrated Chino - Arlington Desalters System ("ICADS"). WMWD, IEUA and OCWD, through PC No. 14, plan to design, finance and construct the Chino I Expansion and the Chino II Desalter only after consultation with the Joint Enterprise Group ("JEG"). WMWD and OCWD, through PC No. 9, will plan, design, finance and construct improvements to the Arlington Desalter that are designed to maximize the quantity of desalted water that can be produced from the facility within the limits of the grant funding and financing available for such improvements. The Chino I Desalter, the Chino I Expansion, the Chino II Desalter and the Arlington Desalter will all be included in the ICADS Project. ICADS will result in the physical integration of the operation of the three desalters as provided in this Term Sheet. Desalted water from the Arlington Desalter, if available, will be offered first to the Home Gardens County Water District ("Home Gardens"), the City of Norco and the State for use on lands south of the Santa Ana River ("River") in an annual amount not to exceed 1,200 acre-feet per year as provided below, and then to the JEG under the terms of a long-term water supply contract that allows, but does not require, the JEG to purchase the water. Thereafter, water that is not sold to JEG will be made available to the State for use north or south of the River as the next priority, and then to OCWD, the Purchasers, the State and other entities. In general conformity with the terms set forth below, the Parties to this Term Sheet will undertake the following commitments with regard to the ICADS Project:
 - (a) The Sellers will:
 - (i) through PC No. 14, consult with JEG, and as directed by JEG, design, finance and construct Chino I Expansion and the Chino II Desalters, as such facilities are described in this Term Sheet, and in furtherance of the Chino Basin Optimum Basin Management Program ("OBMP") and the Peace Agreement. PC No. 14

shall defer to the express direction of JEG provided that JEG assumes full legal and financial responsibility for the direction it provides to PC No. 14 as provided within this Term Sheet; and

- (ii) through PC No. 9, contract to sell water from the Arlington Desalter in the following order of priority: (1) to the Home Gardens, the City of Norco and the State for use on its lands south of the River in an amount not to exceed 1,200 acre-feet; (2) to JEG; (3) to the State for use on lands north or south of the River; (4) to OCWD and (5) to the Purchasers and the State; and (6) to other entities.

(b) The Purchasers will:

- (i) through JEG, execute with Sellers a lease to purchase agreement for the Chino I, Chino I Expansion and the Chino II Desalters and assume the debt service. The lease/purchase amount shall be generally equivalent to the debt service of these facilities. In exchange for each Purchaser's assumption of their pro-rata costs of debt service and their agreement to pay the costs of producing the desalted water, including operations and maintenance expenses, each Purchaser shall have the right to use the desalted water generated by the facilities. A Purchaser may assume this responsibility under a purchase contract, as a participating member of JEG or both;
- (ii) exercise good faith and best efforts to provide direction to PC No. 14, regarding design, finance, planning and construction of the Chino I Expansion and the Chino II Desalters;
- (iii) operate and maintain the Chino I, Chino I Expansion and the Chino II desalter facilities and operate and maintain production from the Chino I Expansion and the Chino II Desalters at or above the minimum quantities specified in the Peace Agreement (14 mgd);
- (iv) have the right to exercise an option to receive desalted water from the Arlington Desalter that is surplus to the needs of the Home Gardens, the City of Norco and the State for use on lands south of the River in a quantity not to exceed 1,200 acre-feet per year under a water supply contract with a higher priority than OCWD;
- (v) have the right to purchase desalted water under a second and independent option to purchase surplus to the needs of the State for use on lands north of the River

and OCWD;

- (vi) form a JEG that is comprised of some or all of the Purchasers (and in the sole discretion of the Purchasers, include members other than the Purchasers) with a sufficient constituency to assume the debt service for the Chino I, Chino II Expansion and the Chino II Desalters. The JEG shall hold the rights to the desalted water made available by Chino I, the Chino I Expansion and the Chino II Desalters and desalted water made available under contract with the Arlington Desalter. The JEG shall allocate its water inter-se. The Purchasers will exercise best efforts to form the JEG as soon as practicable; and
- (vii) within 30 (thirty) days from the date of execution, nominate a designee to serve as the point of communication between the Purchasers and the other Parties to this Agreement.

3. **Description of Facilities.** The facilities that are integral to the production and delivery of desalted water are commonly known as the ICADS Project Alternative 10A, and are generally described and depicted in Exhibit "A" attached hereto. The Parties to the Term Sheet shall exercise good faith and mutual best efforts to promptly and efficiently agree upon changes or substitutions to Alternative 10A that do not compromise the integrity of the project by (a) reducing production quantities below those set forth in Alternative 10A, or (b) unreasonably increasing the price of the desalter water, unless no Purchaser objects to the increase in price, and (c) the Purchasers assume the full legal and financial responsibility associated with any changes or substitutions that are directed by the Purchasers under this Term Sheet.

4. **Design, Finance and Construction.** The design, finance and construction of the desalter facilities shall be the primary responsibility of the Sellers as provided herein.

(a) **Chino I Expansion and Chino II Desalter.** WMWD, IEUA and OCWD, through PC No. 14, shall consult with and receive direction from JEG. Through JEG, Purchasers will assume responsibility for directing PC No. 14 in all aspects of design, operations, maintenance, management and control of Chino I, Chino I Expansion and Chino II Desalters.

- (i) Any direction provided by JEG to PC No. 14 regarding finance, design, planning, and construction of these Desalters shall control so long as JEG assumes full legal and financial consequences associated with the direction it provides to PC No. 14 under this Term Sheet.

- (ii) PC No. 14 shall contract with JEG for contract management of design and construction.
 - (iii) The Purchasers and Sellers shall exercise best efforts to prudently and efficiently limit the costs of construction to ensure that the facilities actually constructed are funded to the maximum extent possible through the grant funds made available by Proposition 13. PC No. 14 shall continue to manage the debt on the Desalters, including the Metropolitan Water District ("MWD") incentives to exercise best efforts to obtain a continuation of the incentives for the benefit of the Purchasers and the State. The Sellers will refinance the debt on Chino I to address the current revenue deficits in a manner to provide for the lowest possible per unit cost of water.
- (b) Arlington Desalter. WMWD and OCWD, through PC No. 9, shall finance and construct the improvements to the Arlington Desalter. The Arlington Desalter will be physically integrated with the Chino Desalters.
- (c) Allocation of Funds. A grant of \$56 million to be made available by Proposition 13 for ICADS, and that has been earmarked by SAWPA for such purpose, will be allocated for both the Arlington Desalter improvements and the Chino Desalters as follows, if actually required to complete construction of Alternative 10A:
- (i) 77 percent of the actual project costs for the Chino I Expansion and Chino II Desalter facilities and related improvements shall be paid from Proposition 13 grant funds, but in an amount not to exceed \$48 million.
 - (ii) 75 percent of the actual project costs for the Arlington Desalter and related improvements shall be paid from Proposition 13 grant funds, but in an amount not to exceed \$8 million.
- (d) Additional Grant Funds. Additional grant funds of up to \$2 million shall be made available and committed to the purpose of completing the Arlington bridge crossing and upgrades to Alternative 10A to enhance the quantity of desalted water produced by the Arlington Desalter. This funding shall be repaid from the following sources:
- (i) Any of the Proposition 13 grant funds allocated to the ICADS Project that are not necessary because actual ICADS project costs are less than projected.
 - (ii) Other SAWPA projects receiving Proposition 13 grant funds to the extent

Proposition 13 grant funds are not necessary because the actual costs of the other SAWPA projects are less than projected.

- (iii) Other projects of WMWD, IEUA, or OCWD that have or will receive Proposition 13 grant funds, to the extent additional funding is secured for such projects from sources other than Proposition 13.
- (iv) Apro-rata reduction from other total Proposition 13 funding that was previously designated for IEUA, WMWD and OCWD.

5. **Operations Maintenance and Liability.** Responsibility for the operations, maintenance and liability of the desalter facilities shall be assigned as follows.

- (a) **Chino I, Chino I Expansion and Chino II Desalters.** Through JEG, the Purchasers are responsible for all aspects of design, operations, maintenance, management and control of Chino I, Chino I Expansion and Chino II Desalters, including water sales, legal liability and other matters (except as provided below in Section 7(c)) associated with these desalter facilities, irrespective of whether such liability arises out of the design, construction, operation, maintenance or control of such desalter facilities.
- (b) **Arlington Desalter.** WMWD and OCWD through PC No. 9 are responsible for all aspects of design, operations, maintenance, management and control of the Arlington Desalter, including water sales, legal liability and other matters (except as provided below in Section 7(c)) associated with the Arlington Desalter facilities, irrespective of whether such liability arises out of the design, construction, operation, maintenance or control of such desalter facilities. The desalted water shall be sold to JEG and the State at a price no greater than the actual cost of service for the Arlington Desalter as provided in Section 6.
- (c) **Third-Party Claims.**
 - (i) The Purchasers and Sellers shall jointly secure and maintain an insurance policy against claims that may be submitted by persons other than the Purchasers and Sellers (third parties) arising out of the groundwater production for the Chino I and the Chino I Expansion. The Purchasers shall secure and maintain an insurance policy against third-party claims arising out of the groundwater production from the Chino II Desalter. Personal injury, workers' compensation or negligence actions unrelated to groundwater production from the Chino I, Chino I Expansion and the Chino II Desalter facilities shall not be considered to be a third-party claim. The

costs of the insurance for the Chino I and the Chino I Expansion shall be divided equally between the Sellers and the Purchasers and shall be maintained until formal legal title to such facilities is transferred from the Sellers to JEG. The costs of insurance for the Chino II Desalter shall be the sole responsibility of the Purchasers.

- (ii) PCNo. 14 shall warrant that it has or will settle all known claims arising from the design, construction and operation of the Chino I Desalter, or assume full legal responsibility for such claims, prior to the transfer of operation and maintenance responsibility to JEG under the lease/purchase agreement.
- (iii) In the event that third-party claims, as defined herein, are filed arising out of activities related to the production of groundwater for the desalter operations and there is insufficient insurance, the Parties to the Term Sheet shall have the same responsibilities and liabilities that they may or may not have under general law. This Term Sheet shall not be construed or relied upon by any party in asserting the respective liability of another party to this Term Sheet relative to any future third-party claims.
- (iv) The existing contractual rights and obligations of the Parties under existing contracts regarding the inter-se allocation of liability for third-party claims and insurance, whatever they may be, are not waived or altered.

6. Water Supply

- (a) Desalted Water Made Available by the Chino I, Chino I Expansion and Chino II Desalters. The desalted water shall be made available to the Purchasers from the Chino I, Chino I Expansion and Chino II Desalters and shall be allocated among the Purchasers and the State as generally described in Alternative 10A.
 - (i) If the Santa Ana River Water Company cannot receive its full entitlement to desalted water as contemplated by Alternative 10A, then JCSD and Ontario, through JEG, shall abate their respective use to ensure that Santa Ana River Water Company can receive its full entitlement from JEG. However, JCSD and Ontario shall only have this obligation if Santa Ana River Water Company's demand is at a "steady rate."
 - (ii) The price of all desalted water among the members of JEG shall be all-inclusive. There shall be no separate or additional costs for wheeling or transportation, with

the price per acre-foot being established at each agency's designated point of delivery.

- (iii) The cost for the Chino I, Chino I Expansion and the Chino II Desalters shall be melded upon formation of the JEG so that the per unit cost of desalted water to each Purchaser's designated point of delivery shall be the same.
- (iv) First priority for the sale of desalted water shall be to the Purchasers through JEG for their own municipal, industrial and domestic use. Second priority for the sale of water surplus to the needs of the Purchasers through JEG set forth above, shall be to the State and then to other entities in the complete discretion of JEG. The Purchasers are prohibited from re-marketing the desalted water for use by others until the State has been offered and has declined the use of the surplus water.
- (v) The quality of desalted water at the point of delivery for each Purchaser and the State from JEG shall be at least as good as the quality specified in Alternative 10A (25 ppm nitrates and 350 ppm total dissolved solids), unless the Purchasers otherwise agree.

(b) Desalted Water Made Available From Arlington to JEG. WMWD and OCWD will offer to sell the desalted water from Arlington surplus to the needs of Home Gardens, the City of Norco, and the State for use on lands south of the River in an amount not to exceed 1,200 acre-feet per year in lieu of that portion of the deliveries to the City of Norco that would be necessary to serve the same purpose, to JEG. In addition, if there is still surplus water, WMWD and OCWD will offer the surplus to the State for use on lands north of the River and then to OCWD and then to JEG. The desalted water from Arlington made available to JEG shall be allocated among the Purchasers as provided in this Term Sheet. The desalted water shall be sold at a price equal to the cost of service for the Arlington Desalter, no greater than the price of desalted water provided to the City of Norco subject to any incremental adjustment associated with the transportation of the desalted water.

- (i) The City of Norco shall exercise best efforts to take all of its deliveries of desalted water from the Arlington Desalter. Subject to its exercise of best efforts to rely upon the Arlington Desalter to meet its demands, the City of Norco shall retain its contractual rights to 1,000 acre-feet of water from Chino I to satisfy the City's remaining needs up to 620 gpm maximum.
- (ii) The price of the desalted water sold to JEG and the State from the Arlington Desalter shall not exceed the price of water sold by PC No. 9 to the City of

Norco from the Arlington Desalter, plus any reasonable incremental adjustments to account for variables such as delivery costs, if any.

- (c) **Sale of Desalted Water From the Arlington Desalter to Other Entities.** Any desalted water produced by the Arlington Desalter, surplus to the water sold to Home Gardens, the City of Norco, the State for use on lands south of the River in an amount not greater than 1,200 acre-feet per year in lieu of deliveries to the City of Norco for the same purpose, and the JEG, may be sold to the State for use on lands north or south of the River, to OCWD, and then again offered to the JEG and finally to other entities.

7. **Actions Upon Execution of the Term Sheet.**

- (a) **WMWD Rescission of Conditional Resolution.** Upon the execution of this Term Sheet by all the Parties hereto, WMWD will rescind its prior Resolution expressing conditional approval of the Peace Agreement and replace it with a Resolution that indicates its unqualified support of the Peace Agreement, consistent with and as implemented by this Term Sheet and the agreements to be executed pursuant hereto.
- (b) **Joint Submittal re Satisfaction of Obligations, Responsibilities, and Liabilities under Section VII of the Peace Agreement.**
 - (i) If Sellers perform the terms of this Term Sheet and any agreements executed in furtherance hereof, then the Parties to this Term Sheet expressly acknowledge and agree that such performance by Sellers shall discharge and satisfy the obligations, responsibilities, and liabilities of Sellers under Article VII of the Peace Agreement, with the exception of those provisions of Article VII regarding "Future Desalters," as defined in the Peace Agreement. Sellers' performance, and the discharge and satisfaction of Sellers' obligations, responsibilities, and liabilities as provided in this section, shall be deemed complete and binding even if full performance by Sellers is made impossible by an action of the Parties to this Term Sheet or any third party.
 - (ii) To effectuate this section, the Parties agree to submit a joint notification to the Court that they intend that the construction and operation of the Chino I Expansion and the Chino II Desalters described in Exhibit "A" satisfies WMWD's and IEUA's obligation under the Peace Agreement to design and construct desalters with a cumulative minimum capacity of 14 mgd. The Parties to this Term Sheet shall collectively request that the Court exercising continuing jurisdiction in the Chino Basin Judgment issue an order in its case No. 51010, declaring that

performance of this Term Sheet and any agreements executed in furtherance hereof, shall fully discharge and satisfy all obligations, responsibilities, and liabilities of IEUA and WMWD under the Peace Agreement under Article VII of that Agreement, with the exception of those provisions of Article VII regarding "Future Desalters."

(iii) Upon execution of final agreements for desalted water consistent with this Term Sheet, the Parties will jointly notify the Court of completion and request a further finding that the construction and operation of the desalter facilities described in Exhibit "A," as provided in the contracts between the Parties, satisfies all the obligations, responsibilities, and liabilities of all the Purchasers acting through JEG under the Peace Agreement set forth in Article VII of the Peace Agreement regarding the purchase, use and delivery of desalted water other than those obligations, responsibilities and liabilities related to "Future Desalters." In addition, all other obligations of Purchasers acting through JEG under the Peace Agreement including, but not limited to, the requirement that desalters be operated in a manner that will not cause material physical injury, shall be unaffected.

(c) Good Faith and Best Efforts. The Parties mutually covenant to exercise reasonable best efforts and shall proceed in accordance with the covenant of good faith and fair dealing. They shall proceed to translate this Term Sheet into a contract that reduces all material terms to writing within ninety (90) days from the date of execution of this Term Sheet. OCWD, WMWD, and IEUA shall exercise best efforts in securing SAWPA's adoption of a Resolution supporting this Term Sheet and an allocation of funds as provided herein.

(d) Warranty. IEUA, WMWD and OCWD warrant that they have the legal authority, as individual public agencies, members of SAWPA and its PC No. 14 and PC No. 9, to incur all of their obligations under this Term Sheet, and they agree that they will use such legal authority and additional best efforts to perform those obligations.

8. State of California.

(a) As of the date of execution of this Term Sheet, the State as a priority purchaser of desalted water under the Peace Agreement has not identified any specific quantity of desalted water that it can commit to purchase at this time.

(b) The State may exercise some or all of the following options for water: (1) take service from the City of Chino under any terms that are mutually agreeable to the State and the City of Chino; (2) take service from the City of Chino on the same terms and conditions generally

applicable to customers within its service territory; and (3) take service from the City of Chino, through water supplied from the ICADS Project, subject to the following special conditions applicable to service under this Section 8(b)(3)(i-viii) that:

- (i) The amount of desalted water for such service is no more than 100 acre-feet per year, plus any additional amount that is surplus to the then available quantity within the capacity of the Chino I, Chino I Expansion and Chino II desalter facilities;
 - (ii) The surplus amount is not already sold to other purchasers;
 - (iii) All other purchasers of desalted water from ICADS through JEG then having prior contractual commitments to buy such water, will abate their production on a pro-rata basis for the initial 100 acre-feet of desalted water in order to accommodate this new State service demand. However, no abatement will be necessary for the sale of surplus desalted water, because it will not then be subject to any obligation by JEG to sell it to others;
 - (iv) The State will pay any and all additional capital and operation and maintenance costs necessary to connect to and receive service from the ICADS Project;
 - (v) The State will reimburse other purchasers for the proportionate share of capital costs attributable to the amount of the State's ICADS desalted water, including debt service, previously paid by the Purchasers for construction and preservation of the ICADS production capacity with which to provide such service to the State;
 - (vi) The State pays the same price for such water as other purchasers from the JEG of ICADS desalted water from the Chino I, Chino I Expansion or Chino II ICADS desalter facilities;
 - (vii) The service will be limited to institutional or agricultural uses of the State itself; and
 - (viii) The State's right to surplus desalted water from the Chino I, Chino I Expansion and the Chino II ICADS desalter facilities shall have priority to the Purchaser's rights to remarket desalted water for use by others.
- (c) The State may elect between either of the following two options to serve the State on its lands south of the River with additional water: (1) as a customer of the City of Norco or (2) from the Arlington Desalter through PC No. 9.

- (i) Water service provided by the City of Norco to the State shall be on terms and conditions generally applicable to customers within its service territory or under any terms that are mutually agreeable to the State and the City of Norco.
- (ii) If, after the exercise of good faith efforts, the State is unable to reach an agreement with the City of Norco on terms and conditions mutually agreeable to obtain sufficient water to meet its needs, the State may elect to purchase desalted water for use on land south of the River from PC No. 9, before JEG and before OCWD, subject to the following terms and conditions:
 - (1) The State must provide notice of its decision in writing and transmit its request to PC No. 9 and the City of Norco within six (6) months from the Date of Execution. The State's right to make this election shall expire if not exercised within six (6) months from the Date of Execution. This means that the State's right or priority to desalted water in an amount up to 1,200 acre-feet from the Arlington Desalter for use on lands south of the River, wherever such a right or priority is referenced in this Term Sheet, will expire if not exercised within six (6) months following the Date of Execution.
 - (2) The State's use of water from the Arlington Desalter shall be expressly limited to its lands and facilities south of the River.
 - (3) The State may request and receive up to 1,200 acre-feet per year from the Arlington Desalter, provided that it agrees to purchase the quantity requested under a long-term "take or pay" - "steady rate" arrangement.
 - (4) The State's priority to the 1,200 acre-feet per year of desalted water from the Arlington Desalter shall be equal to the priorities held by the City of Norco and Home Gardens, and the deliveries to the State for use on lands south of the River shall be in lieu of that portion of the deliveries of desalted water designated for the City of Norco to serve the same purpose.
 - (5) The price of the desalted water shall be equal to the per acre-foot price charged to the City of Norco by PC No. 9, plus any differential cost.

(6) The State shall pay any and all additional capital, operation and maintenance costs necessary to connect and receive service from the Arlington Desalter.

(d) The State shall have the option to purchase desalted water from PC No. 9 for use on lands north and south of the River if there is water surplus to the needs of Home Garden, the City of Norco, the State for use on lands south of the River in a quantity not to exceed 1,200 acre-feet per year, and JEG.

(e) Nothing herein shall be construed as placing any limitation on the State's rights:

(i) To request reimbursement from the Chino Basin Watermaster for the reasonable costs to be incurred in the design, construction and operation of future facilities that further the implementation of the OBMP as provided in Article X of the Watermaster Rules and Regulations or in the Peace Agreement;

(ii) To contend that desalter operations have or will cause material physical injury to the State or the Chino Basin;

(iii) To pursue any legal remedy under the law to redress compensable injury to the State arising out of the desalter operations; or

(iv) To exercise its rights under the Peace Agreement and the Rules and Regulations other than to the extent the Parties to the Peace Agreement have discharged their respective obligations under this Term Sheet and the findings that are made pursuant to Section 7 (b) above.

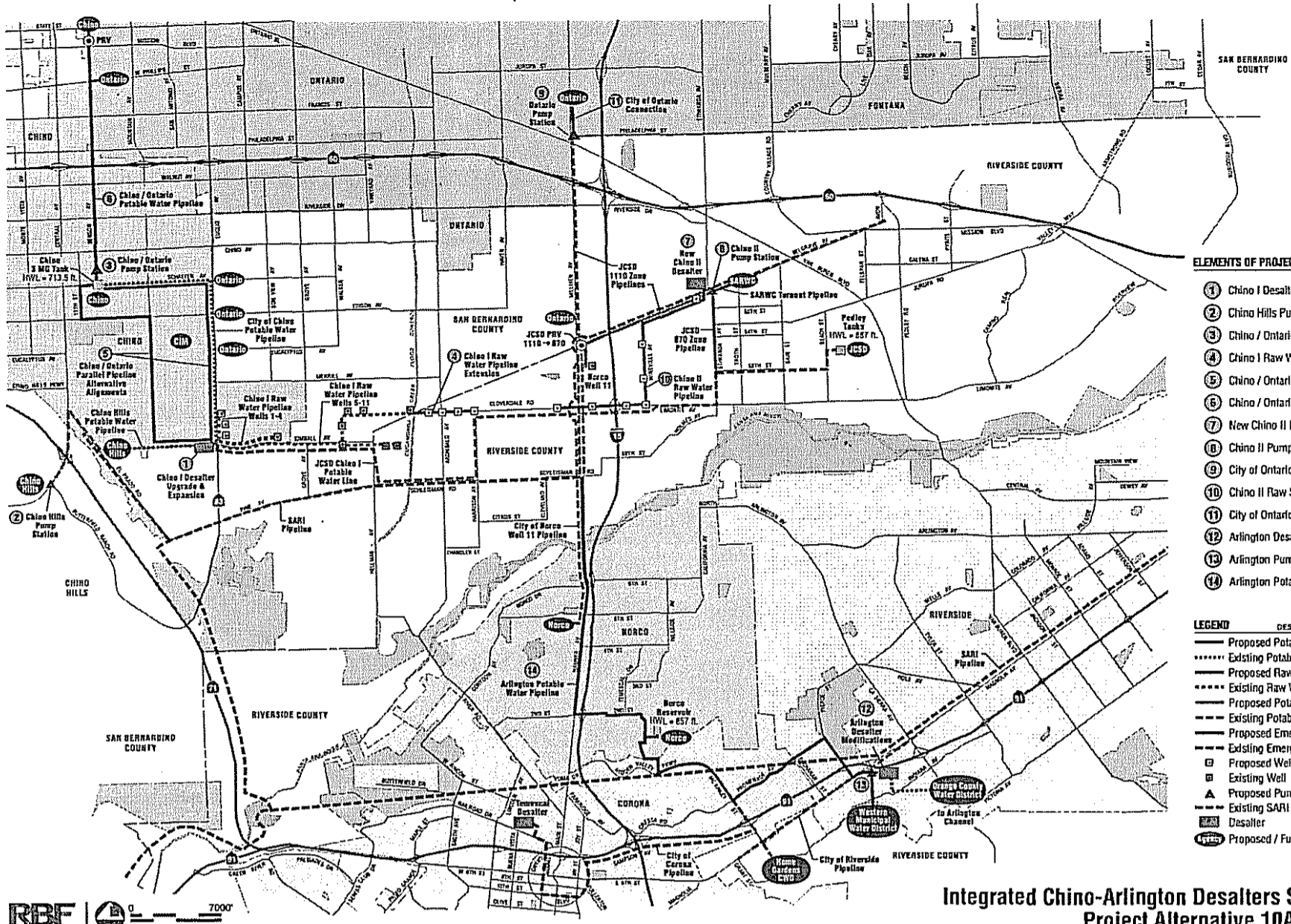
9. **No Waiver of Judgment Rights.** Nothing herein shall waive any rights of the Parties arising under the Judgment entered in Chino Basin Municipal Water District v. City of Chino.

10. **Terms Not Exhaustive.** The Parties mutually agree that the preceding terms represent essential terms to be incorporated into a final lease agreement for the Chino Desalters and the final agreements for the purchase and sale of desalted water. However, these terms are not intended to be exhaustive. They do, however, represent a meeting of the minds as to the matters expressly referenced.

11. **Condition Precedent to Performance.** As an express condition precedent to the effectiveness of the final agreements, the Commission of SAWPA must endorse this Term Sheet by the adoption of a resolution pursuant to which SAWPA agrees to (a) delegate all executive authority to PC No.

14 and PC No. 9 to carry out the provisions of Project Agreements 14 and 9 and the implementation of these projects under the Term Sheet, and (b) to complete in good faith all processes necessary to allocate Proposition 13 bond proceeds in accordance with the provisions of this Term Sheet. However, Section 7(a) through 7(d) of this Term Sheet shall be binding and of full force and effect on all Parties to the Term Sheet on the Date of Execution.

12. **Term Sheet Effective Upon Full Execution.** This Term Sheet shall not be effective until executed by all of the Parties to the Term Sheet and the endorsement by SAWPA as provided in Section 9.
13. **Date of Execution.** The Date of Execution of this Term Sheet shall be the day upon which the last of the Parties to the Term Sheet executes the Term Sheet.



ELEMENTS OF PROJECTS

- ① Chino I Desalter Upgrade & Expansion
- ② Chino Hills Pump Station
- ③ Chino / Ontario Pump Station
- ④ Chino I Raw Water Pipeline Extension
- ⑤ Chino / Ontario Parallel Pipeline
- ⑥ Chino / Ontario Potable Water Pipeline
- ⑦ New Chino II Desalter
- ⑧ Chino II Pump Station
- ⑨ City of Ontario Pump Station
- ⑩ Chino II Raw Supply Line
- ⑪ City of Ontario Connection
- ⑫ Arlington Desalter Modifications
- ⑬ Arlington Pump Station Modifications
- ⑭ Arlington Potable Water Pipeline

LEGEND

DESCRIPTION	OWNER
Proposed Potable Water Pipeline	(SAWPA)
Existing Potable Water Pipeline	(SAWPA)
Proposed Raw Water Pipeline	(SAWPA)
Existing Raw Water Pipeline	(SAWPA)
Proposed Potable Water Pipeline	(Other)
Existing Potable Water Pipeline	(Other)
Proposed Emergency Supply	(SAWPA)
Existing Emergency Supply	(Other)
Proposed Well	
Existing Well	
Proposed Pump Station / Modifications	
Existing SARI Pipeline	
Desalter	
Proposed / Future Turnouts	

RBF CONSULTING
 35201 10-101109 P137

**Integrated Chino-Arlington Desalters System (ICADS)
 Project Alternative 10A Facilities Map**

EXHIBIT A-2

INTEGRATED CHINO-ARLINGTON DESALTERS SYSTEM (ICADS)
PROJECT ALTERNATIVE 10A FACILITIES

I.D. No.	Facility Description
I	CHINO I DESALTER FACILITIES
1	VOC Treatment Facilities
2	VOC Treatment [note 1]
3	Treatment Plant Expansion Modifications
4	Ion Exchange Facilities
5	Clearwell Pump Station Upgrade
6	Pump Stations
7	Chino/Ontario Pump Station
8	City of Chino Hills Pump Station
9	Pipelines/Turnouts
10	Chino I Raw Water Pipeline Extension
11	Chino/Ontario Parallel Pipeline
12	Chino/Ontario Potable Water Pipeline
13	Brine Disposal Line
14	Supply Wells for Treatment Plant Expansion
15	Well Construction and Equipment
II	CHINO II DESALTER FACILITIES
1	Treatment Plant
2	RO & Ion Exchange Facilities
3	Clearwell
4	Pump Stations
5	Jurupa Pump Station
6	Ontario Pump Station
7	Pipelines/Turnouts
8	Chino II Raw Water Pipeline
9	City of Ontario Connection
10	SARWC Turnout Pipeline
11	Brine Disposal Line
12	Supply Wells
13	Well Construction and Equipment
III	ARLINGTON DESALTER FACILITIES
1	Treatment Plant Modifications
2	Treatment Facility Modifications
3	Disinfection System
4	Pump Station
5	Clearwell
6	Other Facilities
7	Arlington Potable Water Pipeline
8	Brine Disposal Line

Note 1: VOC Treatment Facilities costs not included in ICADS project.

EXHIBIT A-3


INTEGRATED CHINO-ARLINGTON DESALTERS SYSTEM (ICADS)
PROJECT ALTERNATIVE 10A
WATER DELIVERIES FROM CHINO I EXPANSION AND CHINO II
(ACRE-FEET PER YEAR)

<u>PURCHASERS</u>	<u>DELIVERIES (AFY)</u>
City of Chino	5,000
City of Chino Hills	4,200
Jurupa Community Services District	8,200
City of Norco	1,000
City of Ontario	5,000
Santa Ana River Water Company(1)	1,200
Other	400
Total	25,000

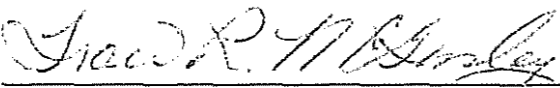
(1) Deliveries from Chino I Expansion and/or Chino II

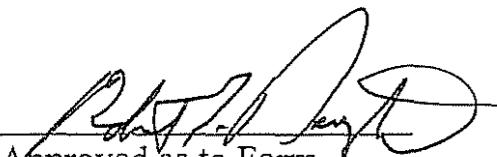
CITY OF ONTARIO

DATED: 5/22/01

By: 
City Manager

DATED: 05/23/01

By: 
City Clerk


Approved as to Form

SANTA ANA RIVER WATER COMPANY

DATED: May 30, 2001

Vicki R. Rupe
Vicki R. Rupe President

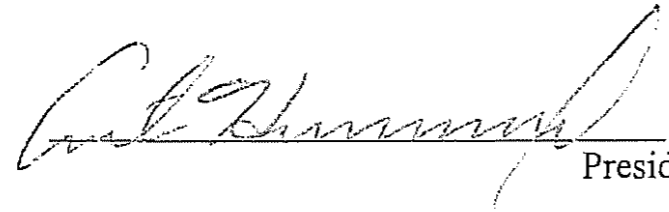
DATED: May 30, 2001

J. Arnold Rodriguez
J. Arnold Rodriguez Secretary

Michele A. Staples
Michele A. Staples Esq.
Approved as to Form

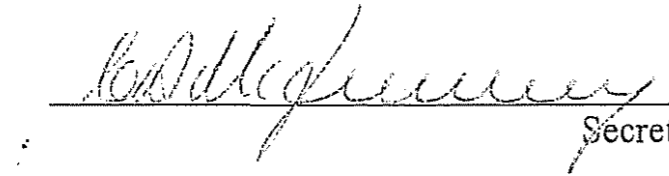
JURUPA COMMUNITY SERVICES DISTRICT

DATED: MAY 14, 2001

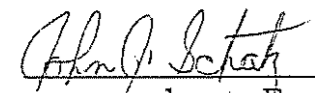


President

DATED: MAY 14, 2001



Secretary



Approved as to Form

STATE OF CALIFORNIA

DATED: 6/19/01

Marilyn H. Levin, Deputy
Attorney General
representing the State of
California as defined in
the Judgment dated
January 27, 1978 and the
Peace Agreement dated June 29, 2000

CITY OF CHINO

DATED: 4-17-01

Lucia M. Alba
Mayor

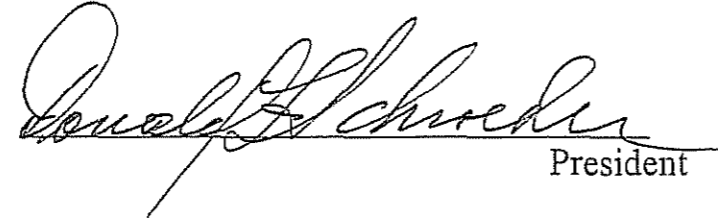
DATED: 4-17-01

Denise J. Cameron
City Clerk

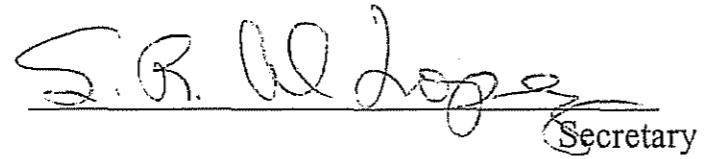
[Signature]
Approved as to Form

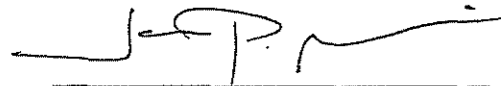
WESTERN MUNICIPAL WATER DISTRICT OF RIVERSIDE COUNTY

DATED: 5-16-01


President

DATED: 5-16-01


Secretary


Approved as to Form

INLAND EMPIRE UTILITIES AGENCY

DATED: May 16, 2001 John L. Anderson
President

DATED: May 16, 2001 Anne Scimitere
Secretary

[Signature]
Approved as to Form

CITY OF CHINO HILLS

Approved Concept
subject to approval of Final
Agreements

DATED: May 22, 2001

Ed Graham
Mayor

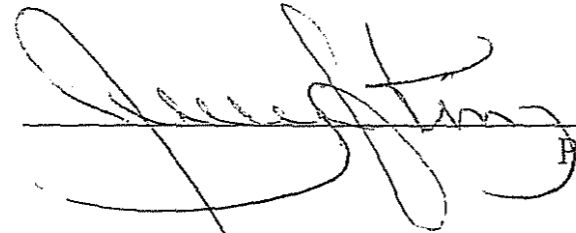
DATED: _____

Lynda D. Keith
City Clerk

[Signature]
Approved as to Form

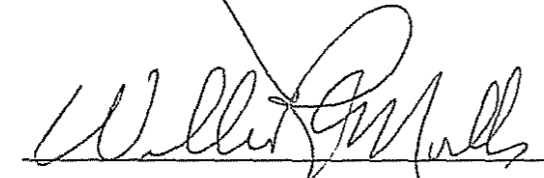
ORANGE COUNTY WATER DISTRICT

DATED: 7-18-01




President

DATED: 7-18-01



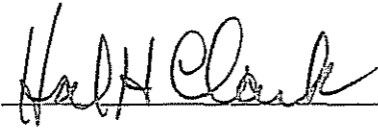
Secretary
General Manager



Approved as to Form

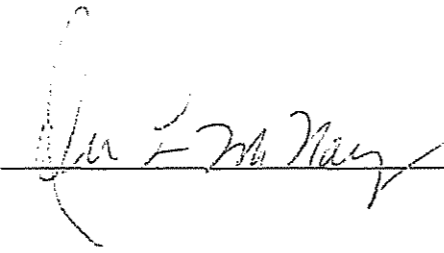
CITY OF NORCO

DATED: May 2, 2001

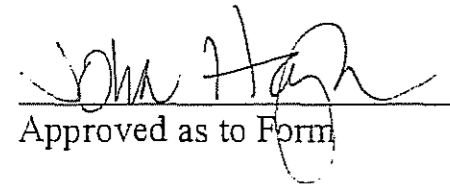


Mayor

DATED: May 2, 2001



City Clerk



Approved as to Form

Exhibit "C"

EXECUTION COPY

FACILITIES ACQUISITION AGREEMENT

THIS FACILITIES ACQUISITION AGREEMENT ("Agreement") is dated as of January 15, 2002, by and between SANTA ANA WATERSHED PROJECT AUTHORITY, a joint exercise of powers agency ("Seller"), acting at the direction of Project Committee No. 14, and the CHINO BASIN DESALTER AUTHORITY, a joint exercise of powers agency ("Buyer"). The Seller and Buyer are each sometimes referred to herein as a "Party" and collectively referred to as the "Parties."

IN CONSIDERATION of the respective agreements hereinafter set forth, Seller and Buyer agree as follows:

1. Property Included in Sale. Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, subject to the terms and conditions set forth herein, the following:

(a) 7 parcels of real property, located in the City of Chino, County of San Bernardino, State of California and being more particularly described in Exhibit A-1 attached hereto and the leasehold interests more particularly described in Exhibit A-2 attached hereto (collectively, the "Real Property");

(b) all rights, privileges and easements appurtenant to the Real Property (collectively, the "Appurtenances");

(c) all of Seller's right, title and interest in and to all improvements and fixtures located on the Real Property, including, without limitation, the desalting facility commonly referred to as the Chino 1 Desalter, as well as all other buildings and structures presently located on the Real Property, all apparatus, equipment and appliances used in connection with the operation or occupancy of the Real Property, such as heating and air conditioning systems and facilities used to provide any utility, refrigeration, ventilation, or other services on the Real Property, and along with all on-site parking (collectively, the "Improvements");

(d) all personal property owned by Seller related to the Real Property including those items described in Exhibit B attached hereto (the "Personal Property"); and

(e) all existing pipelines, wells, pumping facilities and related facilities necessary for the operation of the Improvements, including all easements, encroachment permits and similar interests in property, as described in Exhibit C attached hereto (the "Off Site Property").

(f) any intangible personal property now or hereafter owned by Seller and used in the ownership, use or operation of the Real Property, Improvements and Personal Property, and, to the extent approved by Buyer pursuant to this Agreement, any contract rights, utility contracts, membrane warranties or other agreements or rights relating to the ownership, use and operation of the Real Property, as defined below, and all warranties of various contractors, subcontractors and consultants described in Exhibit D (collectively, the "Intangible Property").

All of the items referred to in subsections (a), (b), (c), (d), (e) and (f) above are collectively referred to as the "Property." The Property shall not include any of the facilities commonly referred to as the "Arlington Desalter."

2. Purchase Price.

(a) The purchase price of the Property is \$64,489,532.22 (the "Purchase Price") which Purchase Price includes all of the costs described on Exhibit K.

(b) The Purchase Price shall be paid as follows:

(i) Upon execution of this Agreement by both Buyer and Seller, Buyer shall deposit in escrow with Chicago Title Company ("Title Company"), a deposit in the amount of One Hundred Dollars (\$100.00) (the "Deposit"). Title Company shall place the Deposit in an interest bearing account with interest to accrue to the benefit of Buyer. In the event Buyer terminates this Agreement for any reason on or before Buyer gives the notice referenced in Section 7(b), Title Company shall return the Deposit, together with all accrued interest thereon to Buyer within seven (7) days of Buyer's written request therefore, without any further action by Seller or any other third party.

(ii) The balance of the Purchase Price, shall be paid to Seller in immediately available funds at the closing of the purchase and sale contemplated hereunder (the "Closing").

3. Title to the Property.

(a) At the Closing, Seller shall convey to Buyer marketable and insurable fee simple title to the Real Property described on Exhibit A-1 hereto, the Appurtenances and the Improvements, by a duly executed and acknowledged grant deeds substantially in the form attached hereto as Exhibit E (the "Deed"). Evidence of delivery of marketable and insurable fee simple title for each parcel of Real Property shall be the issuance by Title Company to Buyer of ALTA Extended Coverage owner's policies of title insurance for each parcel of Real Property in the aggregate amount of \$64,459,477.22, being the portion of the Purchase Price allocable to the Real Property, insuring fee simple title to the Real Property, the Appurtenances and the Improvements in Buyer, subject only to such exceptions as Buyer shall approve pursuant to Subsection 5(a) below (the "Title Policy"). The Title Policy shall include without limitation full coverage against mechanics' and materialmen's liens arising out of the demolition, construction, repair or alteration of any of the Improvements including any tenant improvements therein and shall contain such special endorsements as Buyer may reasonably require (the "Endorsements").

(b) At the Closing, Seller shall transfer title to the Personal Property and the Off Site Property by a warranty bill of sale in the form attached hereto as Exhibit F (the "Bill of Sale"), such title to be free of any adverse liens, encumbrances or interests.

(c) At the Closing, Seller shall transfer title to the Intangible Property by such instruments as Buyer may determine to be necessary, including, without limitation, an assignment of Intangible Property in the form attached hereto as Exhibit G (the "Assignment of Intangible Property"), such title to be free of any liens, encumbrances or interests.

4. Due Diligence and Time for Satisfaction of Conditions. Buyer, through a Due Diligence Committee comprised of legal counsel for each of the Cities of Chino, Chino Hills, Norco and Ontario, and Jurupa Community Services District, or their designees (the "Buyer Due Diligence Committee"), shall commence due diligence with respect to the Property promptly upon Seller's full execution hereof, and the due diligence period shall expire on the date of the notice of Buyer referred to in Section 7(b). The Due Diligence Committee will initially review the documents at the offices of the Seller and the Buyer will arrange for the copying of any of such documents at the Buyer's own expense.

Notwithstanding anything in this Agreement to the contrary, including but not limited to the activities of the Buyer Due Diligence Committee, Buyer shall have the right to terminate this Agreement for any reason at any time prior to the end of the Due Diligence Period.

The Seller agrees to meet with the Buyer Due Diligence Committee from time to time as reasonably requested by the Buyer. The Seller agrees to provide all relevant information with respect to the Property, including all information specified in Exhibits D, G, K, M and N hereto. In addition, the Seller shall provide to the Buyer Due Diligence Committee all relevant information in Seller's physical possession with respect to: (i) material physical or mechanical defects of the Property, and known violations of applicable building codes, environmental, zoning and land use laws, and other applicable local, state and federal laws and regulations actually known to Seller; (ii) any violation of any federal, state, local or administrative agency ordinance, law, rule, regulation, order or requirement relating to environmental conditions or hazardous materials, including information with respect to installation, use or removal of any storage tank on, from or in connection with the Property or use of any building materials that contain hazardous material actually known to Seller; (iii) any violation of an order of any environmental agency (including without limitation, the San Bernardino County Health Care Agency, the Santa Ana Regional Water Quality Control Board, the California Department of Toxic Substances Control and other federal, state or local governmental agency responsible for enforcing environmental laws actually known to Seller.

The Buyer and Seller each acknowledge that the Seller is selling and the Buyer is purchasing the Property in "as-is" condition. Seller is not obligated to, nor will Seller investigate the condition of any items listed in this Section. The Due Diligence Period is intended to allow the Buyer, through the Due Diligence Committee, to have reasonable opportunity to inspect and investigate the Property. Buyer acknowledges that, except as expressly set forth in Section 8 below, the Seller is not making any representation and/or warranties, either expressed or implied, with respect to the Property, including the Project's suitability or fitness for a particular purpose. Buyer acknowledges for Buyer and Buyer's successors and assignees, that Buyer has been given a reasonable opportunity to inspect and investigate the Property either independently or through agents of Buyer's and that in purchasing the Property, Buyer is not relying on Seller as to the condition or safety of the Property, known or unknown, including, but not limited to, environmental conditions, soil or sub-soil conditions, electrical or life safety systems, plumbing, paint, sewer, roof, foundations, soils and geology, and any mechanical equipment or systems.

5. Conditions to Closing. The following conditions are precedent to Buyer's obligation to purchase the Property (the "Conditions Precedent"):

(a) Buyer's review and approval of title to the Property, within the Due Diligence Period, as follows:

(i) On or before January 25, 2002, Seller shall deliver to Buyer a current preliminary title report for the Real Property, issued by Title Company, accompanied by copies of all documents referred to in the preliminary title report and plotted easements (collectively, the "Preliminary Report"), and together with an ownership search disclosing all prior owners of the Real Property for the fifty (50) year period preceding the date when Seller acquired the Real Property (the "Chain of Title Search");

(ii) Seller shall deliver to Buyer copies of all existing and proposed easements, covenants, restrictions, agreements or other documents which affect title to the Property and which are not disclosed by the Preliminary Report;

(iii) Seller, at Seller's expense, shall deliver to Buyer an "as-built" ALTA survey of the Real Property and Improvements prepared by a surveyor or civil engineer licensed in the State in which the Property is located. Said survey shall be acceptable to, and certified to, Buyer and Title Company with appropriate ALTA certification signed by the surveyor or engineer preparing the survey and in sufficient detail to provide the basis for the Title Policy without boundary, encroachment or survey exceptions; and

(iv) If Buyer is not satisfied with any exception to title contained in the Preliminary Report and such exception cannot be removed, the Buyer may elect to terminate this Agreement prior to the end of the Due Diligence Period. If so terminated, the Title Company shall return the Deposit to Buyer.

(b) Buyer's review and approval, within the Due Diligence Period, of the items described on Exhibit H, all service contracts, utility contracts, books and records, maintenance contracts, management contracts, leasing contracts, and brokerage and leasing commission agreements which may continue after Closing, certificates of occupancy, presently effective warranties or guaranties received by Seller from any contractors, subcontractors, suppliers or materialmen in connection with any construction, repairs or alterations of the Improvements or any tenant improvements, reports of insurance carriers insuring the Property and each portion thereof respecting the claims history of the Property, if any, environmental reports, soils reports, insurance policies, insurance certificates of tenants, lease correspondence, and other contracts or documents of significance to the Property (collectively, the "Service Contracts"), and such other information relating to the Property that is specifically requested by Buyer of Seller in writing during the Due Diligence Period to the extent such information either is in the possession or control of Seller, or any affiliate of Seller, or may be obtained by Seller, or any affiliate of Seller, through the exercise of commercially reasonable efforts. Any expenses incurred by Buyer in connection with the review of the items set forth in this Subsection 5(b) shall be the responsibility of Buyer.

(c) Buyer's review and approval, within the Due Diligence Period, of the structural, mechanical, electrical and other physical characteristics and condition of the Property, structural calculations for the Improvements, if any, site plans, engineering reports and plans, landscape plans, and floor plans, and copies of the as-built plans and specifications for the Property. Buyer shall have the right to make an analysis of the Property consisting of such engineering, feasibility studies, soils tests, and environmental studies as Buyer may desire to permit Buyer to determine the suitability of the Property for Buyer's contemplated uses and to conduct such other review and investigation which Buyer deems appropriate to satisfy itself to acquire the Property.

(d) Buyer's review and approval, within the Due Diligence Period, of all governmental permits and approvals relating to the construction, operation, use or occupancy of the Property, and all zoning, land-use, subdivision, environmental, building and construction laws and regulations restricting or regulating or otherwise affecting the use, occupancy or enjoyment of the Property.

(e) All of Seller's representations and warranties contained in or made pursuant to this Agreement shall have been true and correct when made and shall be true and correct as of the Closing Date.

(f) The physical condition of the Property shall be substantially the same on the day of Closing as on the date of Buyer's execution of this Agreement, reasonable wear and tear and loss by casualty excepted (subject to the provisions of Section 11 below).

(g) Buyer shall have been able to procure insurance satisfactory in coverage, terms and amount with respect to the Property.

(h) Buyer shall have received certified executed copies of (i) Water Purchase Agreements, dated as of January 15, 2002, by and between the Buyer and each of Jurupa Community Services District, the City of Chino, the City of Chino Hills, the City of Norco, the City of Ontario and the Santa Ana River Water Company, (ii) Chino Basin Desalination Program, Phase I, Joint Participation Agreement for Recovery, Treatment and Utilization of Contaminated Groundwater among Metropolitan Water District of California, the Western Municipal Water District of Riverside County, Chino Basin Municipal Water District, Orange County Water District and Santa Ana Watershed Project Authority, (iii) the Assignment of Rights, Delegation of Duties and First Amendment to Joint Participation Agreement, a form of which is attached hereto as Exhibit M, (iv) the Agreement by and Between the Chino Basin Desalter Authority, Jurupa Community Services District, the City of Ontario, the City of Norco and Santa Ana River Water Company Providing for the Transportation of Chino II Desalter Water and (v) an audit relating to the Property, paid for by the Seller and satisfactory in the sole discretion of the Buyer.

(i) Seller shall provide to the Buyer a certified copy of a resolution approving the project authorization package for grant proceeds from the State of California in the amount of 77% of the actual project costs for the Chino 1 Expansion and the Chino 2 Desalter, not to exceed \$48 million.

(j) The Assignment, Acceptance, Assumption and Clarification of Interest of Lease and Consent to Assignment, Acceptance, Assumption of Clarification of Lease in the form attached hereto as Exhibit N.

(k) Buyer shall have closed a financing, on terms and conditions solely satisfactory to the Buyer, which provides moneys sufficient to acquire the Property and finance the Chino 1 Desalter Expansion and the Chino 2 Desalter.

(l) The Parties hereto agree to cooperate in order to complete a comprehensive audit of the accounts and books relating to the Property prior to the Closing Date, which audit is intended in part to identify all unpaid costs related to the Property and all unspent cash related to the Property. The cost of such audit shall be payable by the Buyer. The Seller will not settle any

pending litigation or any outstanding third party claims known to Seller prior to the Closing, without first consulting with of the Due Diligence Committee.

(m) Buyer shall have received a report, satisfactory to the Buyer in form and conclusions, from Black & Veatch with respect to the operation of the Property.

The Conditions Precedent contained in Subsections 5(a) through (m) are intended solely for the benefit of Buyer and are not intended to limit the Buyer's right to terminate this Agreement pursuant to Section 4 hereof. If any of the Conditions Precedent is not satisfied in the sole discretion of the Buyer, Buyer shall have the right either to waive in writing the Condition Precedent and proceed with the purchase or terminate this Agreement; provided however that the Buyer shall not waive the conditions set forth in Section 5(h)(i) without the written consent of Seller. If, by the end of the Due Diligence Period, Buyer shall not have rejected any of the Conditions Precedent which are to be satisfied by the end of the Due Diligence Period, then this Agreement shall be deemed approved.

The Parties acknowledge that the claims or litigation identified as 1, 2 and 11 on Exhibit J hereto (the "Unsettled Claims") may not be settled prior to the Closing Date. On the Closing Date, the Buyer shall either (i) deliver written notice to the Seller that the Buyer will accept liability and control of the Unsettled Claims (in which case, the Seller will execute a written assignment to the Buyer of that certain Hargis Agreement for Services by Independent Contractor and Related Task Orders and such agreement will be deemed included on Exhibit D and Schedule 1 to Exhibit G hereto), (ii) or if no such written notice is delivered to the Seller, the Seller shall retain \$500,000 from the Chino Desalter Enterprise Fund (the "Settlement Deposit") for use in the settlement (upon prior consultation with the Buyer) of the Unsettled Claims including payment of administrative, legal or other out-of-pocket costs incurred by Seller in connection therewith. The Settlement Deposit shall be deposited by the Seller in an interest bearing account. Upon the settlement of the Unsettled Claims, the Seller shall pay to Buyer any amounts remaining from the Settlement Deposit, including accrued interest. If the Settlement Deposit is not sufficient to settle the Unsettled Claims, the Buyer shall pay to the Seller, upon request, amounts necessary to settle the Unsettled Claims.

6. Remedies.

(a) In the event the sale of the Property is not consummated because of the failure of any condition or any other reason other than a default described in Section 6(b) below, the Buyer's or Seller's sole remedy shall be to terminate this Agreement by written notice to the other Party. Except as provided in Section 6(b) below, the Parties hereby waive any right to recover any damages, costs or expenses or to bring an action of any kind upon such termination. Except as provided in Section 6(b) below, the Parties hereby waive the right to bring any action for specific performance under any circumstances.

(b) In the event that Seller wrongfully terminates this Agreement or the escrow contemplated by this Agreement after a bond purchase contract with respect to bonds contemplated by Section 5(k) above has been executed, Buyer's Deposit plus accrued interest shall be returned to Buyer, and Buyer may pursue any remedy permissible under California law consistent with Section 17(i) below.

7. Closing and Escrow.

(a) Upon mutual execution of this Agreement, the Parties hereto shall deposit an executed counterpart of this Agreement with Title Company and this Agreement shall serve as instructions to Title Company as the escrow holder for consummation of the purchase and sale contemplated hereby. Seller and Buyer agree to execute such additional escrow instructions as may be appropriate to enable the escrow holder to comply with the terms of this Agreement; provided, however, that in the event of any conflict between the provisions of this Agreement and any supplementary escrow instructions, the terms of this Agreement shall control.

(b) Escrow shall close (the "Closing Date") within fourteen (14) days after notice by Buyer to Seller that the financing for the acquisition described in Section 5(k) has been secured, or such longer period as may be necessary for the Title Company to issue appropriate title insurance coverage insuring against mechanics liens; provided however, in the event the escrow has not closed by March 31, 2002, this Agreement shall terminate at the election of either Party and without the consent of the other Party. In the event the Closing does not occur on or before the Closing Date, the escrow holder shall return to the depositor thereof items which were deposited hereunder, including, without limitation, the return of the Deposit to Buyer.

(c) At or before the Closing, Seller shall deliver or cause to be delivered to Buyer or the Title Company, as appropriate, the following:

(i) duly executed and acknowledged Grant Deeds in the form attached hereto as Exhibit E;

(ii) a duly executed Bill of Sale in the form attached hereto as Exhibit F;

(iii) (1) Certificates from the Secretary of State or other appropriate government official of the State of California indicating that, as of the Closing Date, there are no filings against Buyer or Seller in the office of the Secretary of State or other government official under the Uniform Commercial Code of the State of California which would be a lien on any of the items specified in the Bill of Sale (other than any filings as to which Buyer and/or Seller, as applicable, is given satisfactory evidence that such filings are being released as of the Closing); and (2) filings of Buyer and Seller which are required for Buyer and Seller to be entered into the California Roster of Public Agency;

(iv) originals or certified copies of the Service Contracts not previously delivered to Buyer pursuant to Subsection 5(b) above;

(v) a duly executed Assignment of Intangible Property in the form attached as Exhibit G;

(vi) originals of the plans and specifications, building permits and certificates of occupancy for the Improvements and all tenant-occupied space included within the Improvements not previously delivered to Buyer pursuant to Section 5 above;

(vii) a FIRPTA affidavit (in the form attached as Exhibit I) pursuant to Section 1445(b)(2) of the Internal Revenue Code of 1986 (the "Code"), and on which Buyer is

entitled to rely, that Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code and a properly executed California Form 597-W;

(viii) closing statement in form and content satisfactory to Buyer and Seller; and

(ix) any other instruments, records or correspondence called for hereunder which have not previously been delivered.

Buyer may waive compliance on Seller's part under any of the foregoing items by an instrument in writing.

(d) At or before the Closing, Buyer shall deliver to Seller or the Title Company, as appropriate, the following:

(i) a closing statement in form and content satisfactory to Buyer and Seller;

(ii) the Purchase Price; and

(iii) Certificate of Resolution of Acceptance of the Property by Buyer in accordance with Section 27281 of the California Government Code.

(e) Seller and Buyer shall each deposit such other instruments as are reasonably required by the escrow holder or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof. Seller and Buyer hereby designate Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code and the regulations promulgated thereunder.

(f) Prior to Closing, the Seller agrees to continue to pay all invoices related to the Property on a current basis. After the Closing Date, the Buyer shall be responsible for the payment of the costs, including any outstanding litigation or third party claims except as provided in Section 10(a), relating to the Property hereto and the Buyer shall indemnify and hold the Seller harmless from any and all liability or claims arising from or related to the payment or nonpayment of all such costs. At Closing, Seller shall transfer all amounts in the Desalter Enterprise Fund (except the Settlement Deposit, if any) and the Desalter Capital Fund to Buyer. During the first ninety (90) days after Closing, the Seller may present invoices to Buyer for Seller administrative costs (at rates provided to Buyer prior to Closing), legal costs of Aklufi and Wysocki (at rates provided to Buyer prior to Closing) or actual out-of-pocket expenses incurred by the Seller after the Closing for assistance rendered to Buyer at Buyer's request with respect to transfers of property, permits or other related Project activities. Buyer shall reimburse Seller for such costs within thirty (30) days after receipt of invoices from Seller.

(g) Any costs, expenses, claims, damages or fees required to be paid by Seller pursuant to this Agreement will be paid by Seller from the remaining proceeds of the variable rate bonds issued by the Chino Basin Regional Financing Authority in April 2001, the Chino Desalter Financing Agreement, or the Chino Desalter Enterprise Fund as determined by Seller in consultation with the Treasurer of the Buyer.

8. Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer as follows:

(a) To Seller's actual knowledge, the survey, mechanical and structural plans and specifications, soil reports, certificates of occupancy, warranties, operating statements, and income and expense reports, and all other books and records relating to the Property and all other contracts or documents delivered to Buyer in connection with this Agreement (including, without limitation, the Service Contracts) are and at the time of Closing will be true, correct and complete copies of such documents, and the assumed contracts are and at the time of Closing will be in full force and effect (or, if the contract is a construction contract for which a notice of completion has been filed as noted on Schedule 1 to Exhibit G hereto, such contract has not been terminated), without default by (or notice of default to) any Party, to the best actual knowledge of the Seller. Except as shown on Exhibit G and Exhibit L, there are no other Service Contracts affecting the Property.

(b) To Seller's actual knowledge, except as described on Exhibit J hereto, there are no condemnation, environmental, zoning or other land-use regulation proceedings, either instituted or, to Seller's actual knowledge, planned to be instituted against Seller. Seller shall notify Buyer promptly of any such proceedings against Seller of which Seller becomes aware.

(c) To Seller's actual knowledge, the Property has been and is operating with all licenses, permits, variances, approvals, authorizations, easements and rights of way required from all governmental authorities having jurisdiction over the Property or from private parties for the intended use, operation and occupancy of the Property. Notwithstanding the foregoing, an application is pending for an Air Quality Management District Permit for aqueous ammonia at the Property's Treatment Plant.

(d) Except as disclosed on Exhibit J hereto, to Seller's actual knowledge, there is no litigation pending nor has Seller received any written threats of litigation nor are there written claims known to Seller or threatened in writing against Seller that arise out of the ownership, operation or maintenance of the Property. Seller shall notify Buyer promptly of any such litigation, written threats of litigation or known written or written threatened claims of which Seller becomes aware prior to Closing of which the Seller has actual knowledge.

(e) Seller is a joint exercise of power agency duly organized, validly existing and in good standing under the laws of the State of California; this Agreement and all documents executed by Seller which are to be delivered to Buyer at the Closing are and at the time of Closing will be duly authorized, executed and delivered by Seller, are and at the time of Closing will be legal, valid and binding obligations of Seller enforceable against Seller in accordance with their respective terms, are and at the time of Closing will be sufficient to convey title (if they purport to do so), and do not and at the time of Closing will not violate any provision of any agreement or judicial order to which Seller or the Property is subject.

(f) Except as described on Exhibit L hereto, at the time of Closing there will be no outstanding written or oral contracts made by Seller for any improvements to the Property which have not been fully paid for and Seller shall cause to be discharged all mechanics' and materialmen's liens arising from any labor or materials furnished to the Property prior to the time of Closing.

(g) Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

(h) Seller has not granted any option or right of first refusal or first opportunity to any Party to acquire any interest in any of the Property.

(i) Neither Seller nor, to the best of Seller's actual knowledge, any predecessor in interest of Seller has either filed or been the subject of any filing of a petition under any Federal Bankruptcy Law or any federal or state insolvency laws or laws for composition of indebtedness or for the reorganization of debtors.

(j) No property taxes are currently due with respect to the Property.

(k) Except for the design contract with RBF Consulting with respect to the Chino Desalter I Expansion, Chino Desalter II and the Arlington Desalter Enhancement, all of the Intangible Property is used exclusively in the ownership, use or operation of the Real Property, Improvements and Personal Property, and not jointly for any other use.

9. Representations and Warranties of Buyer. Buyer hereby represents and warrants that it is a joint exercise of power agency duly organized, validly existing and in good standing under the laws of the State of California and is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code. This Agreement and all documents executed by Buyer which are to be delivered to Seller at the Closing are and at the time of Closing will be duly authorized, executed and delivered by Buyer, are and at the time of Closing will be legal, valid and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms, and do not and at the time of Closing will not violate any provision of any agreement or judicial order to which Buyer is subject. At closing, Buyer shall have all licenses, permits, variances, approvals, authorizations, easements, and rights of way required from all governmental authorities having jurisdiction over the Property or from private parties necessary for the use, operation and occupancy of the Property.

10. Indemnification.

(a) Seller shall indemnify Buyer and defend and hold Buyer harmless from and against any and all known third-party claims arising out of the groundwater production for the Property and actually known to Seller prior to the Closing Date, and not previously settled by Seller; provided, however, in the event that the Buyer elects to assume liability and control of the Unsettled Claims, the Seller shall have no such duty to indemnify, defend or hold harmless. Personal injury, worker's compensation or negligence actions unrelated to groundwater production from the Property or Chino I Expansion and Chino II Desalter shall not be considered to be a third-party claim.

(b) After the Closing Date, Buyer is responsible for all aspects of design, construction, operations, maintenance, management and control of the Property, including water sales, legal liability and other matters (except as provided in Section 10(a) above) associated with the Property, irrespective of whether such liability arises out of the design, construction, operation, maintenance or control of the Property.

(c) Buyer shall indemnify Seller and defend and hold Seller harmless from any claims, losses, demands, liabilities, costs, expenses, penalties, damages and losses, including,

without limitation, attorney's fees, asserted against, incurred or suffered by Seller resulting from a personal injury or property damage occurring in or on the Property or relating thereto after the Closing Date, from any cause whatsoever other than as a consequence of the sole acts or omissions of Seller, its agents, employees or contractors.

(d) The indemnification provisions of this Section 10 shall survive beyond the Closing.

(e) Seller and Buyer shall each secure additional insured endorsements naming the other Party as an additional insureds on their respective general liability insurance policy for any claims by third parties related to groundwater production which claims were not known to the Parties at the Closing Date or which claims were previously rejected by Seller ("Unknown Claims"). After the Closing Date, should any Unknown Claims be brought against Buyer, Seller or both, Seller shall tender its defense to Buyer, and Seller shall assign to Buyer all rights, benefits, coverage and indemnity under Seller's general liability insurance policy. Buyer shall accept Seller's tender of defense, and pursuant thereto shall defend, indemnify and hold harmless Seller for any Unknown Claims. Seller shall cooperate with Buyer in the defense of any Unknown Claims, and Buyer shall reimburse Seller for any costs, including administrative and legal costs, incurred by Seller in such defense including, but not limited to, costs relative to complying with discovery requests, gathering information and documents to prepare a defense of the action, attending depositions and other activities which may be necessary to adequately defend the Unknown Claims. Buyer shall reimburse the Seller for such costs within thirty (30) days of receipt of an invoice from Seller.

11. Risk of Loss. If any of the Property is damaged or destroyed prior to the Closing Date, Buyer may terminate this Agreement, or if Buyer does not elect to terminate this Agreement, Seller shall assign to Buyer all of Seller's right, title, and interest in and to all proceeds of insurance, if any, on account of such damage or destruction.

12. Possession. Possession of the Property shall be delivered to Buyer on the Closing Date, provided, however, that prior to the Closing Date Seller shall afford authorized representatives of Buyer reasonable access to the Property as set forth in Section 5(c), above.

13. Maintenance of the Property. Between Seller's execution of this Agreement and the Closing, Seller shall maintain the Property, or cause the Property to be maintained in good order, condition and repair, reasonable wear and tear excepted, and shall make all repairs, maintenance and replacements of the Improvements and any Personal Property and otherwise operate the Property in the same manner as before the making of this Agreement, as if Seller were retaining the Property.

14. Buyer's Consent to Contracts and Leases Affecting the Property; Termination of Existing Contracts. Seller shall not, after the Effective Date, enter into any new leases or contracts, or any amendments thereof, or permit any third party to do so, or waive any rights of Seller under any contract, without in each case obtaining Buyer's prior written consent thereto (which consent may be given or denied in Buyer's sole discretion).

15. Insurance. Through the Closing Date, Seller shall maintain or cause to be maintained, at Seller's sole cost and expense, the existing policy or policies of insurance insuring the Property.

16. Cooperation. Seller and Buyer shall cooperate and do all acts as may be reasonably required or requested by the other with regard to the fulfillment of any Condition Precedent or the consummation of the transactions contemplated hereby including execution of any documents, applications or permits. Seller hereby irrevocably authorizes Buyer and its agents to make all inquiries of any third party, including any governmental authority, as Buyer may reasonably require to complete its due diligence.

17. Miscellaneous.

(a) Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt, or (d) by telefacsimile or telecopy, and such notices shall be addressed as follows:

If to Seller: Santa Ana Watershed Project Authority
11615 Sterling Avenue
Riverside, California 92503

With a copy to: David L. Wysocki
Aklufi and Wysocki
3403 Tenth Street, Suite 610
Riverside, California 92501

If to Buyer: Chino Basin Desalter Authority
c/o Jurupa Community Services District
8621 Jurupa Road
Riverside, California 92509

With a copy to: Mr. John Schatz
P.O. Box 7775
Laguna Niguel, CA 92607-7775

Covington & Crowe LLP
1131 West Sixth Street, Suite 300
P.O. Box 1515
Ontario, CA 91762
Attention: Robert Dougherty

Jackson DeMarco & Peckenpaugh
4 Park Plaza, Suite 1600
Irvine, CA 92614
Attention: Michele Staples

City of Chino Hills
Burke Williams & Sorenson
3403 Tenth Street, Suite 300
Riverside, CA 92501
Attention: Geralyn Skapik

City of Chino – City Attorney
El Central Real Plaza
12616 Central Avenue
Chino, CA 91710
Attention: Jim Erickson

City of Norco – City Attorney
2870 Clark Avenue
P.O. Box 428
Norco, CA 92860-0428

Stradling Yocca Carlson & Rauth
660 Newport Center Drive
Newport Beach, CA 92660
Attention: Douglas S. Brown

or to such other address as either Party may from time to time specify in writing to the other Party. Any notice shall be deemed delivered when actually delivered, if such delivery is in person, upon deposit with the U.S. Postal Service, if such delivery is by certified mail, upon deposit with the overnight courier service, if such delivery is by an overnight courier service, and upon transmission, if such delivery is by telefacsimile or telecopy.

(b) Brokers and Finders. Each Party represents and warrants to the other that no broker or finder was instrumental in arranging or bringing about this transaction and that there are no claims or rights for brokerage commissions or finder's fees in connection with the transactions contemplated by this Agreement. In the event that any other broker or finder perfects a claim for commission or finder's fee based upon such contact, dealings or communication, the Party through whom such other broker or finder makes a claim shall indemnify, save harmless and defend the other Party from said claim and all costs and expenses (including reasonable attorneys' fees) incurred by the other Party in defending against the same. The provisions of this section shall survive the Closing.

(c) Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the Parties hereto and their respective successors, heirs, administrators and assigns.

(d) Amendments. Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed by Seller and Buyer.

(e) Deadlines on Non-Business Days. In the event any deadline specified herein falls on a day which is not a regular business day, then the deadline shall be extended to the end of the next following regular business day.

(f) Continuation and Survival of Representations and Warranties. All representations and warranties by the respective Parties contained herein or made in writing pursuant to this Agreement are intended to and shall remain true and correct as of the time of Closing, shall be deemed to be material, and, together with all conditions, covenants and indemnities made by the respective Parties contained herein or made in writing pursuant to this Agreement (except as otherwise expressly limited or expanded by the terms of this Agreement), shall survive the execution and delivery of this Agreement and the Closing, and, under the circumstances described in Section 6(b), beyond a termination of this Agreement.

(g) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

(h) Relationship of Agreement and Other Documents. This Agreement is intended to satisfy the obligations of the Parties under Section 2(a)(i), Section 2(b)(i) through (iii), Section 2(b)(vi) and (vii), Section 3, Section 4(a), Section 5(a) and Section 5(c) of the Term Sheet relating to the Property executed by Western Municipal Water District of Riverside County, Inland Empire Utilities Agency, Orange County Water District, the cities of Chino, Chino Hills, Norco and Ontario, Jurupa Community Services District, the Santa Ana River Water Company and the State of California.

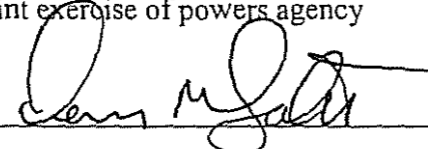
(i) Enforcement. If either Party hereto fails to perform any of its obligations under this Agreement or if a dispute arises between the Parties hereto concerning the meaning or interpretation of any provision of this Agreement, such dispute shall first be submitted to non-binding mediation by a mediator mutually acceptable to the Parties hereto. Each Party shall bear such Party's own costs and expenses for such mediation, including attorney's fees and expenses. If such mediation fails to result in a resolution of such dispute, then either Party may file legal action in the Superior Court of San Bernardino County. Each Party shall bear such Party's own costs and expenses, including attorneys' fees and expenses incurred by such Party in connection with such legal action. In such connection, each Party hereby waives, to the fullest extent permitted by law, a jury trial with respect to any legal action brought under this Agreement.

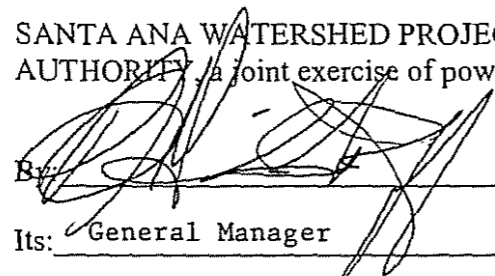
(j) Time of the Essence. Time is of the essence of this Agreement.

(k) Counterparts. This Agreement may be signed in counterparts and all counterparts so executed shall constitute one contract, binding on all Parties hereto, even though all Parties are not signatory to the same counterpart.

(l) Effectiveness. This Agreement shall become effective on the date the last party hereto executes this Agreement (the "Effective Date").

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

Buyer: CHINO BASIN DESALTER AUTHORITY,
a joint exercise of powers agency
By: 
Its: _____
Date: _____

Seller: SANTA ANA WATERSHED PROJECT
AUTHORITY, a joint exercise of powers agency
By: 
Its: General Manager
Date: February 27, 2002

LIST OF EXHIBITS

Exhibit A-1	Description of Real Property – Fee Interests
Exhibit A-2	Description of Real Property – Leasehold Interests
Exhibit B	Description of Included Personal Property
Exhibit C	Off Site Property
Exhibit D	Contractors, Subcontractors and Consultant Warranties
Exhibit E	Grant Deeds
Exhibit F	Warranty Bill of Sale
Exhibit G	Assignment of Service Contracts, Warranties and Guaranties and Other Intangible Property
Exhibit H	Due Diligence Items
Exhibit I	Certificate of Transferor Other Than an Individual (FIRPTA Affidavit)
Exhibit J	Litigation, Threatened Litigation and Known or Threatened Claims
Exhibit K	Purchase Price
Exhibit L	Outstanding Contracts
Exhibit M	Form of MWD Assignment
Exhibit N	Form of Airport Lease Assignment

EXHIBIT A-1

DESCRIPTION OF REAL PROPERTY – FEE INTERESTS

CHINO RESERVOIR

CHINO RESERVOIR

PARCEL A:

PARCEL 22 OF PARCEL MAP NO. 15166 IN THE CITY OF CHINO, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, RECORDED IN BOOK 188 PAGES 1 THROUGH 4 INCLUSIVE, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

PARCEL B:

INGRESS, EGRESS; EMERGENCY INGRESS AND EGRESS; STORM DRAIN AND PUBLIC UTILITY EASEMENTS OVER LOTS 1, 2, 3 AND 7 AS SHOWN ON PARCEL MAP NO. 15166, IN THE CITY OF CHINO, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, RECORDED IN BOOK 188 PAGES 1 THROUGH 4 INCLUSIVE, OF PARCEL MAPS, RECORDS OF SAID COUNTY, CONVEYED IN DEED RECORDED OCTOBER 21, 1999 AS INSTRUMENT NO. 99-440054 OFFICIAL RECORDS.

CHINO DESALTER I

CHINO DESALTER I

THE LAND REFERRED TO HEREIN IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF SAN BERNARDINO, AND IS DESCRIBED AS FOLLOWS:

LOT(S) 40 OF SECTION 30, TOWNSHIP 2 SOUTH, RANGE 7 WEST, SAN BERNARDINO BASE AND MERIDIAN, OF THE MAP OF SUBDIVISION OF PART OF RANCHO SANTA ANA DEL CHINO, AS SHOWN BY MAP ON FILE IN BOOK 6 PAGE(S) 15, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

EXCEPTING THEREFROM THAT PORTION GRANTED TO FIDEL P. HERNANDEZ AND LEONOR OROZCO, RECORDED SEPTEMBER 14, 1992 AS INSTRUMENT NO. 92-376570 OF OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

ALSO EXCEPTING THEREFROM THAT PORTION GRANTED TO THE COUNTY OF SAN BERNARDINO, RECORDED MARCH 18, 1988 AS INSTRUMENT NO. 88-81540 OF OFFICIAL RECORDS OF SAID COUNTY;

ALSO EXCEPTING THEREFROM THAT PORTION GRANTED TO GENERAL TELEPHONE COMPANY OF CALIFORNIA, RECORDED JUNE 15, 1988 AS INSTRUMENT NO. 88-190526 OF OFFICIAL RECORDS OF SAID COUNTY.

WELL SITES

Van Vleet

WELL SITE 9

A PORTION OF LOT 61 IN SECTION 21, TOWNSHIP 2 SOUTH, RANGE 7 WEST, S.B.M., AS SHOWN ON MAP OF SUBDIVISION OF PART OF RANCHO SANTA ANA DEL CHINO, RECORDED IN MAP BOOK 6 AT PAGE 15, RECORDS OF SAN BERNARDINO COUNTY CALIFORNIA, DESCRIBED AS FOLLOWS:
COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 61, THENCE EAST ALONG THE SOUTH LINE THEREOF 287.00 FEET, TO THE POINT OF BEGINNING, THENCE NORTH AT RIGHT ANGLES TO THE AFOREDESCRIBED SOUTH LINE 80.00 FEET, THENCE EAST PARALLEL WITH THE AFOREDESCRIBED SOUTH LINE 70.00 FEET, THENCE SOUTH 80.00 FEET TO THE AFOREDESCRIBED SOUTH LINE OF SAID LOT 61, THENCE WEST ALONG SAID SOUTH LINE 70.00 FEET TO THE POINT OF BEGINNING. EXCEPTING THEREFROM THE SOUTH 16.5 FEET, BEING AN EASEMENT GRANTED TO SOUTHERN CALIFORNIA GAS COMPANY. CONTAINING 4445 SQUARE FEET MORE OR LESS.



Handwritten initials and date: "M" and "5-11-99".

VanVliet



5-11-99

LOT 61 SEC. 21
M.B. 6/15
SAN BERNARDINO
COUNTY

WALKER AVE.

33'

33'

267'

TEMPORARY CONSTRUCTION EASEMENT

WELL SITE 10

SOUTHERN CALIFORNIA
GAS COMPANY
16.50' EASEMENT

20'

80'

20'

70'

80'

70'

80'

80'

80'

70'

70'

70'

55'

55'

55'

80'

80'

80'

33'

REMINGTON AVE.

WELL SITE 9

Albers

WELL SITE 10

A PORTION OF LOT 63 IN SECTION 21, TOWNSHIP 2 SOUTH, RANGE 7 WEST, S.B.M., AS SHOWN ON MAP OF SUBDIVISION OF PART OF RANCHO SANTA ANA DEL CHINO, RECORDED IN MAP BOOK 6 AT PAGE 15, RECORDS OF SAN BERNARDINO COUNTY CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 63, THENCE EAST ALONG THE SOUTH LINE THEREOF 75.00 FEET, TO THE POINT OF BEGINNING, THENCE NORTH AT RIGHT ANGLES TO THE AFOREDESCRIBED SOUTH LINE 80.00 FEET, THENCE EAST PARALLEL WITH THE AFOREDESCRIBED SOUTH LINE 75.00 FEET, THENCE SOUTH 80.00 FEET TO THE AFOREDESCRIBED SOUTH LINE OF SAID LOT 63, THENCE WEST ALONG SAID SOUTH LINE 75.00 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE SOUTH 16.5 FEET, BEING AN EASEMENT GRANTED TO SOUTHERN CALIFORNIA GAS COMPANY.

CONTAINING 4762.5 SQUARE FEET MORE OR LESS.



5-11-95

Albers



5-11-99

LOT 63 SEC. 21
M.B. 6/15
SAN BERNARDINO
COUNTY

BAKER AVE.

TEMPORARY CONSTRUCTION EASEMENT

WELL SITE 19

SOUTHERN CALIFORNIA GAS COMPANY
16.50' EASEMENT

REMINGTON AVE.

WELL SITE 10

75' 25' 33'

55' 120' 75' 80' 80' 80' 80'

95' 25'

WELL SITE 11

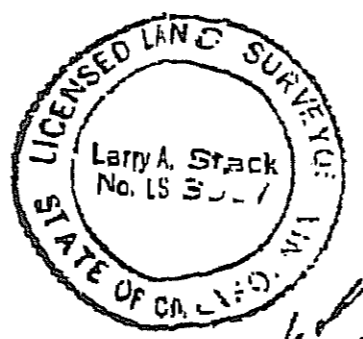
A PORTION OF SECTION 22, TOWNSHIP 2 SOUTH, RANGE 7 WEST, S.B.M.,
DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF REMINGTON AVENUE
AND CARPENTER AVENUE AS SHOWN IN RECORD OF SURVEY BOOK 89 AT
PAGE 80, RECORDS OF RIVERSIDE COUNTY CALIFORNIA, THENCE EASTERLY
ALONG THE CENTERLINE THEREOF 1655.59 FEET, THENCE NORTHERLY AT
RIGHT ANGLES 40.00 FEET TO AN ANGLE POINT ON THE RIGHT OF WAY OF
SAN BERNARDINO COUNTY FLOOD CONTROL FOR CUCAMONGA WASH, SAID
POINT BEING THE POINT OF BEGINNING, THENCE WEST PARALLEL WITH
THE CENTERLINE OF REMINGTON AVENUE, ALONG SAID RIGHT OF WAY LINE
29.56 FEET, THENCE NORTH AT RIGHT ANGLE TO SAID RIGHT OF WAY LINE
75.80 FEET, THENCE EAST, PARALLEL WITH SAID RIGHT OF WAY LINE TO
A POINT ON THE NORTHWESTERLY LINE OF SAID RIGHT OF WAY, THENCE
SOUTHWESTERLY ALONG SAID RIGHT OF WAY LINE TO THE POINT OF
BEGINNING.

CONTAINING 5842 SQUARE FEET MORE OR LESS.



[Handwritten signature]
11-99



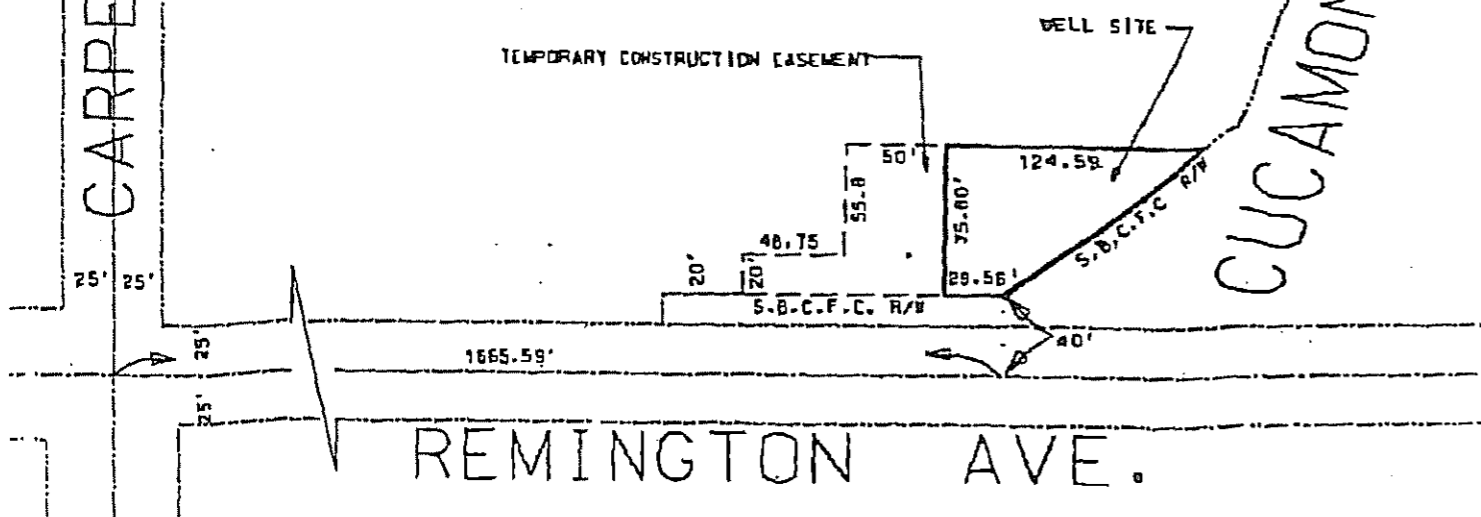
*63-11-5
5-11-59*

PORTION
SECTION 22

T 2 S, R 7 W, SBM

CARPENTER AVE.

CUCAMONGA WASH



REMINGTON AVE.

WELL SITE 11

MOONS
WELL SITES AND PIPELINE EASEMENTS



SAN BERNARDINO COUNTY
RIVERSIDE COUNTY

PARCEL 1
P.M. 21/93
134-020-39

PARCEL 3
P.M. 21/93
134-020-40

PARTAKE
Plat Map

25' PERMANENT

CENTERLINE EXTENSION
KIMBALL AVE.

20' PERMANENT EASEMENT

WELL SITE 13

TEMPORARY CONSTRUCTION
EASEMENT

459036

GONSALVES WELL SITE

A PORTION OF SECTION 27, TOWNSHIP 2 SOUTH, RANGE 7 WEST, S.B.M.,
LOCATED SOUTH OF PARCEL 1 AS SHOWN ON PARCEL MAP 6141, RECORDED
IN BOOK 21 OF PARCEL MAPS AT PAGE 93, RECORDS OF RIVERSIDE
COUNTY, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID PARCEL 1, THENCE
N89°57'00"E 462.50 FEET ALONG THE SOUTH LINE THEREOF TO THE
POINT OF BEGINNING, THENCE S0°03'00"E 65.00 FEET, THENCE
N89°57'00"E 75.00 FEET, THENCE N0°03'00"W 65.00 FEET, THENCE
S89°57'00"W 75.00 FEET TO THE POINT OF BEGINNING.

4875 SQUARE FEET MORE OR LESS.

GONSALVES PERMANENT EASEMENT

A PORTION OF SECTION 27, TOWNSHIP 2 SOUTH, RANGE 7 WEST, S.B.M.,
DESCRIBED AS FOLLOWS:

THE WEST 20.00 FEET, MEASURED AT RIGHT ANGLES, OF THAT CERTAIN
PARCEL OF WHICH THE NORTHWEST CORNER IS THE WEST ONE QUARTER
CORNER OF SAID SECTION 27, THE WEST LINE IS SHOWN AS 1102.00
FEET, SHOWN ON MAP ON FILE IN RECORD OF SURVEY BOOK 4 AT PAGE
54, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

22040 SQUARE FEET MORE OR LESS.

Exhibit "A"

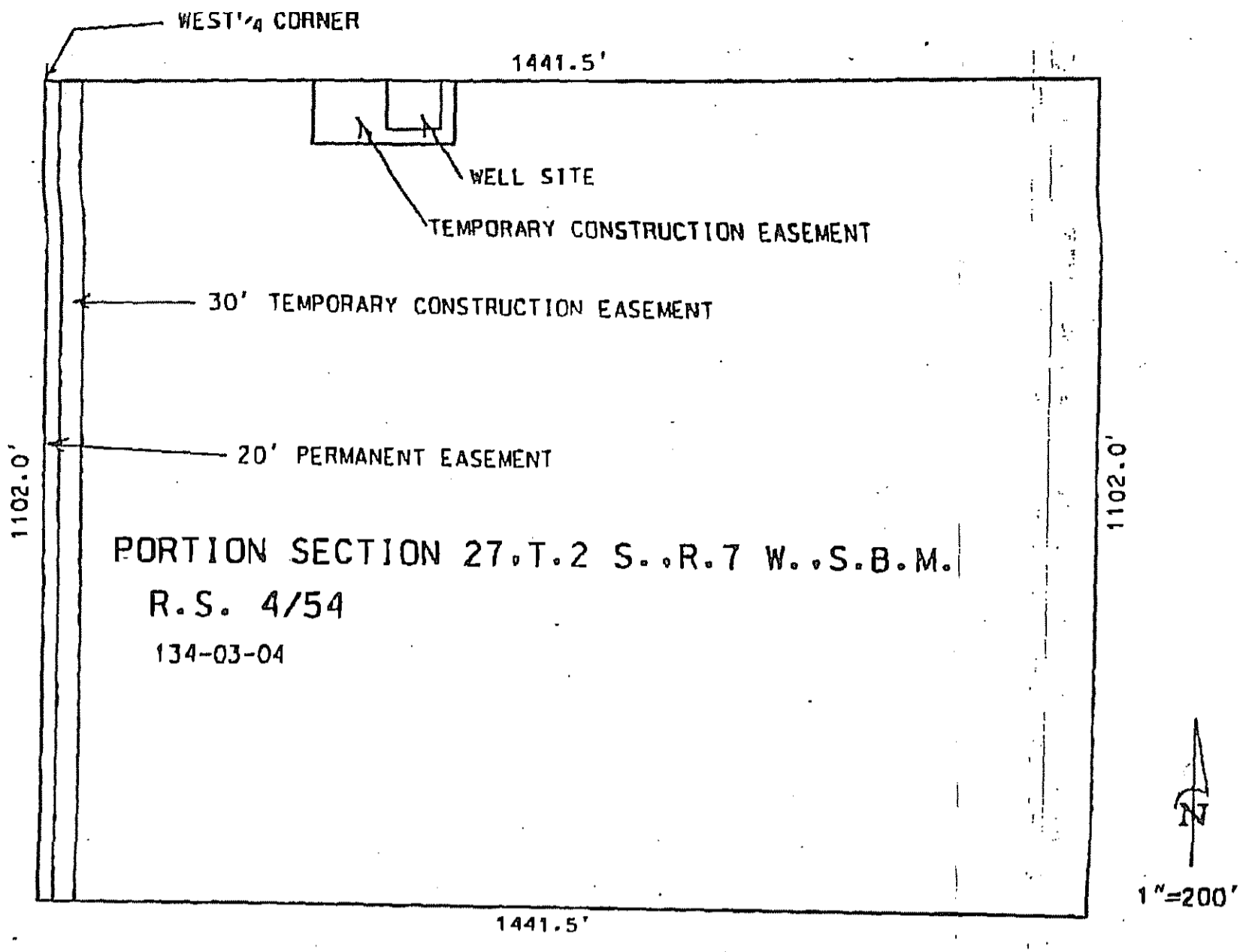


Exhibit "B"

GONSALVES
PIPELINE EASEMENTS
AND WELL SITE

106196

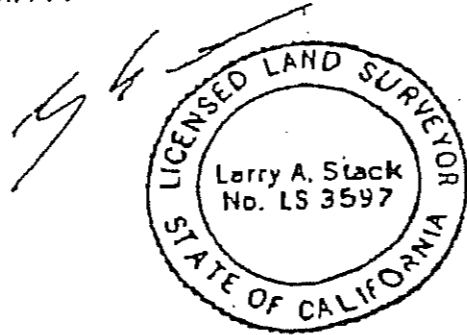
PIPELINE EASEMENTS

PART TAKE
Legal Description

DE BOER PERMANENT EASEMENT

A PORTION OF GOVERNMENT LOT 2, SECTION 28, TOWNSHIP 3 SOUTH,
RANGE 7 WEST, S.B.M., DESCRIBED AS FOLLOWS:

THE NORTH 25.00 FEET, OF SAID GOVERNMENT LOT 2 LYING SOUTH OF
THE EASTERLY EXTENSION OF THE CENTERLINE OF KIMBALL AVENUE,
AND MEASURED AT RIGHT ANGLES TO SAID LINE, AS SHOWN ON THE MAP
OF SUBDIVISION OF PART OF RANCHO SANTA ANA DEL CHINO, IN THE
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, RECORDED IN
BOOK 6 OF MAPS AT PAGE 15, RECORDS OF SAID COUNTY.
8396 SQ. FT. MORE OR LESS.



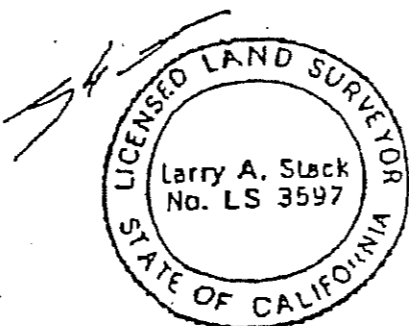
S. YONGER

PART TAKE
Legal Description

DE BOER TEMPORARY CONSTRUCTION EASEMENT

A PORTION OF GOVERNMENT LOT 2, SECTION 28, TOWNSHIP 3 SOUTH,
RANGE 7 WEST, S.B.M., DESCRIBED AS FOLLOWS:

THE SOUTH 25.00 FEET OF THE NORTH 50.00 FEET, OF SAID GOVERNMENT
LOT 2 LYING SOUTH OF THE CENTERLINE OF KIMBALL AVENUE, AND
MEASURED AT RIGHT ANGLES TO SAID LINE AS SHOWN ON THE MAP OF
SUBDIVISION OF PART OF RANCHO SANTA ANA DEL CHINO, IN THE COUNTY
OF SAN BERNARDINO, STATE OF CALIFORNIA, RECORDED IN BOOK 6 OF
MAPS AT PAGE 15, RECORDS OF SAID COUNTY.
8076 SQ. FT. MORE OR LESS.



PART TAKE
Plat Map

CENTERLINE EXTENSION OF KINDALL AVE.

25' PERMANENT EASEMENT

25' TEMPORARY CONSTRUCTION EASEMENT

PORTION GOVERNMENT
LOT 2, SECTION 28
T.2 S., R.7 W., S.B.M.
1055-381-2

SAN BERNARDINO COUNTY
RIVERSIDE COUNTY



1"=60'

DE BOER
PIPELINE EASEMENTS

12-94-555

EXHIBIT B

EXHIBIT "A"

Vernola 367307
Parcel 1
Parcel 2

PARCEL 1

That portion of Section 30, Township 2 South, Range 6 West, San Bernardino Meridian, described as follows:

Beginning at the northwest corner of that certain parcel of land conveyed to the State of California by Final Order of Condemnation recorded February 2, 1988 as Instrument No. 28620, Official Records of Riverside County, California;

Thence South $18^{\circ} 30' 18''$ East along the boundary line of said parcel, a distance of 195.00 feet to a point therein;

Thence South $71^{\circ} 29' 42''$ West, a distance of 30.00 feet;

Thence North $18^{\circ} 40' 15''$ West, a distance of 205.44 feet to a point in the south line of Limonite Avenue (140.00 feet wide) as conveyed to the County of Riverside by deed recorded September 27, 1957 in Book 2154, page 226, Official Records of Riverside County, California;

Thence South $89^{\circ} 39' 40''$ East along said south line, a distance of 32.33 feet to the point of beginning.

Containing 0.14 acres, more or less.

PARCEL 2

That portion of Section 30, Township 2 South, Range 6 West, San Bernardino Meridian, described as follows:

Beginning at the northeast corner of that certain parcel of land conveyed to the State of California in Final Order of Condemnation recorded February 2, 1988 as Instrument No. 28620, Official Records of Riverside County, California;

Thence South $22^{\circ} 12' 41''$ West along the boundary line of said parcel, a distance of 182.00 feet to a point therein;

Vernola 361307
(Parcel 2-cont'd)

Thence South 67° 47' 19" East, a distance of 30.00 feet;

Thence North 22° 12' 41" East, a distance of 194.04 feet to a point in the south line of Limonite Avenue (140.00 feet wide) as conveyed to the County of Riverside by deed recorded September 27, 1957 in Book 2154, page 226, Official Records of Riverside County, California;

Thence North 89° 39' 40" West along said south line, a distance of 32.33 feet to the point of beginning.

Containing 0.13 acres, more or less.

PREPARED UNDER MY SUPERVISION:

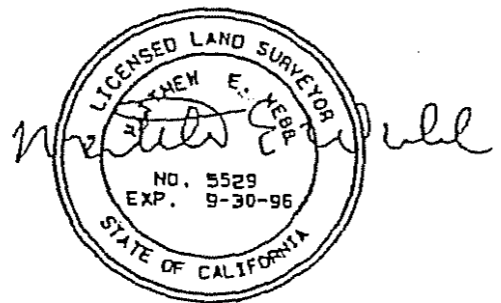
Matthew E. Webb
Matthew E. Webb, L.S. 5529

7/23/96
Date

Prepared by: [Signature]
Checked by: [Signature]



Vernola 367307

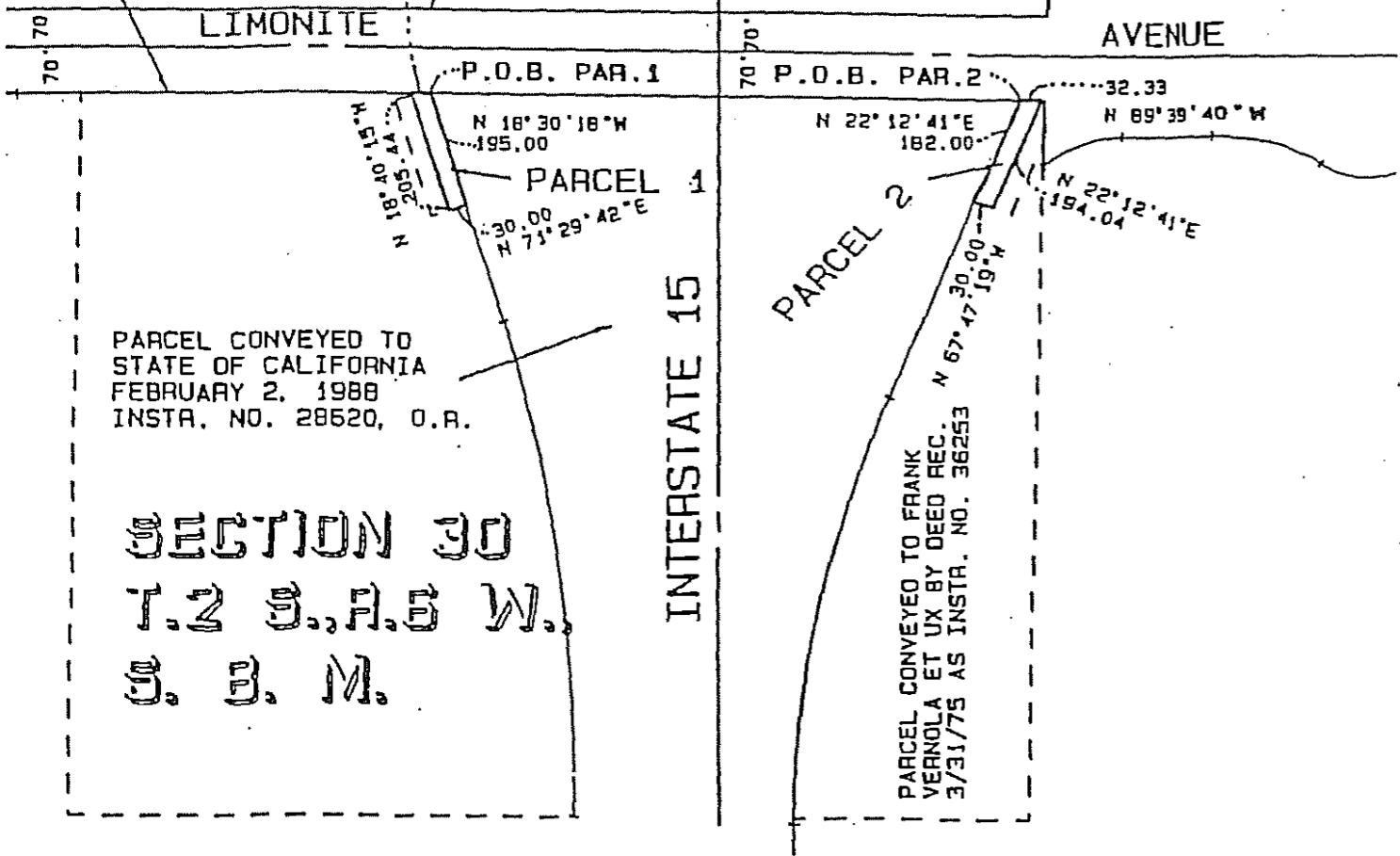


SECTION 19
T.2 S., R.5 W.,
S. B. M.

SOUTH LINE OF
LIMONITE AVENUE
(140' WIDE) REC.
SEPT. 27, 1957
BOOK 2154/226, O.R.

FREEWAY

SCALE: 1" = 300'



PARCEL CONVEYED TO
STATE OF CALIFORNIA
FEBRUARY 2, 1988
INSTR. NO. 28620, O.R.

SECTION 30
T.2 S., R.5 W.,
S. B. M.

PARCEL CONVEYED TO FRANK
VERNOLA ET UX BY DEED REC.
3/31/75 AS INSTR. NO. 36253

SANTA ANA WATERSHED PROJECT AUTHORITY

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE ATTACHED DOCUMENT, IT IS NOT A PART OF THE WRITTEN DESCRIPTION THEREIN. SHEET 1 OF 1 95-109 PLN703

DATE 7/19/90 SUBJECT: PIPELINE EASEMENT

RETYPE FOR CLARIFICATION

EXHIBIT "A"

Koopman
Parcel 3

Jurupa Road

A portion of the west half of the southwest quarter of Section 27, together with a portion of the west half of the northwest quarter of Section 34, both of Township 2 South, Range 7 West, and lying within Sectionized Survey of the Jurupa Rancho, on file in Book 9, Page 33 of Maps, Records of San Bernardino County, California, said portions being more particularly described as follows:

Beginning at the intersection of the south line of said west half of the southwest quarter of Section 27 and the southwesterly line of said Jurupa Rancho;

Thence North 12°52'17" West along said Jurupa Rancho line, a distance of 1565.64 feet to an intersection with the west line of said Section 27;

Thence North 00°45'47" East along said west line, a distance of 44.50 feet to a point in a line parallel with and distance northerly 1537.40 feet, measured at a right angle, from the south line of said Section 27;

Thence South 89°27'10" East along said parallel line, a distance of 30.00 feet to a point in a line parallel with and distance easterly 30.00 feet, measured at a right angle, from the west line of said Section 27;

Thence South 00°45'47" West along said parallel line, a distance of 41.03 feet to a point in a line parallel with and distance northeasterly 30.00 feet, measured at a right angle, from said Jurupa Rancho Line;

Thence South 12°52'17" East along said parallel line, a distance of 1599.97 feet to the beginning of a non-tangent curve, concave southeasterly, having a radius of 530.00 feet, the radial line at said point bears North 26°57'45" West, said point being in the north line of that certain parcel of land granted to the County of Riverside by deed recorded in Book 1924 at page 479, Official Records of Riverside County, California;

Thence southwesterly along said north line and along said curve, to the left through a central angle of 03°22'14", an arc distance of 31.18 feet, the radial line at said point bears North 30°19'59" West, said point being an intersection with said southwesterly line of Jurupa Rancho;

Thence North 12°52'17" West along said Jurupa Rancho Line, a distance of 46.40 feet to the point of beginning.

Containing 1.14 acres, more or less.

306916

Koopman
Parcel B

EXHIBIT "A"
Jurupa Road

A portion of the west half of the southwest quarter of Section 27, together with a portion of the west half of the northwest quarter of Section 34, both of Township 2 South, Range 7 West, and lying within Sectionized Survey of the Jurupa Rancho, on file in Book 9, Page 33 of Maps, Records of San Bernardino County, California, said portions being more particularly described as follows:

Beginning at the intersection of the south line of said west half of the southwest quarter of Section 27 and the southwesterly line of said Jurupa Rancho;

Thence North 12° 52' 17" West along said Jurupa Rancho line, a distance of 1565.64 feet to an intersection with the west line of said Section 27;

Thence North 00° 45' 47" East along said west line, a distance of 44.50 feet to a point in a line parallel with and distance northerly 1537.40 feet, measured at a right angle, from the south line of said Section 27;

Thence South 89° 27' 10" East along said parallel line, a distance of 30.00 feet to a point in a line parallel with and distance easterly 30.00 feet, measured at a right angle, from the west line of said Section 27;

Thence South 00° 45' 47" West along said parallel line, a distance of 41.03 feet to a point in a line parallel with and distance northeasterly 30.00 feet, measured at a right angle, from said Jurupa Rancho Line;

Thence South 12° 52' 17" East along said parallel line, a distance of 1599.97 feet to the beginning of a non-tangent curve, concave southeasterly, having a radius of 530.00 feet, the radial line at said point bears North 26° 57' 45" West, said point being in the north line of that certain parcel of land granted to the County of Riverside by deed recorded in Book 1924 at page 479, Official Records of Riverside County, California;

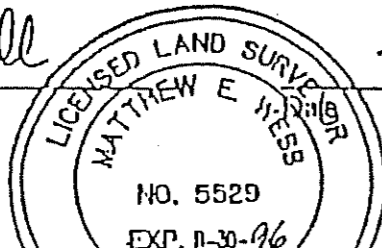
Thence southwesterly along said north line and along said curve, to the left, through a central angle of 03° 22' 14", an arc distance of 31.18 feet, the radial line at said point bears North 30° 19' 59" West, said point being an intersection with said southwesterly line of Jurupa Rancho;

Thence North 12° 52' 17" West along said Jurupa Rancho Line, a distance of 46.40 feet to the point of beginning.

Containing 1.14 acres, more or less.

PREPARED UNDER MY SUPERVISION:

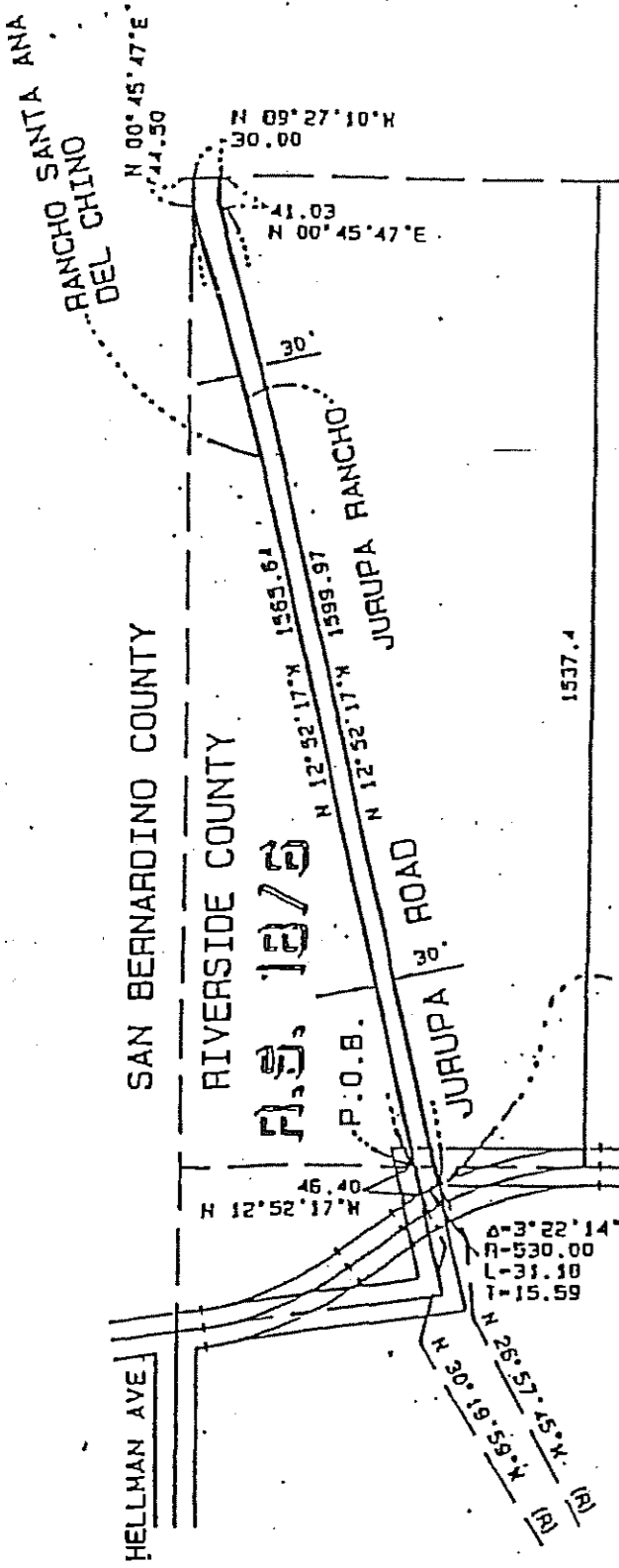
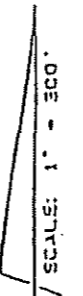
Matthew E. Webb
Matthew E. Webb, L.S. 5529



7/21/96

Prepared by: [Signature]
Checked by: [Signature]

EXHIBIT A



W 1/2, S.W. 1/4
SECTION 27
S. B. M.
M.U. 9/33

North line of parcel granted to
The County of Riv. rec. in
Or. 1924, pg. 479, O.R. Riv. Co.

SCHLEISMAN ROAD

W 1/2, N.W. 1/4
SECTION 34
S. B. M.
M.U. 9/33

EXHIBIT B

COUNTY OF RIVERSIDE, CALIFORNIA

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE REFERENCED DOCUMENT. IT IS NOT A PART OF THE WRITTEN DESCRIPTION THEREIN. SHEET 1 OF 1 95-109 PL14700

SCALE: 1" = 300' DRAWN BY [Signature] DATE 7/25/06 CHECKED BY [Signature] DATE 7/17/06 SUBJECT: OFFER OF DEDICATION

EXHIBIT "A"

The south 20.00 feet of the west 825 feet of the east 1815 feet of the south half of the southwest quarter of Section 26, Township 2 South, Range 7 West, San Bernardino Base and Meridian, as shown by Sectionized Survey of Jurupa Rancho on file in Book 9 at page 33 of Maps, Records of San Bernardino County, California;

Containing 0.38 acres, more or less.

PREPARED UNDER MY SUPERVISION:

Matthew E. Webb
Matthew E. Webb, L.S. 5529

10/15/96
Date

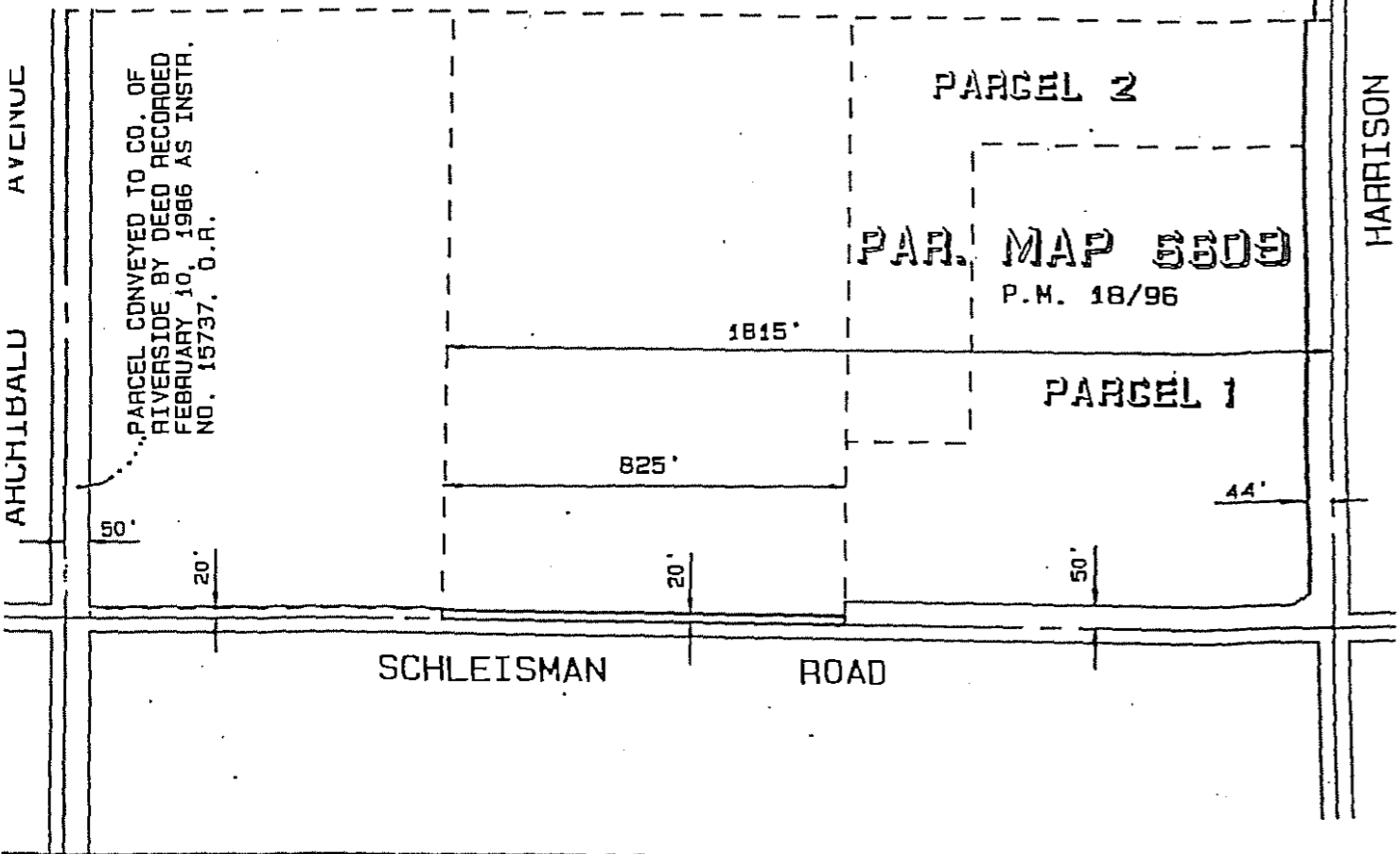
Prepared by: [Signature]
Checked by: [Signature]



EXHIBIT "B"



S.W. 1/4 SECTION 25
T. 2 S. R. 7 W.
S. B. M.



PARCEL CONVEYED TO CO. OF RIVERSIDE BY DEED RECORDED FEBRUARY 10, 1986 AS INSTR. NO. 15737, O.R.

SANTA ANA WATERSHED PROJECT AUTHORITY

EXHIBIT "A"

The south 20.00 feet of the south half of the southwest quarter of Section 26, Township 2 South, Range 7 West, San Bernardino Base and Meridian, according to the Official Plat thereof, of Jurupa Rancho, as shown by map on file in Book 9 at page 33 of Maps, Records of San Bernardino County, California;

Except any portion lying within the easterly 1815 feet;

Also Except the westerly 50.00 feet as conveyed to the County of Riverside by deed recorded February 10, 1986 as Instrument No. 15737, Official Records of Riverside County, California;

Containing 0.36 acres, more or less.

PREPARED UNDER MY SUPERVISION:

Matthew E. Webb
Matthew E. Webb, L.S. 5529

10/15/96
Date

Prepared by: AMW
Checked by: AG



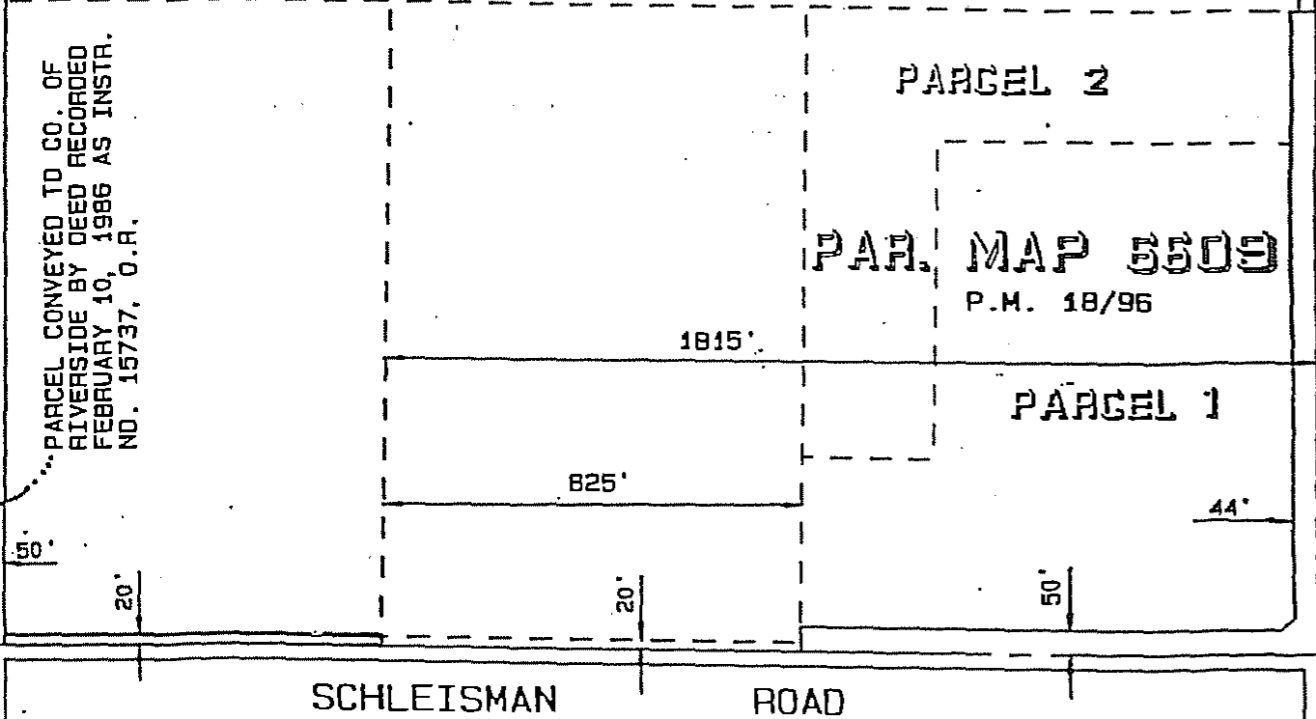


S.W. 1/4 SECTION 25
T. 2 S., R. 7 W.,
S. B. M.

ARCHIBALD AVENUE

HARRISON AVENUE

ARCHIBALD AVENUE



SCHLEISMAN ROAD

SANTA ANA WATERSHED PROJECT AUTHORITY

EXHIBIT A-2

DESCRIPTION OF REAL PROPERTY – LEASEHOLD INTERESTS

1. Standard Airport Lease Document Number CNO-0776-96L, as amended and supplemented to the date hereto.

EXHIBIT B

DESCRIPTION OF INCLUDED PERSONAL PROPERTY

<u>Quantity</u>	<u>Item</u>	<u>Model #</u>	<u>Serial #</u>
2	Hon Legal File Cabinets		
4	Letter File Cabinets (2 w/SAWPA files)		
1	HP Fax	920	MY01PEZ0NC
1	Printer (HP) Laser Jet	C3982A	USDF045752
1	Printer (HP) Desk Jet	C6410A	MX88Q2T1R5
1	Printer (Epson) Line Printer	P911A	ZYPX012492
2	External Modems US Robotics	0525	221MBCV97F9A 221MB2M912R4
1	HP Router Jet Direct 500X	J3265A	3862H192
1	3 Com Office Connect TP 800		7YNR036069
1	Dell 21" Monitor		7095152
1	Dell 21" Monitor		7096360
1	Dell Comp XPS R450	DS1M02	
1	Dell Comp XPS R450	DS1MCB	
1	NEC Monitor 19"	N9901	
1	HP Pavilion	64702	U590410136
1	Konica Copier 3035	DF-305	O48101798
1	HP CD Writer 7200 Series		HU84604206
1	HP CD Writer 7200 Series		HU846K4312
2	Deluxe Desk Chairs		
1	Myron Conductivity Meter (being serviced)		
1	Holmes Floor Heater		
1	ATT Answering Machine 1717		
1	ATT Phone 922		
1	Hach Odyssey DR/2500		10500000583
1	Sony Phone Cordless		495509
1	GE Refrigerator	TBX21DACBRWW	AZ550073
1	First Aid Kit 15" x 17" x 6"		
1	Micro Pump	120-WO	800760
1	Tool Box & Tools		
1	Farmer Brothers Coffee Maker	1030581	95-28484
1	Panosonic Microwave Oven	NN-6500a	AW129900351
2	Haz-Mat Suit	41550	00224255
2	Haz-Mat Suit		00224256
1	Case of Coveralls (Proshield)	LS412WHXL	
1	Emergency Kit		
1	Shop Vac. Sears 16 Gallon	17791	
1	Hand Truck (Red)		
	Lockers		
1	Hack Pocket Colorimeter P/N	46770	000800150924
1	Waterline Envirotec LTD Static Water Level	300	

Indicator			
1	Rubbermade Ice Chest 48qt		
1	Igloo Ice Chest 6pk		
1	50' Air Hose, Tire/Gauge/Chuck & Accessories		
2	Holmes Twin Ceramic Heaters		
2	MSA Air Mask (SCBA)		
1	Breaker Lift Truck Square D Co.		
2	Push Brooms		
1	Mop & Mop Bucket/on Wheels		
3	Brooms		
2	Squeegees		
3	Dust Pans		
1	Flat Shovel		
1	Garden Rake		
5	1" Hoses		
6	5/8" Hoses		
1	55 Gallon Drum on Leak Containment Cradle		
1	Sprayer Solo 456		
1	Acid Storage Cabinet Just Rite	25871	
1	Fuel Storage Cabinet		
1	Goulds Pump 2HP	W5203403YU	B0013485
1	Weedeater Echo SRM 211 W/Gas Can		
1	Dell Latitude CPI		DP-N0009321C-12800-8CD-3825
1	Desktop Computer delivered to the City of Chino		Unknown
1	Laptop Computer delivered to the City of Chino		Unknown

EXHIBIT C

OFF SITE PROPERTY

The Offsite Property includes separate radio telemetry links with The City of Chino and Chino Hills (Jurupa purchased and owns the radio, PLC and the cabinet that is located at the desalter). The radio telemetry link with the City of Chino Hills operates in the 400 MHz range; and the radio telemetry links for the City of Chino operates in the 800 MHz range. The City of Chino and City of Chino Hills radio telemetry links are approximately 3.0 and 1.5 miles, respectively. The telemetry links are used to transmit treatment system operation status information and alarms to each end user specific to their system operational needs, and to provide an emergency shutdown capability if abnormal operating conditions are experienced in their distribution system.

The Offsite Property also includes: 29,000 feet of extracted groundwater PVC pipelines, ranging in size from 12-inches to 30-inches in diameter, from the wells to the treatment plant site; 5,600 linear feet of 27-inch and 30-inch vitrified clay brine disposal pipeline from the treatment plant site to a local regional industrial waste sewer; 23,500 linear feet of 16 inch diameter PVC pipeline from the City of Chino's reservoir site to the treatment plant site; 8,329 linear feet of 16 inch diameter of cement mortar lined and coated steel treated water delivery pipeline from the treatment plant to the City of Chino Hills existing 24 inch pipeline in El Prado Road; 62,200 linear feet of cement mortar lined and coated steel treated water delivery pipeline from the treatment plant site to Jurupa Community Service District's 24 inch pipeline located in 56th Street (14,600 linear feet of 30 inch from the treatment plant site to the County line, 28,000 linear feet of 30 inch from the County line to Wineville Avenue, Jurupa Community Services District paid for and owns the upsizing from a 24 inch to a 30 inch on this section of pipeline, 19,600 linear feet from Wineville Avenue to the District's 24 inch pipeline in 56th Street); 5.0 million gallon above ground steel tank reservoir constructed on Jurupa Community Services District property located on Indian Palms Drive.

EXHIBIT D

CONTRACTORS, SUBCONTRACTORS AND CONSULTANT WARRANTIES

1. Warranty on the Construction Contract for the Chino Basin Desalination, Program City of Chino Offsite Facilities *
Kenko, Inc. dba McGrand & Associates
1025 Calimesa Blvd., Suite 4
Calimesa, California 92320
2. Warranty on the Construction Contract for the Chino Basin Desalination, Program On-Site Treatment System Facilities *
C.W. Roen Construction Company
40 Oak Court
P.O. Box 4
Danville, California 94526
3. County of San Bernardino Standard Airport Lease Agreement and Amendments thereto
4. Assignment of Rights, Delegation of Duties and First Amendment to Joint Participation Agreement
5. Letter from Hydranautics, including Membrane Element Warranty No. SAWI4300
6. Chino Basin Desalination Program Wellhead Facilities, Extracted GW Pipeline and Jurupa CSD Pipeline, including Warranty from E.G. Meyers *

* Assignment of these contracts and associated warranties is contingent upon the written consent of the respective contractors.

EXHIBIT E
GRANT DEEDS

**RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:**

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Douglas S. Brown

(Space Above for Recorder's Use)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

DOCUMENTARY TRANSFER TAX:
THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE

Signature of Declarant or Agent Determining Tax-Firm Name

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Santa Ana Watershed Project Authority, a joint exercise of powers agency ("Grantor"), hereby grants to Chino Basin Desalter Authority, a joint exercise of powers agency, the real property in the County of Riverside, State of California, described as follows:

See Exhibit "A" attached hereto and incorporated herein by reference.

Grantor has caused this Grant Deed to be duly executed on February 27, 2002.

"Grantor":

SANTA ANA WATERSHED PROJECT
AUTHORITY

By: _____
Its: General Manager

Assessor's Parcel No. _____

MAIL TAX STATEMENTS TO:
Chino Basin Desalter Authority
8621 Jurupa Road
Riverside, CA 92509

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the real property conveyed under the foregoing to Chino Basin Desalter Authority, is hereby accepted by the undersigned officer or agent on behalf of the Treasurer of the Chino Basin Desalter Authority, pursuant to authority conferred by resolution of the said Board of Directors adopted on January 16, 2002, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: February 27, 2002

CHINO BASIN DESALTER AUTHORITY

By: _____
Its: Treasurer

STATE OF CALIFORNIA

)
) ss.
)

COUNTY OF _____

On _____, before me, _____, Notary Public,
(Print Name of Notary Public)

personally appeared _____

- personally known to me
- or-
- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

Title(s)

Title Or Type Of Document

- Partner(s) Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

Date Of Documents

Signer(s) Other Than Named Above

EXHIBIT A
LEGAL DESCRIPTION

**RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:**

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Douglas S. Brown

(Space Above for Recorder's Use)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

DOCUMENTARY TRANSFER TAX:
THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE

Signature of Declarant or Agent Determining Tax-Firm Name

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Santa Ana Watershed Project Authority, a joint exercise of powers agency ("Grantor"), hereby grants to Chino Basin Desalter Authority, a joint exercise of powers agency, the real property in the County of San Bernardino, State of California, described as follows:

See Exhibit "A" attached hereto and incorporated herein by reference.

Grantor has caused this Grant Deed to be duly executed on February 27, 2002.

"Grantor":

SANTA ANA WATERSHED PROJECT
AUTHORITY

By: _____
Its: General Manager

Assessor's Parcel No. _____

MAIL TAX STATEMENTS TO:
Chino Basin Desalter Authority
8621 Jurupa Road
Riverside, CA 92509

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the real property conveyed under the foregoing to Chino Basin Desalter Authority, is hereby accepted by the undersigned officer or agent on behalf of the Treasurer of the Chino Basin Desalter Authority, pursuant to authority conferred by resolution of the said Board of Directors adopted on January 16, 2002, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: February 27, 2002

CHINO BASIN DESALTER AUTHORITY

By: _____
Its: Treasurer

STATE OF CALIFORNIA

)
) ss.
)

COUNTY OF _____

On _____, before me, _____, Notary Public,
(Print Name of Notary Public)

personally appeared _____

- personally known to me
- or-
- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

Title(s)

Title Or Type Of Document

- Partner(s) Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

Date Of Documents

Signer(s) Other Than Named Above

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT F

WARRANTY BILL OF SALE

For good and valuable consideration the receipt of which is hereby acknowledged, SANTA ANA WATERSHED PROJECT AUTHORITY, a joint exercise of powers agency ("Seller"), does hereby sell, transfer, and convey to the CHINO BASIN DESALTER AUTHORITY, a joint exercise of powers agency ("Buyer"), all personal property owned by Seller and located on or in or used in connection with the Real Property and Improvements (as such terms are defined in that certain Facilities Acquisition Agreement dated as of January 15, 2002, between Seller and Buyer, including, without limitation, those items described in Schedule 1 attached hereto.

Seller does hereby represent to Buyer that Seller is the lawful owner of such personal property, that to the Sellers actual knowledge such personal property is free and clear of all encumbrances, and that Seller has good right to sell the same as aforesaid and will warrant and defend the title thereto unto Buyer, its successors and assigns, against the claims and demands of all persons whomsoever.

DATED this ____ day of _____, 2002.

Seller: SANTA ANA WATERSHED PROJECT
AUTHORITY,
a joint exercise of powers agency

By: _____

Its: _____

Schedule 1 to
Warranty Bill of Sale

<u>Quantity</u>	<u>Item</u>	<u>Model #</u>	<u>Serial #</u>
2	Hon Legal File Cabinets		
4	Letter File Cabinets (2 w/SAWPA files)		
1	HP Fax	920	MY01PEZ0NC
1	Printer (HP) Laser Jet	C3982A	USDF045752
1	Printer (HP) Desk Jet	C6410A	MX88Q2T1R5
1	Printer (Epson) Line Printer	P911A	ZYPX012492
2	External Modems US Robotics	0525	221MBCV97F9A 221MB2M912R4
1	HP Router Jet Direct 500X	J3265A	3862H192
1	3 Com Office Connect TP 800		7YNR036069
1	Dell 21" Monitor		7095152
1	Dell 21" Monitor		7096360
1	Dell Comp XPS R450	DS1M02	
1	Dell Comp XPS R450	DS1MCB	
1	NEC Monitor 19"	N9901	
1	HP Pavilion	64702	U590410136
1	Konica Copier 3035	DF-305	O48101798
1	HP CD Writer 7200 Series		HU84604206
1	HP CD Writer 7200 Series		HU846K4312
2	Deluxe Desk Chairs		
1	Myron Conductivity Meter (being serviced)		
1	Holmes Floor Heater		
1	ATT Answering Machine 1717		
1	ATT Phone 922		
1	Hach Odyssey DR/2500		10500000583
1	Sony Phone Cordless		495509
1	GE Refrigerator	TBX21DACBRWW	AZ550073
1	First Aid Kit 15" x 17" x 6"		
1	Micro Pump	120-WO	800760
1	Tool Box & Tools		
1	Farmer Brothers Coffee Maker	1030581	95-28484
1	Panasonic Microwave Oven	NN-6500a	AW129900351
2	Haz-Mat Suit	41550	00224255
2	Haz-Mat Suit		00224256
1	Case of Coveralls (Proshield)	LS412WHXL	
1	Emergency Kit		
1	Shop Vac. Sears 16 Gallon	17791	
1	Hand Truck (Red)		
	Lockers		
1	Hack Pocket Colorimeter P/N	46770	000800150924
1	Waterline Envirotec LTD Static Water Level Indicator	300	

SCHEDULE 1 TO EXHIBIT F

1	Rubbermade Ice Chest 48qt		
1	Igloo Ice Chest 6pk		
1	50' Air Hose, Tire/Gauge/Chuck & Accessories		
2	Holmes Twin Ceramic Heaters		
2	MSA Air Mask (SCBA)		
1	Breaker Lift Truck Square D Co.		
2	Push Brooms		
1	Mop & Mop Bucket/on Wheels		
3	Brooms		
2	Squeegees		
3	Dust Pans		
1	Flat Shovel		
1	Garden Rake		
5	1" Hoses		
6	5/8" Hoses		
1	55 Gallon Drum on Leak Containment Cradle		
1	Sprayer Solo 456		
1	Acid Storage Cabinet Just Rite	25871	
1	Fuel Storage Cabinet		
1	Goulds Pump 2HP	W5203403YU	B0013485
1	Weedeater Echo SRM 211 W/Gas Can		
1	Dell Latitude CPI		DP-N0009321C- 12800-8CD-3825
1	Desktop Computer delivered to the City of Chino		Unknown
1	Laptop Computer delivered to the City of Chino		Unknown

SCHEDULE 1 TO EXHIBIT F

EXHIBIT G

ASSIGNMENT OF SERVICE CONTRACTS,
WARRANTIES AND GUARANTIES
AND OTHER INTANGIBLE PROPERTY

THIS ASSIGNMENT ("Assignment") is made and entered into as of this _____ day of _____, 2002, by SANTA ANA WATERSHED PROJECT AUTHORITY, a joint exercise of powers agency ("Assignor"), to CHINO BASIN DESALTER AUTHORITY, a joint exercise of powers agency ("Assignee").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, effective as of the Effective Date (as defined below), Assignor hereby assigns and transfers unto Assignee all of its right, title, claim and interest in and under:

(a) all warranties and guaranties made by or received from any third party with respect to that certain real property described in Schedule 1 attached hereto (the "Property"), any building, building component, structure, fixture, machinery, equipment, or material situated on, contained in any building or other improvement situated on, or comprising a part of any building or other improvement situated on, any part of the Property including, without limitation, those warranties and guaranties listed in Schedule 1 attached hereto (collectively, "Warranties");

(b) all of the Service Contracts listed in Schedule 1 attached hereto; and

(c) any Intangible Property (as defined in that certain Facilities Acquisition Agreement (the "Agreement") dated as of January 15, 2002 between Assignor and Assignee).

ASSIGNOR AND ASSIGNEE FURTHER HEREBY AGREE AND COVENANT AS FOLLOWS:

1. Except as otherwise set forth in the Facilities Acquisition Agreement, effective as of the Effective Date, Assignee hereby assumes all of the owner's obligations under the Service Contracts and agrees to indemnify Assignor against and hold Assignor harmless from any and all cost, liability, loss, damage or expense.

2. If either Party hereto fails to perform any of its obligations under this Assignment or if a dispute arises between the Parties hereto concerning the meaning or interpretation of any provision of this Assignment, such dispute shall be resolved in accordance with Section 17(i) of the Agreement.

3. This Assignment shall be binding on and inure to the benefit of the Parties hereto, their heirs, executors, administrators, successors in interest and assigns.

4. This Assignment shall be governed by and construed and in accordance with the laws of the State of California.

5. For purposes of this Assignment, the "Effective Date" shall be the date of the Closing (as defined in the Facilities Acquisition Agreement).

6. Assignor shall cooperate with the Assignee to acquire any consents which may be needed to effect the assignment and transfer of the Warranties.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment the day and year first above written.

ASSIGNOR: SANTA ANA WATERSHED PROJECT
AUTHORITY
a joint exercise of powers agency

By: _____

Its: _____

ASSIGNEE: CHINO BASIN DESALTER AUTHORITY,
a joint exercise of powers agency

By: _____

Its: _____

Schedule 1 to
Assignment of Service
Contracts Warranties
and Guaranties and
Other Intangible Property

- C.W. Roen Contract including warranty on the Construction Contract for the Chino Basin Desalination, Program On-Site Treatment System Facilities*
- Kenko Contract including warranty on the Construction Contract for the Chino Basin Desalination, Program City of Chino Offsite Facilities*
- Letter from Hydranautics, including Membrane Element Warranty No. SAWI4300
- Agreement for Transfer of SARI Pipeline Capacity from Santa Ana Watershed Project Authority to Chino Basin Desalter Authority
- Agreement for Transfers of SARI System Treatment Disposal Capacity from Santa Ana Watershed Project Authority to Chino Basin Desalter Authority
- RBF Consulting Design Contract
- County of San Bernardino Standard Airport Lease Agreement and Amendments thereto
- Assignment of Rights, Delegation of Duties and First Amendment to Joint Participation Agreement
- Chino Basin Desalination Program Wellhead Facilities, Extracted GW Pipeline and Jurupa CSD Pipeline, including Warranty from E.G. Meyers*

* Notice of completion has been filed. Assignment of these contracts and associated warranties is contingent upon the written consent of the respective contractors.

EXHIBIT H

DUE DILIGENCE ITEMS

1. Notes or written agreements affecting the Property, including all rental agreements.
2. All plat maps, surveys, construction plans and any other plans or documentation relating to the Property.
3. All inspection reports, letters, test results, advisories and/or similar documents that pertain to the Property, including, without limitation, written inspection reports, soils and engineering reports, Phase I and Phase II reports, documentation regarding the existence or nonexistence of asbestos, PCB's or other Hazardous Materials.
4. Information regarding any underground storage tanks in, on, or about the Property.
5. Copies of invoices for the preceding six months relating to the operation and maintenance of the Property.
6. The most recent Fire Department inspection report.
7. Written releases or other documents relating to third party claims settled prior to the Closing Date or remaining unsettled at Closing Date.

EXHIBIT I

CERTIFICATE OF TRANSFEROR
OTHER THAN AN INDIVIDUAL
(FIRPTA Affidavit)

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform CHINO BASIN DESALTER AUTHORITY, a joint exercise of powers agency, the transferee of certain real property located in the City of Chino, California, that withholding of tax is not required upon the disposition of such U.S. real property interest by SANTA ANA WATERSHED PROJECT AUTHORITY, a joint exercise of powers agency ("Transferor"), the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. Transferor's U.S. employer identification number is _____; and
3. Transferor's office address is _____.

Transferor understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

Dated: _____, 2002.

SANTA ANA WATERSHED PROJECT AUTHORITY,
a joint exercise of powers agency

By: _____
Its: _____

EXHIBIT J

LITIGATION, THREATENED LITIGATION AND KNOWN OR THREATENED CLAIMS

	Name	Dairy Name	Address	Well Operation	Rough Distance, ft	Nearest Desalter Well	Status
1	Albers, Ray, et al. Eminent Domain Action Pending	Albers Dairy	8649 Merrill Ave. Chino, CA 91710	Dairy	2000	#9 & 10	Settlement discussions pending
2	Van Vliet, Hugo, et al. Eminent Domain Action Pending		8571 Merrill Ave. Chino, Ca 91710	Dairy		#9 & 10	Settlement discussions pending
3	de Boer, Sidney, et al.	de Boer Dairy	8865 Kimball Ave. Chino, CA 91710	Dairy	800	#6	Settled
4	Vanden Heuvel, Geoffrey, Ewouda Bouma, et al.	J&D Star Dairy	7551 Kimball Ave. Chino, CA 91710; 831 Laroda Court, Ontario, CA 91762	Dairy	1500	#4	Settled
5	Vander Poel, Brain, Judy Bruechert, et al.	Skyview Dairy	7311 Kimball Ave. Chino, CA 91710; 4223 E. Cornwall Ave., Orange, CA 92867	Dairy	1500	#4	Settled
6	Xavier Aphessetche / A. G. Kawamura, et al.	Orange Co Produce	Aphessetche: 7262 Bickmore Ave., Chino, CA 91710 Kawamura: 5951 Trabuco Road Irvine, Ca 92620	Irrigation	1200	#4	Settled
7	Van Hofwegen, Allen, et al.	Dutch Girl Dairy	7350 Hellman Corona, CA 91720	Dairy	5000	no significant impact	Rejected
8	Vander Dussen, Syp et al.	Syann Dairy	14950 River Rd. Corona, CA 91720	Dairy	14000	no significant impact	Rejected

9	Vander Eyk, Case Sr., et al.	Vander Eyk Dairy	17400 Hellman Corona, CA 91720	Dairy assumed	10000	no significant impact	Rejected
10	Weststeyne, John et al.	Weststeyn Dairy	14500 Chandler Corona, Ca 91720	Dairy assumed	7000	no significant impact	Rejected
11	Nyenhuis, Jim et al.	Nyenhuis Dairy	8711 Remington Chino, CA 91710	Dairy & Irrigation, two wells	300	#9, #10	Settlement discussions pending
12	Moons, Jack & Beatrice	Moons Dairy	6310 Hellman Chino, CA 91710	2 Dairy, 1 Irrigation	1500	#6, #7, #10, #11	Settled
13	Britschgi Farms / Van Surksun / San Bernardino County's Chino Airport	Britschgi Farms	7812 Chino Ave Ontario, Ca 91761	Irrigation		#8	Rejected
14	Wall and Troxel Wrongful Death Lawsuits	Not applicable	Chino Desalter I Treatment Plant	Non-well related; accidental deaths at Chino Desalter I Treatment Plant during construction	N/A		Litigation Pending with Defense being handled by electrical subcontractor's liability insurance carrier's law firm of Shupe & Reagan, Santa Ana, CA
15	Marquez, Arthur	Marquez Dairy	7360 Pine Ave Chino, Ca 91710	Dairy / domestic well	unknown	#3, #4	Rejected
16	Marquez, Arthur	Marquez Dairy #2	15970 S. Euclid Ave Chino, Ca 91710	2 Dairy domestic wells	unknown	#3, #4	Rejected

EXHIBIT K

PURCHASE PRICE

Payoff of Loan from State of California	\$ 12,968,985.52
Payoff of Chino Basin Regional Financing Authority Bonds (Net of Chino Basin Regional Financing Authority Funds on hand and subject to Section 5 of the Facilities Acquisition Agreement)	\$ 51,505,884.20
SAWPA Related Project Costs	\$ 14,662.50
	\$ 64,489,532.22

EXHIBIT L

OUTSTANDING CONTRACTS

- C.W. Roen Contract including warranty on the Construction Contract for the Chino Basin Desalination, Program On-Site Treatment System Facilities
- Kenko Contract including warranty on the Construction Contract for the Chino Basin Desalination, Program City of Chino Offsite Facilities
- Letter from Hydranautics, including Membrane Element Warranty No. SAWI4300
- Agreement for Transfer of SARI Pipeline Capacity from Santa Ana Watershed Project Authority to Chino Basin Desalter Authority
- Agreement for Transfers of SARI System Treatment Disposal Capacity from Santa Ana Watershed Project Authority to Chino Basin Desalter Authority
- RBF Agreement for Services by Independent Contractor and Related Task Orders
- Hargis Agreement for Services by Independent Contractor and Related Task Orders
- County of San Bernardino Standard Airport Lease Agreement and Amendments thereto
- Assignment of Rights, Delegation of Duties and First Amendment to Joint Participation Agreement
- Chino Basin Desalination Program Wellhead Facilities, Extracted GW Pipeline and Jurupa CSD Pipeline, including Warranty from E.G. Meyers

EXHIBIT M

FORM OF MWD ASSIGNMENT

**ASSIGNMENT OF RIGHTS, DELEGATION OF DUTIES
AND FIRST AMENDMENT TO
JOINT PARTICIPATION AGREEMENT**

This Assignment of Rights, Delegation of Duties and First Amendment to Joint Participation Agreement ("Assignment") is made by the Santa Ana Watershed Project Authority ("SAWPA") to Chino Basin Desalter Authority ("CDA") and agreed by the entities whose signatures appear below, effective as of the date specified in Section 6 below (the "Effective Date").

Recitals

A. SAWPA is a California joint powers agency comprised of Western Municipal Water District of Riverside County ("WMWD"), Inland Empire Utilities Agency (formerly known as Chino Basin Municipal Water District) ("IEUA"), Orange County Water District ("OCWD"), Eastern Municipal Water District ("EMWD") and San Bernardino Valley Municipal Water District.

B. CDA is a California joint powers agency comprised of IEUA, the Jurupa Community Services District, the Santa Ana River Water Company and the cities of Chino, Chino Hills, Norco and Ontario. CDA was formed by these entities pursuant to the Joint Exercise of Powers Agreement Creating the Chino Basin Desalter Authority, dated as of September 25, 2001.

C. SAWPA, WMWD, IEUA, OCWD and the Metropolitan Water District of Southern California ("MWDSC") entered into the Chino Basin Desalination Project, Phase I Joint Participation Agreement for Recovery, Treatment and Utilization of Contaminated Groundwater (the "Phase I Agreement"), dated as of December 7, 1995, to provide for the construction and operation of the Chino Basin Desalination Program, Phase I Project (as defined and described in the Phase I Agreement) (the "Project").

D. Under the Phase I Agreement, SAWPA is the sole owner of all Project facilities and is solely responsible for the operation and maintenance of all components of the Project.

E. SAWPA and CDA have entered into the Facilities Acquisition Agreement (the "Acquisition Agreement") dated as of January 15, 2002, providing for sale and conveyance of the Project by SAWPA to CDA. Accordingly, SAWPA wishes to assign and transfer its rights and delegate its duties under the Phase I Agreement to CDA.

F. With the exception of a joint coordinator who will oversee the day to day operation and management of the Chino I and Chino II Desalter, CDA intends to operate the Project separate and apart from its operation of desalter facilities developed in the future, including, but not limited to, the currently planned Chino II Desalter.

G. Pursuant to Section 20 of the Phase I Agreement, neither the Phase I Agreement nor any portion thereof may be assigned or transferred, nor shall any duties thereunder be delegated, without the express written consent of all parties to the Phase I Agreement.

H. Section 17.2 of the Phase I Agreement permits the amendment thereof at any time by written mutual agreement of the parties. The parties agree to amend the Phase I Agreement to correct certain errors and clarify certain provisions as shown below, and to remove OCWD as a party to the Agreement, and CDA consents to such amendment.

1. Capitalized terms used in this Assignment and not otherwise defined shall be as defined in the Phase I Agreement.

Assignment

1. By their authorized signatures below, SAWPA agrees that it will assign and transfer the Phase I Agreement (as amended below) and delegate its duties thereunder to CDA and CDA agrees that it will accept such assignment, transfer and delegation, subject to the consent of the parties to the Phase I Agreement as provided below.

2. SAWPA will transfer all of its right, title and interest in and to the Project, including all real and personal property included in the Project and all contract rights associated therewith, to CDA pursuant to the Acquisition Agreement. SAWPA will transfer the balance in the Membrane Replacement Fund, if any, and will provide copies of all its Project records to CDA. OCWD will be removed as a party to the Phase I Agreement and shall have no further rights or obligations under said Agreement from and after the effective date of this Assignment.

3. CDA agrees to exercise all of the rights and perform all of the duties and obligations of SAWPA under the Phase I Agreement, as amended in Section 5 below. Without limitation of the foregoing, CDA will (i) provide metering devices to accurately measure the quantity of Recovered Groundwater and shall meter water produced by the Project in a manner that adequately distinguishes Recovered Groundwater from any other water that it may manage, pursuant to Section 8 (Metering) of the Phase I Agreement and (ii) collect, report and retain Project data for the 2001-02 Fiscal Year and subsequent Fiscal Years pursuant to Section 9 (Record Keeping) of the Phase I Agreement.

4. By this Assignment, MWDSC, WMWD, IEUA, and CDA release and exonerate SAWPA from any obligations or liability under the Phase I Agreement accruing on and after the Effective Date; provided, however, that SAWPA shall retain its obligations accruing prior to the Effective Date. Without limiting the foregoing, SAWPA shall be responsible for its obligations under Section 9 (Record Keeping) of the Phase I Agreement for activities occurring prior to and including the Effective Date and such records shall be subject to audit after the Effective Date as provided in Section 9.4.

5. The Phase I Agreement is clarified and corrected by the following amendments:

(a) The third sentence in Section 1.2 of the Phase I Agreement is deleted and replaced by the following sentences:

Allowable Yield shall apply only to increased groundwater production shown in Exhibit "G" for each of the entities listed in Exhibit "G," including other communities which may be added by written consent of Metropolitan. [For Jurupa Community Services District and Santa Ana River Water Company, Allowable Yield

shall apply only to increased groundwater production above the threshold groundwater production value shown in Exhibit "G."]

(b) Section 1.17 of the Phase I Agreement is amended by the addition of the following sentence at the end of such Section:

"Project Unit Cost" shall also include the cost of any expansion facilities that are attached to and make use of Project facilities, as well as the Recovered Groundwater produced by the expansion facilities. "Project Unit Cost" shall not include the cost of the Chino II Desalter.

(c) Section 1.18 of the Phase I Agreement is amended by the addition of the following sentence at the end of such Section:

"Recovered Groundwater" shall also include any Contaminated Groundwater recovered and delivered for beneficial use by any Project expansion facilities.

(d) The table in Exhibit "C," page C-4, is amended to read:

18. <i>Fiscal</i> <i>Year of Operation</i>	<i>Maximum Annual</i> <i>Contribution</i>	<i>Maximum Amount in</i> <i>Fund</i>
1	\$207,035	\$207,035
2	\$207,035	\$424,422
3	\$207,035	\$652,678
4	\$207,035	\$892,347
5	\$207,035	\$1,144,000
6	\$227,739	\$1,144,000
7	\$227,739	\$1,144,000
8	\$227,739	\$1,144,000
9	\$227,739	\$1,144,000
10	\$227,739	\$1,258,400
11	\$250,513	\$1,258,400
12	\$250,513	\$1,258,400
13	\$250,513	\$1,258,400
14	\$250,513	\$1,258,400
15	\$250,513	\$1,384,240
16	\$275,564	\$1,384,240
17	\$275,564	\$1,384,240
18	\$275,564	\$1,384,240
19	\$275,564	\$1,384,240
20	\$275,564	\$1,522,664

(e) Exhibit G is amended by adding the following paragraphs following paragraph 2 and renumbering paragraphs 3 and 4 to become paragraphs 6 and 7:

3. For Norco, the amount of metered Recovered Groundwater Deliveries from the Desalter to Norco.

4. For Ontario, the amount of metered Recovered Groundwater Deliveries from the Desalter to Ontario.
5. For the Santa Ana River Water Company (SARWC), the lesser of:
 - (a) Metered Recovered Groundwater deliveries from the Desalter to SAWRC; or
 - (b) Metered Recovered Groundwater deliveries from the Desalter to SARWC, adjusted by SARWC's fiscal year local production use over or under the threshold value of 600 acre-feet per year.

(f) The third sentence of Section 8 of the Phase I Agreement is amended to insert the words "the Santa Ana River Water Company, the City of Norco" after the word "District."

(g) The third sentence of Section 9.1 of the Phase I Agreement is amended to insert the words "the Santa Ana River Water Company, the City of Norco" after the word "Ontario."

(h) On and after the Effective Date, all references to SAWPA in the Phase I Agreement shall be deemed to refer instead to CDA.

6. The Effective Date for the assignment and transfer provided in this Assignment shall be either the closing date under the Acquisition Agreement or the date on which the consents of all parties to the Phase I Agreement have been obtained, as indicated by their respective signatures and the dates of such signatures indicated below, whichever is later; provided, however, that the amendments provided in (a) through (e) of Section 5 shall be retroactive to the date of the Phase I Agreement.

7. The Phase I Agreement, together with exhibits, is, and shall continue to be, in full force and effect, except as specifically amended by this Assignment. This Assignment shall not be construed to be a waiver of any provision of the Phase I Agreement or a consent to any failure to comply with the Phase I Agreement. Without limitation of the foregoing, groundwater production for any communities other than the cities of Chino, Chino Hills, Ontario and Norco, the Jurupa Community Services District and the Santa Ana River Water Company shall not be included in Allowable Yield without Metropolitan's prior written approval, as provided in Exhibit G to the Phase I Agreement.

8. Except as otherwise expressly provided herein, the Phase I Agreement is in all respects ratified and confirmed, and nothing contained in this Assignment shall, or shall be construed to, modify, invalidate or otherwise affect any provision of the Phase I Agreement or any right of the parties arising thereunder.

9. This Assignment may be executed in as many counterparts as may be deemed necessary or convenient and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original, but all such counterparts shall constitute but one and the same agreement.

10. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

ASSIGNOR:

Santa Ana Watershed Project Authority

Approved as to form::

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

ASSIGNEE:

Chino Basin Desalter Authority

Approved as to form:

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

AGREED AND ACCEPTED:

Western Municipal Water District
of Riverside County

Approved as to form:

By: _____
Title: _____
Date: _____

By: _____
Title: _____
Date: _____

Approved as to form:

Inland Empire Utilities Agency

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Approved as to form:

Orange County Water District

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

By: _____

Title: _____

Date: _____

Approved as to form:

The Metropolitan Water District
of Southern California

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT N

FORM OF AIRPORT LEASE ASSIGNMENT

**ASSIGNMENT, ACCEPTANCE, ASSUMPTION
AND CLARIFICATION OF INTENT OF LEASE, AND
CONSENT TO ASSIGNMENT, ACCEPTANCE, ASSUMPTION
AND CLARIFICATION OF INTENT OF LEASE**

This Assignment, Acceptance, Assumption and Clarification of Intent of Lease (the "Assignment") is made between the SANTA ANA WATERSHED PROJECT AUTHORITY, a joint exercise of powers agency ("SAWPA"), and the CHINO BASIN DESALTER AUTHORITY, a joint exercise of powers agency ("CDA"), (collectively, "the Parties"); and shall be effective immediately upon execution by the last of the Parties.

RECITALS

A. SAWPA and CDA are Seller and Buyer, respectively, under that certain Facilities Acquisition Agreement whereby SAWPA proposes to sell and CDA proposes to buy the facilities know as the Chino I Desalter project.

B. In connection with such sale and purchase, it is necessary for SAWPA to assign to CDA and CDA to accept and assume that certain Standard Airport Lease Document Number CNO-0776-96L made between the County of San Bernardino (the "County") and SAWPA dated December 10, 1996 (the "Original Lease") whereby the County leased certain sites and granted certain easements to SAWPA for construction and operation of water wells and collection pipelines used as part of such project.

C. The Original Lease was amended by "the First Amendment" executed by the County on July 7, 1998 and by SAWPA on June 15, 1998.

D. The Lease was amended further by "the Second Amendment" executed by the County on September 14, 1998 and by SAWPA on September 9, 1998 ("the Second Amendment").

E. The Original Lease, the First Amendment and the Second Amendment collectively are referred to in this Assignment as "the Lease".

NOW, THEREFORE, for good and valuable consideration, receipt and sufficiency of which hereby are acknowledged, the Parties agree as follows:

1. Assignment. SAWPA hereby assigns all of its right, title and interest in and to the Lease to CDA.

2. Acceptance and Assumption. CDA hereby accepts the foregoing Assignment and agrees to assume and to keep, perform and be bound by all of the terms, covenants and conditions and obligations contained in the Lease on the part of the tenant (referred to in the Lease as the "Authority"), to be kept and performed as though CDA was the original tenant thereunder.

3. Clarification of Intent. It is the mutual intent of the Parties that the intended monetary lease rental payment under the Lease is comprised exclusively of the financial commitment of SAWPA and any assignee ("Tenant"), in the exercise of its leasehold rights under the Lease, to remove hazardous waste or hazardous materials contamination, if any, from groundwater extracted by it from the project wells and used in connection with the existing and proposed major groundwater desalter facilities of the Tenant. However, it was not intended that the Tenant would have any obligation to extract and treat any other contaminated water. Also, the method and amount of extraction of water from such project wells was intended to be within the sole and absolute discretion of the Tenant. The Tenant was intended to be responsible for removing and properly disposing of any contamination contained in any water extracted by it from the project wells, but not for treatment of any contamination contained for groundwater not extracted from the project wells.

SANTA ANA WATERSHED PROJECT
AUTHORITY, a joint exercise of powers agency

By: John L. Anderson

Name: John Anderson

Its: Chairman

Dated: Feb. 22, 2002

CHINO BASIN DESALTER AUTHORITY,
a joint exercise of powers agency

By: _____

Name: Dennis Yates

Its: Chairperson

Dated: _____

**CONSENT TO ASSIGNMENT,
ACCEPTANCE AND ASSUMPTION AND CLARIFICATION
OF INTENT OF LEASE**

The County of San Bernardino ("the County"), as lessor (described as "the County" in the Lease) under the Lease referenced in the foregoing Assignment, hereby consents to the Assignment without waiving its rights concerning future assignments. The County also hereby agrees to the clarification of responsibility for treatment of groundwater contamination set forth in the Assignment., This Consent shall not provide any benefit to any third party.

THE COUNTY OF SAN BERNARDINO

By: _____
Fred Aguiar

Its: Chairman, Board of Supervisors

Dated: _____

SIGNED AND CERTIFIED THAT A COPY OF
THIS DOCUMENT HAS BEEN DELIVERED
TO THE CHAIRMAN OF THE BOARD

J. RENEE BASTIAN, Clerk of the Board
of Supervisors

By: _____
Deputy

Date: _____

APPROVED AS TO FORM:

By: _____
Fiona Luke

Its: Deputy County Counsel

Dated: _____

WATER PURCHASE AGREEMENT

Dated as of January 15, 2002

By and Between

CHINO BASIN DESALTER AUTHORITY

and

JURUPA COMMUNITY SERVICES DISTRICT

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WATER PURCHASE AGREEMENT

This Agreement, dated as of January 15, 2002, by and between the Chino Basin Desalter Authority (the "Authority"), a joint exercise of powers agency duly organized and existing pursuant to Article 1, Chapter 5, Division 7, Title 1 of the Government Code (the "Joint Powers Act"), commencing with Section 6500, and the Jurupa Community Services District (the "Purchaser"), a community services district created pursuant to the constitution and laws of the State of California.

WITNESSETH:

WHEREAS, the Purchaser and certain other water purveyors in the Chino Basin have entered into the Integrated Chino-Arlington Desalters System Term Sheet (the "Term Sheet") pursuant to which such water purveyors have made a contractual commitment to purchase desalted water from certain desalting facilities (capitalized terms used herein and not otherwise defined shall have the meanings set forth below);

WHEREAS, in order for the Purchaser to receive desalter water, certain facilities described in the Term Sheet and comprising the Project must be acquired and constructed by the Authority;

WHEREAS, the Authority and the Purchaser now wish to enter into this Agreement to provide for the acquisition, construction, operation and financing of the Project, for the sale by the Authority to the Purchaser of the Purchaser's Project Allotment and certain other matters;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions.

The following terms shall, for all purposes of this Agreement have the following meanings:

"Authority" shall have the meaning assigned thereto in the preamble hereto.

"Authority Bonds" means bonds, notes or other evidences of indebtedness issued by or on behalf of the Authority to finance or refinance the Project.

"Authority Fiscal Year" means the twelve month period commencing on July 1 of each calendar year and ending on the following June 30 or such other twelve month period which may be designated by the Authority as its fiscal year.

"Bonds" mean all bonds, notes or similar obligations (but not including Contracts) of the Purchaser authorized and issued by the Purchaser under and pursuant to applicable laws of the State of California after the date of execution of this Agreement, the principal of and interest on which are an operation and maintenance expense of the Purchaser Water System determined in accordance with generally accepted accounting principles and which are secured by a pledge or a lien on Purchaser Net Water System Revenues and which are on a parity with the obligations of the Purchaser under this Agreement.

"Bond Resolution" means the resolution or resolutions providing for the issuance of Authority Bonds and the terms thereof, and any indenture or trust agreement related thereto.

“Contract Payments” means:

- (1) the interest payable during such Purchaser Fiscal Year on all outstanding Bonds, assuming that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds);
- (2) that portion of the principal amount of all outstanding serial Bonds maturing during such Purchaser Fiscal Year;
- (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid during such Purchaser Fiscal Year; and
- (4) that portion of payments under Contracts (other than under this Agreement) constituting principal and interest required to be made at the times provided in the Contracts.

“Contracts” means this Agreement and all contracts of the Purchaser authorized and executed by the Purchaser under and pursuant to the applicable laws of the State of California after the date of execution of this Agreement, the payments under which are an operation and maintenance expense of the Purchaser Water System determined in accordance with generally accepted accounting principles and which are secured by a pledge of or lien on the Purchaser Net Water System Revenues and which are on a parity with the obligations of the Purchaser under this Agreement.

“Debt Service” means, as of the date of calculation and with respect to Authority Bonds, an amount equal to the sum of (i) interest payable during such Authority Fiscal Year on Authority Bonds, except to the extent that such interest is to be paid from capitalized interest, (ii) that portion of principal of Authority Bonds payable during such Authority Fiscal Year, (iii) amounts necessary to replenish the Reserve Fund created pursuant to the Bond Resolution, and (iv) all letters of credit and other financing costs payable on a periodic basis. Such interest, principal installments and financing costs for such series shall be calculated on the assumption that no Authority Bonds outstanding at the date of calculation will cease to be outstanding except by reason of the payment of principal on the due date thereof;

provided further that, as to any such Authority Bonds bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be one hundred ten percent (110%) of the greater of (a) the daily average interest rate on such Authority Bonds during the twelve (12) calendar months preceding the date of calculation (or the portion of the then current Authority Fiscal Year that such Authority Bonds have borne interest) or (b) the most recent effective interest rate on such Authority Bonds prior to the date of calculation; and

provided further that, as to any such Authority Bonds or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Authority Bonds or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Authority Bonds for which such debt service reserve fund was established and in each preceding Authority Fiscal Year until such amount is exhausted.

“Facilities Acquisition Agreement” means the Facilities Acquisition Agreement, dated as of January 15, 2002, by and between SAWPA and the Authority, as such Facilities Acquisition Agreement may be amended or supplemented from time-to-time.

“Fixed Project Costs” means capital costs, including Debt Service, and reserves for repair and replacement and improvement to the Project and for payment of Debt Service of the Project, and all other amounts paid by the Authority other than Variable O&M Costs and Fixed O&M Costs.

“Fixed O&M Costs” means operation, maintenance, power, replacement and other costs, including Project Operation and Maintenance Expenses and a reasonable reserve for contingencies, in each case incurred by the Authority with respect to the Project, irrespective of the amount of water delivered to the Project Participants, including but not limited to amounts required to be deposited in the Membrane Replacement Fund, and amounts payable to Jurupa Community Services District under the Agreement By And Between The Chino Basin Desalter Authority, Jurupa Community Services District, The City Of Ontario, The City Of Norco And Santa Ana River Water Company Providing For The Transportation Of Chino II Desalter Water.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the Purchaser, or the Authority, as the case may be, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Joint Powers Agreement” means the Joint Exercise of Powers Agreement creating the Chino Basin Desalter Authority, as such agreement may be amended or supplemented from time to time.

“Project” means certain facilities necessary to deliver desalted water to the Project Participants, including the following: (i) the Chino I Desalter, (ii) the Chino I Expansion facilities, (iii) Chino II Desalter; and (iv) water pipelines, electric generators and associated facilities. The Authority and the Purchaser acknowledge that portions of the Project are currently being designed and that the definition of the Project may be revised from time-to-time prior to commencement of construction as provided in Section 4 hereof without amendment to this Agreement.

“Project Allotment” means 8,200 acre-feet of desalted water per year.

“Project Operation and Maintenance Expenses” means the actual costs spent or incurred by the Authority for maintaining and operating the Project, calculated in accordance with generally accepted accounting principles and Section 9 hereof, including (among other things) the expenses of management and repair and other expenses necessary to maintain and preserve the Project, in good repair and working order, and including administrative costs of the Authority, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Authority, or charges required to be paid by it to comply with the terms of the Authority Bonds or of this Agreement, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Project, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation and (iv) Debt Service.

“Project Participant” mean the Purchaser and each entity listed in Exhibit A hereto executing Water Purchase Agreements with the Authority.

“Purchaser” shall have the meaning assigned thereto in the preamble hereto.

“Purchaser Fiscal Year” means the twelve month period commencing on July 1 of each year and ending on the following June 30 or such other twelve month period which may be designated by the Purchaser as its fiscal year.

“Purchaser Net Water System Revenues” means, for any Purchaser Fiscal Year, the Purchaser Water System Revenues for such Purchaser Fiscal Year less the Purchaser Operation and Maintenance Expenses for such Purchaser Fiscal Year.

“Purchaser Operation and Maintenance Expenses” means the costs spent or incurred by the Purchaser for maintaining and operating the Purchaser Water System, calculated in accordance with generally accepted accounting principles, including (among other things) the expenses of management and repair and other expenses necessary to maintain and preserve the Purchaser Water System, in good repair and working order, and including administrative costs of the Purchaser, salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and all other reasonable and necessary costs of the Purchaser, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, and (iii) charges for the payment of principal and interest on Bonds or Contracts.

“Purchaser Share” means the Purchaser’s Project Allotment divided by the sum of all Project Participants’ Project Allotments, all as set forth as Exhibit A hereto.

“Purchaser Water System” means properties and assets, real and personal, tangible and intangible, of the Purchaser now or hereafter existing, used or pertaining to the acquisition, treatment, reclamation, transmission, distribution and sale of water, including all additions, extensions, expansions, improvements and betterments thereto and equipment relating thereto; provided, however, that to the extent the Purchaser is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the Purchaser’s ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Purchaser Water System.

“Purchaser Water System Revenues” means the income, rents, rates, fees, charges, and other moneys derived by the Purchaser from the ownership or operation of Purchaser Water System including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities, and commodities sold, furnished, or supplied through the facilities of Purchaser Water System, including standby and availability charges, capital water facilities fees for design, construction and reconstruction expenses, development fees and other fees allocable to the Purchaser Water System, (ii) taxes or assessments as may be imposed if the levy thereof and payment hereunder is permitted by law, and (iii) the earnings on and income derived from amounts set forth in clauses (i) and (ii) above, and shall not include (y) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the Purchaser and (z) proceeds of any taxes or assessments except taxes or assessments described in clause (ii) above.

“SAWPA” means the Santa Ana Watershed Project Authority, a joint exercise powers agency, including the successors and assigns thereof.

“Term Sheet” shall have the meaning assigned thereto in the preamble hereto.

“Trustee” means the entity or entities designated by the Authority pursuant to any Bond Resolution to administer any funds or accounts required by such Bond Resolution or otherwise.

“Variable O&M Costs” means the operation, maintenance, power, replacement and other costs, including Project Operation and Maintenance Expenses incurred by the Authority in connection with the Project in an amount which is dependent upon and varies with the amount of water delivered to the Project Participants.

“Water Purchase Agreement” means this Agreement and each Water Purchase Agreement by and between the Authority and a Project Participant, as the same may be amended or supplemented from time to time.

Section 2. Purpose.

The purpose of this Agreement is for the Authority to sell Project Allotment to the Purchaser, to deliver Project Allotment to the Purchaser available from the Project, to provide the terms and conditions of such delivery and sale and to provide for the acquisition, construction and financing of the Project. The parties hereto confirm that this Agreement constitutes a contractual right to purchase desalted water and that no water right is being transferred by the Authority to any Project Participant under this Agreement.

Section 3. Financing, Construction and Operation.

The Authority will use its best efforts to cause or accomplish the acquisition, construction, operation and financing of the Project, the obtaining of all necessary authority and rights, consents and approvals, and the performance of all things necessary and convenient therefor, subject to compliance with all necessary federal and state laws, including but not limited to the California Environmental Quality Act (“CEQA”), the terms and conditions of the Authority’s permits and licenses and all other agreements relating thereto.

Section 4. Delivery of Water.

(a) Request by Purchaser. Pursuant to the terms of this Agreement, the Authority shall provide to the Purchaser, and the Purchaser shall take, or cause to be taken, in each Authority Fiscal Year an amount of water equal to the Purchaser’s Project Allotment unless the Purchaser notifies the Authority, pursuant to procedures to be developed by the Authority, that the Purchaser requires an amount of water less than the Purchaser’s Project Allotment. Subject to the Project Participant’s payment obligations hereunder, the Authority agrees to use its best efforts to deliver desalted water pursuant to this Agreement meeting the water quality standards set forth in Section 5.3 of the Joint Powers Agreement and all applicable local, state and federal water quality standards as such standards may be in effect from time to time.

(b) Points of Delivery; Flow Rate. The Authority will deliver or cause to be delivered to or for the account of the Purchaser the amount of water specified in each request at a flow rate and through delivery structures at a point along the Project to be agreed upon by the Authority and the

Purchaser. The Authority will remain available to make or cause to be made all necessary and possible arrangements for transmission and delivery of such water in accordance with this Agreement.

(c) Delivery of Water Not Delivered in Accordance with Schedule. If in any Authority Fiscal Year the Authority, as a result of causes beyond its control, is unable to deliver any portion of the Purchaser's Project Allotment for such Authority Fiscal Year as provided for in the delivery schedule established for that Authority Fiscal Year, the Purchaser may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the Authority Fiscal Year or subsequent to such Authority Fiscal Year, to the extent that such water is then available and such election is consistent with the Authority's overall delivery ability, considering the then current delivery schedules of all Project Participants and the Authority.

(d) SARWC Request. Pursuant to the Joint Powers Agreement, if Santa Ana River Water Company cannot receive the full 1,200 acre feet of water allocated thereto as provided in the Term Sheet, then Jurupa Community Services District and the City of Ontario will abate their deliveries of water from the Project on a pro-rata basis to ensure that Santa Ana River Water Company can receive the full 1,200 acre feet of water from the Authority for such year. Notwithstanding the foregoing, Jurupa Community Services District and the City of Ontario shall only have such obligation if Santa Ana River Water Company's demand for water is constant or at a "steady-rate" of 744 gpm.

Section 5. Curtailment of Delivery for Maintenance Purposes.

(a) Authority May Curtail Deliveries. The Authority may temporarily discontinue or reduce the delivery of water to the Purchaser hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the Project facilities necessary for the delivery of water to the Purchaser. The Authority shall notify the Purchaser as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice shall be given as soon thereafter as possible.

(b) Purchaser May Receive Later Delivery of Water Not Delivered. In the event of any discontinuance or reduction of delivery of water pursuant to subsection (a) of this Section, the Purchaser may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that Authority Fiscal Year at other times during the Authority Fiscal Year or subsequent to such Authority Fiscal Year to the extent that such water is then available and such election is consistent with the Authority's overall delivery ability, considering the then current delivery schedules of all Project Participants and the Authority.

Section 6. Shortage in Water Supply.

In any Authority Fiscal Year in which there may occur a shortage or interruption in the supply of water available for delivery to the Project Participants, including but not limited to shortages or interruptions caused by changes in laws, regulations or rulings relating to or affecting the Authority's permits and licenses, with the result that such supply is less than the total of the annual Project Allotments of all Project Participants for that Authority Fiscal Year, the Authority shall reduce the delivery of water to the Purchaser in accordance with the Joint Powers Agreement.

Section 7. Measurement of Water Delivered.

The Authority shall measure, or cause to be measured, all water delivered to the Purchaser and shall keep and maintain accurate and complete records thereof. For this purpose and in accordance with Section 4 hereof, the Authority shall install, operate, and maintain, or cause to be installed, operated and maintained, at all delivery structures for delivery of water to the Purchaser at the point of delivery determined in accordance with Section 4(b) such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced by the Authority regularly to insure their accuracy. At any time or times, the Purchaser may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

Section 8. Responsibility for Delivery and Distribution of Water.

(a) Neither the Authority nor any of its officers or agents shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied to the Purchaser after such water has passed the points of delivery established in accordance with Section 4(b) hereof; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said points of delivery and including attorneys fees and other costs of defense in connection therewith; the Purchaser shall indemnify and hold harmless the Authority and its officers, agents, and employees from any such damages or claims of damages.

(b) Neither the Purchaser nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied to the Purchaser until such water has passed the points of delivery established in accordance with Section 4(b) hereof; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water prior to such water passing said points of delivery and including attorneys fees and other costs of defense in connection therewith; the Authority shall indemnify and hold harmless the Purchaser and its officers, agents, and employees from any such damages or claims of damages.

Section 9. Rates and Charges.

(a) Establishment of Rates and Charges. The Authority shall fix charges to the Purchaser under this Agreement to produce revenues to the Authority from the Project equal to the amounts anticipated to be needed by the Authority to pay the actual cost of producing the Purchaser's Project Allotment, which shall include the following costs of the Authority to deliver the Purchaser's Project Allotment through the Project: (i) Fixed Project Costs, (ii) Fixed O&M Costs and (iii) Variable O&M Costs.

(b) Insufficiency of Funds. If Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs collected by the Authority are insufficient to operate and maintain the Project as contemplated under the Joint Powers Agreement, the Authority shall notify the Purchaser of such insufficiency and the Purchaser shall pay to the Authority an amount of such insufficiency equal to such insufficiency multiplied by the Purchaser Share. The obligation of the Purchaser to pay Fixed Project Costs and Fixed O&M Costs shall commence and continue to exist and be honored by the Purchaser whether or not water is furnished to it from the Project at all times or at all (which

provision may be characterized as an obligation to pay all costs on a take-or-pay basis whether or not water is delivered or provided and whether or not the Project is completed or is operable).

(c) Source of Payments. The obligation of the Purchaser to make payments under this Agreement is a limited obligation of the Purchaser and not a general obligation thereof. The Purchaser shall make payments under this Agreement solely from Purchaser Water System Revenues as a Purchaser Operation and Maintenance Expense. The Purchaser shall make such payments on a parity with other Purchaser Operation and Maintenance Expenses and prior to any other payments other than Bonds or Contracts. Nothing herein shall be construed as prohibiting (i) the Purchaser from using any other funds and revenues for purposes of satisfying any provisions of this Agreement or (ii) from incurring obligations payable on a parity with the obligations under this Agreement so long as the Purchaser complies with Section 13(a) hereof.

(d) Obligation Is Not Subject To Reduction. The Purchaser shall make payments of Fixed Project Costs and Fixed O&M Costs under this Agreement whether or not the Project is completed, operable, operated or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of operation of the Project or of water contracted for in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether offset or otherwise, and are not conditioned upon performance by the Authority or any other Project Participant under this Agreement or any other agreement.

(e) Several Obligation. The Purchaser shall not be liable under this Agreement for the obligations of any other Project Participant. The Purchaser shall be solely responsible and liable for performance of its obligations under this Agreement. The obligation of the Purchaser to make payments under this Agreement is a several obligation and not a joint obligation with those of the other Project Participants.

(f) Allocation of Costs and Expenses.

The Authority shall not allocate costs and expenses in any way which discriminates among Project Participants.

(i) Method of Computation of Fixed Project Costs and Fixed O&M Costs. The Fixed Project Costs shall be sufficient to return to the Authority those capital costs of the Authority necessary to deliver water to the Purchaser. The Fixed O&M Costs shall be sufficient to return to the Authority Project Operation and Maintenance Expenses and a reasonable reserve for contingencies, in each case incurred by the Authority with respect to the Project, irrespective of the amount of water delivered to the Project Participants. The total amount of Fixed Project Costs shall be allocated to the Purchaser by multiplying the Purchaser Share times all Fixed Project Costs. The total amount of Fixed O&M Costs shall be allocated to the Purchaser by multiplying the Purchaser Share times all Fixed O&M Costs.

(ii) Method of Computation of Variable O&M Costs. The Variable O&M Costs shall return to the Authority those costs of the Project which constitute Variable O&M Costs. There shall be computed for the Project a charge per acre-foot of water which will return to the Authority the total projected Variable O&M Costs of the Project for each Authority Fiscal Year. The parties confirm that if the Purchaser complies with the notice requirement of Section 4(a), no Variable O&M Costs will be allocated to the Purchaser for the portion of Project Allotment not produced by the Authority for the Purchaser.

(iii) Adjustments. The Authority shall update the values and amounts of Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs on a quarterly basis, including year-to-date comparisons to the approved Project budget in order that the costs and expenses to the Purchaser may accurately reflect increases or decreases from Authority Fiscal Year to Authority Fiscal Year in Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs. In addition, each such determination shall include an adjustment to be paid or received by the Purchaser for succeeding Authority Fiscal Years which shall account for the differences, if any, between projections of Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs used by the Authority in determining the amounts of said Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs for all preceding Authority Fiscal Years and actual Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs incurred by the Authority for water delivered to the Purchaser during such Authority Fiscal Years.

(iv) Interest Earnings. Interest earnings on all amounts paid by the Purchaser to the Authority shall be credited to the Purchaser through the budgeting process.

(g) Time and Method of Payment.

(i) Fixed Project Costs and Fixed O&M Costs. For the Authority Fiscal Year ending June 30, 2002, the Purchaser shall pay to the Authority Fixed Project Costs and Fixed O&M Costs as provided in the initial budget described in Section 10 hereof. Thereafter, the Purchaser shall pay to the Authority, on or before July 15 of each Authority Fiscal Year, 100% of the charge to the Purchaser for such Authority Fiscal Year of the Fixed Project Costs and Fixed O&M Costs.

(ii) Variable O&M Costs. The Purchaser shall pay to the Authority the charges to the Purchaser for the Variable O&M Costs on the date the Chino 1 Desalter is acquired by the Authority and thereafter for the three-month period commencing on the next succeeding January 1, April 1, July 1 or October 1 so that the Authority receives quarterly payments of Variable O&M Costs three months in advance of the time when such Variable O&M Costs will begin to be incurred by the Authority.

(iii) Statement of Charges. The Authority shall furnish the Purchaser with a written statement of the estimated Fixed Project Costs for the next succeeding Authority Fiscal Year, taking into account applicable credits received by the Authority and estimated investment earnings on moneys related to the Project held by the Authority. The Authority shall, on or before March 15, June 15, September 15 and December 15 of each Authority Fiscal Year, commencing on the date the Chino 1 Desalter is acquired by the Authority, furnish the Purchaser with a statement of the charges to the Purchaser for the Variable O&M Costs for the three-month period commencing on the July 1, October 1, January 1 or April 1, commencing three and one-half months subsequent to such date.

(iv) Contest of Accuracy of Charges. If the Purchaser questions or disputes the correctness of any billing statement by the Authority, it shall pay the Authority the amount claimed when due and shall, within thirty (30) days of the completion and delivery of the Authority's annual audit, request an explanation from the Authority. If the bill is determined to be incorrect, the Authority will adjust the bill to the Purchaser in the next Authority Fiscal Year, including an adjustment equal to the interest actually earned by the Authority on its general reserves during such period. If the Authority and the Purchaser fail to agree on the

correctness of a bill within thirty (30) days after the Purchaser has requested an explanation, the parties shall promptly submit the dispute to arbitration under Section 1280 et seq. of the Code of Civil Procedure.

Section 10. Annual Budget and Billing Statement.

The Authority will prepare and approve a budget for the period from the date of acquisition of the Chino 1 Desalter through June 30, 2002 on or prior to acquisition of the Chino 1 Desalter. Such initial budget shall include all Variable O&M Costs, Fixed O&M Costs and Fixed Project Costs. Thereafter, the Authority will prepare a preliminary annual budget for each applicable Authority Fiscal Year for credits, costs and expenses relating to the Project, including Variable O&M Costs and Fixed Project Costs. The Authority shall submit a draft of such budget to the Purchaser on or prior to each April 1 for review and comment. Authority staff shall use its best efforts to resolve any questions or concerns caused by a Project Participant during such review. The Board of Directors of the Authority will adopt a final annual budget for the applicable Authority Fiscal Year on or before June 1 of each Authority Fiscal Year after at least one public hearing on the budget and shall allow any Project Participant which may object to any provision of the budget to present such objection during such hearing. The Authority shall supply a copy of said final annual budget to the Purchaser on or before June 15 of each Authority Fiscal Year. Any amendment to the budget shall be submitted to the Purchaser for review and comment at least 30 days prior to action thereon by the Authority Board of Directors. Any such amendment shall be subject to the same hearing requirements applicable to the budget set forth above.

Section 11. Obligation in the Event of Default.

(a) Written Demand. Upon failure of the Purchaser to (i) make any payment in full when due under this Agreement or (ii) to perform any other obligation hereunder, the Authority shall make written demand upon the Purchaser. If a failure described in clause (i) above is not remedied within thirty (30) days from the date of such demand or, if Authority Bonds are outstanding, for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, such failure shall constitute a default at the expiration of such period. If a failure described in clause (ii) cannot be remedied within thirty (30) days from the date of such demand but the Purchaser commences remedial action within such thirty (30) day period, such failure shall not constitute a default hereunder. Notice of any such demand shall be provided to each other Project Participant by the Authority. Upon failure of the Authority to perform any obligation of the Authority hereunder, the Purchaser shall make written demand upon the Authority, and if said failure is not remedied within thirty (30) days from the date of such demand or, if Authority Bonds are outstanding, for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each Project Participant by the Purchaser making such written demand.

In addition to any default resulting from breach by the Authority or the Purchaser of any agreement, condition, covenant or term hereof, if the Authority or the Purchaser shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the Authority or the Purchaser asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of

reorganization or for a readjustment of its debts or for any other similar relief, or if the Authority or the Purchaser shall make a general or any assignment for the benefit of its creditors, then in each and every such case the Authority or the Purchaser, as the case may be, shall be deemed to be in default hereunder.

(b) Transfer for Defaulting Purchaser's Account. Upon the failure of the Purchaser to make any payment which failure constitutes a default under this Agreement, the Authority shall use its best efforts to transfer for the Purchaser's account all or a portion of the Purchaser's Project Allotment for all or a portion of the remainder of the term of this Agreement. Notwithstanding that all or any portion of the Purchaser's Project Allotment is so transferred, the Purchaser shall remain liable to the Authority to pay the full amount of its share of costs hereunder as if such sale or transfer has not been made, except that such liability shall be discharged to the extent that the Authority shall receive payment from the transferee thereof.

(c) Termination of Entitlement to Project Allotment; Continuing Obligations. Upon the failure of the Purchaser to make any payment which failure constitutes a default under this Agreement and causes the Authority to be in default under any Bond Resolution, the Authority may (in addition to the remedy provided by subsection (b) of this Section) give notice of termination of the provisions of this Agreement insofar as the same entitle the Purchaser to its Project Allotment which notice shall be effective within 30 days thereof unless such termination shall be enjoined, stayed or otherwise delayed by judicial action. Irrespective of such termination, the Purchaser shall remain liable to the Authority to pay the full amount of costs hereunder.

(d) Enforcement of Remedies. In addition to the remedies set forth in this Section, upon the occurrence of an Event of Default as defined herein, the Authority or the Purchaser, as the case may be, shall be entitled to proceed to protect and enforce the rights vested in such party by this Agreement by such appropriate judicial proceeding as such party shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such party by this Agreement or by law. The provisions of this Agreement and the duties of each party hereof, their respective boards, officers or employees shall be enforceable by the other party hereto by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, with the losing party paying all costs and attorney fees.

(e) Trustee is Third Party Beneficiary. Any Trustee for Authority Bonds shall have the right, as a third party beneficiary, to initiate and maintain suit to enforce this Agreement to the extent provided in any Bond Resolution.

Section 12. Transfers, Sales and Assignments of Project Allotment or Purchaser Water System.

(a) Transfer of Project Allotment. The Purchaser has rights to make transfers, sales, assignments and exchanges (collectively "transfers") of its Project Allotment or its rights or obligations with respect thereto only as expressly provided in this Section. In no event shall any sale or other disposition of all or any portion of the Purchaser's Project Allotment relieve the Purchaser of any of its obligations hereunder. The Purchaser shall give notice to the Authority in accordance with rules and regulations approved by the Authority from time to time.

(b) Sale or Other Disposition of Project Allotment. If in any Fiscal Year the Purchaser determines in accordance with 4(a) not to receive all of the Project Allotment, the Authority shall offer such portion of the Project Allotment to the State of California at a price to be determined by the Authority. If the State of California declines to purchase such Project Allotment, the Purchaser shall have the right to sell such portion of the Project Allotment to another Project Participant or an entity which is not a Project Participant. No such sale of the Project Allotment shall relieve the Purchaser of any of its obligations hereunder.

Section 13. Covenants of the Purchaser.

The Authority and the Purchaser agree that the covenants contained in this Section shall only be enforced by the Authority to the extent necessary to enforce the payment provisions contained herein.

(a) Amount of Rates and Charges. The Purchaser will fix, prescribe and collect rates and charges for the Purchaser Water System which will be at least sufficient to yield during each Purchaser Fiscal Year Purchaser Net Water System Revenues (excluding Contract Payments, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs) equal to one hundred twenty-five percent (125%) of the Contract Payments, Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs for such Purchaser Fiscal Year. The Purchaser may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Purchaser Net Water System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

(b) Against Sale or Other Disposition of Property. Subject to Section 13(j), the Purchaser will not sell, lease or otherwise dispose of the Purchaser Water System or any part thereof unless the governing board of the Purchaser determines in writing that such sale, lease or other disposition will not materially adversely affect the Purchaser's ability to comply with subsection (a) of this Section and, in the case of a sale or other disposition, the entity acquiring the Purchaser Water System or such part thereof shall assume all obligations of the Purchaser under this Agreement. The Purchaser will not enter into any agreement or lease which impairs the operation of the Purchaser Water System or any part thereof necessary to secure adequate Purchaser Net Water System Revenues for the payment of the obligations imposed under this Agreement or which would otherwise impair the rights of the Authority with respect to the Purchaser Water System Revenues or the operation of the Purchaser Water System.

(c) Against Competitive Facilities. To the extent permitted by existing law and within the scope of its powers but only to the extent necessary to protect the rights of the owners of Authority Bonds, the Purchaser will not acquire, construct, maintain or operate and will use its best efforts not to permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the boundaries of the Purchaser any water system competitive with the Purchaser Water System which might have the effect of materially adversely affecting the Purchaser's ability to pay Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs.

(d) Maintenance and Operation of the Purchaser Water System; Budgets. The Purchaser will maintain and preserve the Purchaser Water System in good repair and working order at all times and will operate the Purchaser Water System in an efficient and economical manner and will pay all Purchaser Operation and Maintenance Expenses as they become due and payable. On or before the

first day of each Purchaser Fiscal Year thereafter, the Purchaser will adopt and file with the Authority a budget approved by the legislative body of the Purchaser, including therein in the estimated Variable O&M Costs and Fixed Project Costs payable to the Authority. Any budget may be amended at any time during any Purchaser Fiscal Year and such amended budget shall be filed by the Purchaser with the Authority.

(e) Insurance. The Purchaser shall procure and maintain or cause to be procured and maintained insurance on the Purchaser Water System with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, in such amounts and against such risks (including accident to or destruction of the Purchaser Water System) as are usually covered in connection with water systems similar to the Purchaser Water System.

(f) Accounting Records and Financial Statements.

(i) The Purchaser will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Purchaser Water System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

(ii) The Purchaser will prepare and file with the Authority annually within two hundred ten (210) days after the close of each Purchaser Fiscal Year (commencing with the Purchaser Fiscal Year ending June 30, 2002) financial statements of the Purchaser for the preceding Purchaser Fiscal Year prepared in accordance with generally accepted accounting principles, together with a report of an Independent Certified Public Accountant thereon. The Purchaser will promptly furnish a copy of such report to the Authority and to the Trustee.

(g) Protection of Security and Rights of the Authority. The Purchaser will preserve and protect the rights of the Authority and the Trustee to the obligations of the Purchaser hereunder and will warrant and defend such rights against all claims and demands of all persons.

(h) Payment of Taxes and Compliance with Governmental Regulations. The Purchaser will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Purchaser Water System or any part thereof or upon the Purchaser Water System Revenues when the same shall become due. The Purchaser will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Purchaser Water System or any part thereof, but the Purchaser shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

(i) Further Assurances. The Purchaser will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to effect the financing and refinancing of the Project and to allow the Authority to comply with reporting obligations, to assure the Authority of the Purchaser's intention to perform hereunder and for the better assuring and confirming unto the Authority and the Trustee of the rights and benefits provided to them herein.

(j) Maintenance of Tax-Exempt Status of Authority Bonds. Notwithstanding any other provision of this Agreement, the Purchaser shall not take any action or omit to take any action, directly or indirectly, in any manner, which would result in any of the Authority Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1986, as amended, by reason of classification of such Authority Bond as a "private activity bond" within the meaning of Section 141 of said Code or for any other reason.

Section 14. Covenants of the Authority.

(a) Insurance. The Authority shall procure and maintain or cause to be procured and maintained insurance on the Project with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, covering such risks, in such amounts and with such deductibles as shall be determined by the Authority and as may be required under the Authority Bonds. The Authority shall indemnify and hold harmless the Purchaser from any liability for personal injury or property damage resulting from any accident or occurrence arising out of or in any way related to the construction or operation of the Project.

(b) Accounting Records and Financial Statements.

(i) The Authority will keep appropriate accounting records in which complete and correct entries shall be made of all Authority transactions relating to the Project, which records shall be available for inspection, copying and audit by the Purchaser and its accountants, attorneys and agents at reasonable hours and under reasonable conditions.

(ii) The Authority will prepare annually within two hundred ten (210) days after the close of each Authority Fiscal Year (commencing with the Authority Fiscal Year ending June 30, 2002) financial statements of the Authority for the preceding Authority Fiscal Year prepared in accordance with generally accepted accounting principles, together with a report of an Independent Certified Public Accountant thereof. The Authority will promptly furnish a copy of such report to the Purchaser and to the Trustee.

(c) Compliance with Law. The Authority shall comply with all local, state and federal laws applicable to the Project.

(d) Against Sale or Other Disposition of Project. The Authority will not sell, lease or otherwise dispose of the Project or any part thereof unless the Board of Directors of the Authority determines that such sale, lease or other disposition will not materially adversely affect the Authority's ability to comply with its obligations hereunder and under the Authority Bonds.

(e) Maintenance and Operation of the Project. Subject to the payment obligations of the Project Participants hereunder, the Authority will maintain and preserve the Project in good repair and working order at all times and will operate the Project in an efficient and economical manner consistent with the Joint Powers Agreement. Notwithstanding the foregoing, no material portion of the Project shall be abandoned by the Authority without the consent of all Project Participants.

Section 15. Term.

(a) No provision of this Agreement shall take effect until (i) it and Water Purchase Agreements with all Project Participants have been duly executed and delivered to the Authority together with an opinion for each Project Participant of an attorney or firm of attorneys in substantially the form attached hereto as Exhibit B and an opinion for the Authority of Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, in substantially the form attached hereto as Exhibit C, and (ii) the Authority delivers a written certificate to the Purchaser stating that the Authority has acquired the portion of the Project known as the Chino 1 Desalter.

(b) Notwithstanding the delay in effective date of this Agreement until all Project Participants have complied with subsection (a) of this Section, it is agreed by the Purchaser that in consideration for the Authority's signature hereto, and for its commitment to use its best efforts to obtain the commitment of all Project Participants, the Purchaser upon its execution and delivery of this Agreement to the Authority along with the required opinion and any required evidence of compliance as required by subsection (a) of this Section shall be immediately bound not to withdraw its respective offer herein made to enter into this Agreement as executed and/or supplemented or to decrease or terminate its Project Allotment before March 31, 2002.

(c) The term of this Agreement shall continue until the later of January 15, 2031 or the final maturity of Authority Bonds. The parties hereto agree to negotiate in good faith to amend this Agreement on or prior to such date to extend the term hereof and to include terms and conditions as are mutually agreeable to the parties, provided that the price to be paid with respect to the Project Allotment in such amendment shall reflect the payment of capital costs to such date.

Section 16. Assignment.

The Authority may pledge and assign to any Trustee for Authority Bonds, all or any portion of the payments received under this Agreement from the Purchaser and the Authority's other rights and interests under this Agreement. Such pledge and assignment by the Authority shall be made effective for such time as the Authority shall determine and provide that the Trustee shall have the power to enforce this Agreement in the event of a default by the Authority under a Bond Resolution. The Purchaser may assign its rights or obligations under this Agreement only in accordance with Section 15 hereof.

Section 17. Amendments.

Except as otherwise provided in this Agreement, on and after the date Authority Bonds are issued and so long as any Authority Bonds are outstanding in accordance with the applicable Bond Resolution, Section 9, 11, 12, 13, 14 and 16 and this Section of this Agreement shall not be amended, modified or otherwise changed or rescinded by agreement of the parties without the consent of each Trustee for Authority Bonds whose consent is required under the applicable Bond Resolution. This Agreement may only be otherwise amended, modified, changed or rescinded in writing by each of the parties hereto.

The Authority agrees not to grant to the owners of Authority Bonds as individuals any rights relating to the amendment, modification or change of this Agreement.

Notwithstanding the foregoing, the sections of this Agreement set forth in the prior paragraph of this Section may be amended without the consent of each Trustee for Authority Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Authority or the Purchaser other agreements, conditions, covenants and terms hereafter to be observed or performed by the Authority or the Purchaser, or to surrender any right reserved herein to or conferred herein on the Authority or the Purchaser, and which in either case shall not adversely affect the interests of the owners of any Authority Bonds;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the Purchaser may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the owners of any Authority Bonds;

(c) to make any modifications or changes necessary or appropriate in the opinion of a firm of nationally recognized standing in the field of law relating to municipal bonds to preserve or protect the exclusion from gross income of interest on the Authority Bonds for federal income tax purposes;

(d) to make any modifications or changes to this Agreement in order to enable the execution and delivery of Authority Bonds on a parity with any Authority Bonds previously issued and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Authority Bonds;

(e) to make any other modification or change to the provisions of this Agreement which does not materially adversely affect the interests of the owners of any Authority Bonds;

(f) to make changes to the definition of "Project."

Section 18. Miscellaneous.

(a) Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

(b) Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

(c) Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

(d) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

(e) Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt, or (d) by telefacsimile or telecopy, and such notices shall be addressed as follows:

If to Purchaser: Jurupa Community Services District
8621 Jurupa Road
Riverside, California 92509

With a copy to: John Schatz
P. O. Box 7775
Laguna Niguel, CA 92607-7775

If to Authority: Chino Basin Desalter Authority
c/o Jurupa Community Services District
8621 Jurupa Road
Riverside, California 92509

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive
Newport Beach, CA 92660
Attention: Douglas Brown

or to such other address as either party may from time to time specify in writing to the other party. Any notice shall be deemed delivered when actually delivered, if such delivery is in person, upon deposit with the U.S. Postal Service, if such delivery is by certified mail, upon deposit with the overnight courier service, if such delivery is by an overnight courier service, and upon transmission, if such delivery is by telefacsimile or telecopy.

(f) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof. This Agreement is intended to implement, and should be interpreted consistent with, the Joint Powers Agreement.

(g) Time of the Essence. Time is of the essence in the performance of this Agreement.

(h) Termination. The Purchaser hereby acknowledges that the Desalter Water Sale and Purchase Agreement by and among Western Municipal Water District, the City of Norco, and Jurupa Community Services District dated May 17, 2000 (the "Existing Water Purchase Contract") has been terminated.

(i) IN WITNESS WHEREOF the Purchaser has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and the Authority has executed this Agreement in accordance with the authorization of its Board of Directors.

CHINO BASIN DESALTER AUTHORITY

By: _____
Chairman

Attest:

By: _____
Secretary

JURUPA COMMUNITY SERVICES DISTRICT

By: _____
General Manager

[SEAL]

Attest:

By: _____
Secretary

EXHIBIT A

<u>Project Participant</u>	<u>Project Allotment (acre-feet)</u>
City of Chino	5,000
City of Chino Hills	4,200
City of Norco	1,000
City of Ontario	5,000
Jurupa Community Services District	8,200
Santa Ana River Water Company	<u>1,200</u>
	24,600

* Eliminates 400 acre feet of other per Exhibit A to the Term Sheet.

EXHIBIT B

[This opinion shall be delivered upon execution of the Water Purchase Agreement]

January __, 2002

Chino Basin Desalter Authority

Jurupa Community Services District
8621 Jurupa Road
Riverside, California 92509

Ladies and Gentlemen:

We are acting as general counsel to the Jurupa Community Services District (the "Purchaser") under the Water Purchase Agreement, dated as of January 15, 2002 (the "Agreement"), between the Chino Basin Desalter Authority (the "Authority") and the Purchaser, and have acted as general counsel to the Purchaser in connection with the matters referred to herein. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Purchaser provided to us by the Purchaser, (ii) certifications by officers of the Purchaser, (iii) all necessary documentation of the Purchaser relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Purchaser, we are of the opinion that:

1. The Purchaser is a community services district, duly created, organized and existing under the laws of the State of California and duly qualified to furnish water service within its boundaries.
2. The Purchaser has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Purchaser has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Purchaser, is in full force and effect as to the Purchaser in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the Authority has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Purchaser.
4. The obligations of the Purchaser to make payments under the Agreement from the Revenues of its Purchaser Water System or other lawfully available funds as provided in Section 10 of the Agreement is a valid, legal and binding obligation of the Purchaser enforceable in accordance with its terms.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Purchaser of the Agreement.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Purchaser, any commitment, agreement or other instrument to which the Purchaser is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Purchaser (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Purchaser and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Purchaser or any entity affiliated with the Purchaser or any of its officers in their respective capacities as such, which questions the powers of the Purchaser referred to in paragraph 2 above or the validity of the proceedings taken by the Purchaser in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraphs 3 and 4 above are qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Chino Basin Desalter Authority and the Purchaser. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

EXHIBIT C

[This opinion shall be delivered upon execution of the Water Purchase Agreement]

January __, 2002

Chino Basin Desalter Authority

The Project Participants Listed on
Exhibit A attached hereto

Ladies and Gentlemen:

We are special counsel to the Chino Basin Desalter Authority (the "Authority") and are familiar with those certain Water Purchase Agreements, dated as of January 15, 2002 (each, an "Agreement"), between the Authority and each of the water contractors identified on Exhibit A attached hereto (each, a "City") in connection with the matters referred to herein. As special counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Authority provided to us by the Authority, (ii) certifications by officers of the Authority, (iii) all necessary documentation of the Authority relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Authority, we are of the opinion that:

1. The Authority is a joint exercise of powers agency duly created, organized and existing under the laws of the State of California.
2. The Authority has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Authority has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Authority, is in full force and effect as to the Authority in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that each City has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Authority.
4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Authority of the Agreement.
5. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Authority, any commitment, agreement or

other instrument to which the Authority is a party or by which it or its property is bound or affected, or, to the best of our knowledge, any ruling, regulation, ordinance, judgment, order or decree to which the Authority (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Authority and its affairs.

6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Authority or any of its officers in their respective capacities as such, which questions the powers of the Authority referred to in paragraph 2 above or the validity of the proceedings taken by the Authority in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Authority and the Project Participants. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Respectfully submitted,

CHINO BASIN WATERMASTER

Case No. RCV 51010

Chino Basin Municipal Water District v. The City of Chino

PROOF OF SERVICE

I declare that:

I am employed in the County of San Bernardino, California. I am over the age of 18 years and not a party to the within action. My business address is Chino Basin Watermaster, 8632 Archibald Avenue, Suite 109, Rancho Cucamonga, California 91730; telephone (909) 484-3888.

On March 29, 2002 I served the attached:

- 1) *Desalter Post-Hearing Brief*
Exhibits A through D

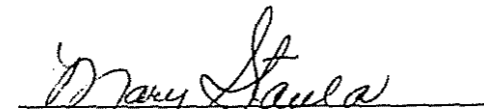
HEARING DATE: None

in said cause, by placing a true copy thereof enclosed with postage thereon fully prepaid, for overnight delivery by United States Postal Service mail at Rancho Cucamonga, California, addresses as follows:

See attached service list:

Attorney Service List
Mailing List 1

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed at Rancho Cucamonga, California, on March 29, 2002.


Mary Staula, Administrative Assistant

AAA AA
MAILING LIST 1
UPDATED 02/22/2002

CURTIS AARON
CITY OF FONTANA
8353 SIERRA AVE
FONTANA CA 92335-3598

RICHARD ANDERSON
1365 W FOOTHILL BLVD STE 1
UPLAND CA 91786

A W ARAIZA
WEST SAN BERN CWD
P.O. BOX 920
RIALTO CA 92376-0920

STEVE ARBELBIDE
CBWM BD (NON AG)
417 PONDEROSA TR
CALIMESA CA 92320

DAVE ARGO
BLACK & VEATCH
6 VENTURE STE 315
IRVINE CA 92618-3317

DAN ARRIGHI
SAN GABRIEL VALLEY WATER CO
P.O. BOX 6010
EL MONTE CA 91734-2010

RICH ATWATER
IEUA
P.O. BOX 697
RCHO CUCA CA 91729-0697

RODNEY BAKER
COUNSEL FOR EGGSWEST & JOHNSO
BROS
P.O. BOX 438
COULTERVILLE CA 95311-0438

VIC BARRION
RELIANT ENERGY ETIWANDA
8996 ETIWANDA AVE
ETIWANDA CA 91739

BOB BEST
NAT'L RESOURCES CONS SVS
25864 BUSINESS CENTER DR K
REDLANDS CA 92374

GERALD BLACK
FONTANA UNION WATER CO
P.O. BOX 309
FONTANA CA 92334

MICHAEL BOCCADORO
THE DOLPHIN GROUP
925 L ST STE 800
SACRAMENTO CA 95814

ROBERT BOWCOCK
VULCAN MATERIALS
2417 N BONNIE BRAE
CLAREMONT CA 91711-1913

FRANK BROMMENSCHENKEL
134 DAVIS ST
SANTA PAULA CA 93060

JIM BRYSON
FONTANA WATER COMPANY
P.O. BOX 987
FONTANA CA 92334-0987

BRUCE CASH
UNITED WATER MGMT CO INC
1905 BUSINESS CENTER DR STE 100
SAN BERNARDINO CA 92408

TERRY CATLIN
CBWM BD (IEUA)
2344 IVY CT
UPLAND CA 91784

NEIL CLIFTON
IEUA
P.O. BOX 697
RCHO CUCA CA 91729-0697

DAVID COOPER
SUNKIST GROWERS INC
760 E SUNKIST ST
ONTARIO CA 91761

STEVE CORTNER
VULCAN MATERIALS COMPANY
P.O. BOX 39756
LOS ANGELES CA 90039

DAVID B COSGROVE
RUTAN & TUCKER
611 ANTON BLVD STE 1400
COSTA MESA CA 92626

RON CRAIG
RBF & ASSOC
14725 ALTON PKWY
IRVINE CA 92718

DAVE CROSLEY
CITY OF CHINO
5050 SCHAEFER AVE
CHINO CA 91710-5549

DEBERARD
CHAIRMAN-AG POOL
1886 UKIAH WAY
UPLAND CA 91784

ROBERT DELOACH
CUCAMONGA CTY WD
P.O. BOX 638
RANCHO CUCA CA 91729-0638

BILL DENDY
BILL DENDY & ASSOCIATES
429 F ST STE 2
DAVIS CA 95616-4111

GREG DEVEREAUX
CITY OF ONTARIO
303 E "B" ST
ONTARIO CA 91764

DOUG DRURY
IUEA
P.O. BOX 697
RANCHO CUCAMONGA CA 91730

GERALD A. DUBOIS
CBWM BD (ONTARIO)
303 E B ST
ONTARIO CA 91764

GLENN DUNCAN
CBWM BOARD/ALTERNATE
P.O. BOX 667
CHINO CA 91708-0667

GLEN DURRINGTON
5512 FRANCIS ST
CHINO CA 91710

DICK DYKSTRA
10129 SCHAEFER
ONTARIO CA 91761-7973

MOHAMED EL AMAMY
CITY OF ONTARIO
1425 S BON VIEW
ONTARIO CA 91761-4406

BOB FEENSTRA
MILK PRODUCERS COUNCIL
13545 S EUCLID AVE
ONTARIO CA 91762-6656

RALPH FRANK
755 LAKEFIELD RD #E
WESTLAKE VILLAGE CA 91361

COLE FRATES
WESTERN DEVELOPMENT & STORAGE
5750 WILSHIRE BLVD STE 561
LOS ANGELES CA 90036-3638

CARL FREEMAN
L. D. KING
2151 CONVENTION CENTRE WAY
ONTARIO CA 91764

SAM FULLER
SAN BERNARDINO VALLEY MWD
P.O. BOX 5906
SAN BERNARDINO CA 92412-5906

MARK GAGE P E
GEOMATRIX CONSULTANTS INC
2101 WEBSTER ST #1200
OAKLAND CA 94612

JIM GALLAGHER
SOUTHERN CALIFORNIA WATER CO
2143 CONVENTION CTR WAY STE 110
ONTARIO CA 91764

JOE GRINDSTAFF
SAWPA
11615 STERLING AVE
RIVERSIDE CA 92503

JACK HAGERMAN
STATE OF CALIFORNIA CIM
4158 CENTER ST
NORCO CA 91760

LISA HAMILTON
GE/MGR ENV REMEDIATION PRGM
640 FREEDOM BUSINESS CTR
KING OF PRUSSIA PA 19406

PATSY HAMILTON
STATE OF CALIFORNIA, CIW
P.O. BOX 6000
CORONA CA 91718

RICK HANSEN
THREE VALLEYS M W D
1021 E MIRAMAR AVE
CLAREMONT CA 91711-2052

DONALD HARRIGER
CBWM BOARD/ALTERNATE
P.O. BOX 5286
RIVERSIDE CA 92517-5286

CARL HAUGE
SWRCB
P.O. BOX 942836
SACRAMENTO CA 94236-0001

PAUL HOFER
CBWM BD (AG)
11248 S TURNER AVE
ONTARIO CA 91761

CLARK IDE
OCWD GENERAL COUNSEL
P.O. BOX 8300
FOUNTAIN VALLEY CA 92728-8300

ANNESLEY IGNATIUS
COUNTY OF SAN BERNARDINO FCD
825 E 3RD ST
SAN BERNARDINO CA 92415-0835

JOHN WILLIAM INGRAHAM
CNTY OF SAN BERNARDINO
7000 MERRILL AVE BOX 1
CHINO CA 91710-9027

KEN JESKE
CITY OF ONTARIO
1425 S BON VIEW AVE
ONTARIO CA 91761-4406

BARRETT KEHL
CBWCD
P.O. BOX 2400
MONTCLAIR CA 91763-0900

ROB KETTLE
STATE OF CALIFORNIA, CIW
P.O. BOX 6000
CORONA CA 91718

JERRY A. KING
PSOMAS
3187 RED HILL AVE, SUITE 250
COSTA MESA CA 92626

PATRICK KING
CONSULTANT TO SENATOR NELL SOT
822 N EUCLID AVE
ONTARIO CA 91762

MARK KINSEY
MONTE VISTA WATER DISTRICT
P.O. BOX 71
MONTCLAIR CA 91763-0071

MARK KINSEY
MONTE VISTA IRRIGATION CO
10575 CENTRAL AVE
MONTCLAIR CA 91763

GENE KOOPMAN
13898 ARCHIBALD AVE
ONTARIO CA 91761-7979

KRONICK ET AL
KRONICK MOSKOVITZ TIEDEMANN &
GIRARD
400 CAPITOL MALL 27TH FL
SACRAMENTO CA 95814-4417

KENNETH KULES
METROPOLITAN WATER DISTRICT
P.O. BOX 54153
LOS ANGELES CA 90054-0153

RITA KURTH
CUCAMONGA COUNTY WATER DISTRICT
P.O. BOX 638
RANCHO CUCAMONGA CA 91729-063

RONALD LA BRUCHERIE
12953 S BAKER AVE
ONTARIO CA 91761-7903

FRED LANTZ
CBWM BD/ALTERNATE (TVMWD)
P.O. BOX 2701
POMONA CA 91769

PAUL LEON
CBWM BOARD/ALTERNATE
303 E B ST
ONTARIO CA 91764

CARLOS LOZANO
STATE OF CA YTS
15180 S. EUCLID
CHINO CA 91710

MIKE MAESTAS
CITY OF CHINO HILLS
2001 GRAND AVE
CHINO HILLS CA 91709-4869

ALAN MARKS
CITY OF SAN BERN CTY CNSL
157 W 5TH ST
SAN BERNARDINO CA 92415

MIKE MCGRAW
CBWM BD (FWC)
P.O. BOX 987
FONTANA CA 92334-0987

CAROLE MCGREEVY
JURUPA COMM SVCS DIST
8621 JURUPA RD
RIVERSIDE CA 92509-3229

BILL MILLS
ORANGE COUNTY WATER DIST
P.O. BOX 8300
FTN VALLEY CA 92728-8300

ERIC MILLS
CITY OF POMONA
148 N HUNTINGTON ST
POMONA CA 91768

JIM MOODY
CITY OF UPLAND
P.O. BOX 460
UPLAND CA 91785-0460

CHRIS NAGLER
DEPT OF WATER RESOURCES
770 FAIRMONT AVE SUITE 102
GLENDALE CA 91203-1035

ROBERT NEUFELD
14111 SAN GABRIEL CT
RANCHO CUCAMONGA CA 91739

ROBERT NICHOLSON
CBWM BOARD/ALTERNATE
P.O. BOX 6010
EL MONTE CA 91734-2010

MURIEL O'BRIEN
CBWM BD (TVMWD)
1021 E MIRAMAR AVE
CLAREMONT CA 91711-2052

DANA OLDENKAMP
MILK PRODUCERS COUNCIL
3214 CENTURION PL
ONTARIO CA 91761

SANDY OLSON
WALNUT VALLEY WATER DISTRICT
271 S BREA CANYON RD
WALNUT CA 91789

MARY PARENTE
8559 EDISON AVE
CHINO CA 91710-9242

HENRY PEPPER
CITY OF POMONA
505 S GAREY AVE
POMONA CA 91766

JEFF PIERSON
2 HEXAM ST
IRVINE CA 92612

ROBB QUINCEY
CITY OF HESPERIA
15776 MAIN ST
HESPERIA CA 92345

BILL RICE
RWQCB - SANTA ANA REGION
3737 MAIN ST STE 500
RIVERSIDE CA 92501-3339

LES RICHTER
CALIFORNIA SPEEDWAY
P.O. BOX 9300
FONTANA CA 92334-9300

DAVID RINGEL
MONTGOMERY WATSON
P.O. BOX 7009
PASADENA CA 91109-7009

ARNOLD RODRIGUEZ
SANTA ANA RIVER WATER CO
10530 54TH ST
MIRA LOMA CA 91752-2331

PATRICK SAMPSON
P.O. BOX 660
POMONA CA 91769

DIANE SANCHEZ
DWR
770 FAIRMONT AVE
GLENDALE CA 91203-1035

JOSEPH C SCALMANINI
500 FIRST ST
WOODLAND CA 95695

JOE SCHENK
CITY OF NORCO
P.O. BOX 428
NORCO CA 91760-0428

DONALD SCHROEDER
CBWM BD (WMWD)
3700 MINTERN
RIVERSIDE CA 92509

JUDY SCHURR
76433 SHOSHONE DR
INDIAN WELLS CA 92210

DAVID SCRIVEN
KRIEGER & STEWART ENGINEERING
3602 UNIVERSITY AVE
RIVERSIDE CA 92501

MICHAEL SMITH
NICHOLS STEAD BOILEAU & KOSTOFF
223 W FOOTHILL BLVD #200
CLAREMONT CA 91711-2708

ROD SMITH
STRATECON INC.
2335 W FOOTHILL BLVD STE 11
UPLAND CA 91786

KYLE SNAY
SOUTHERN CA WATER CO
401 S SAN DIMAS CANYON RD
SAN DIMAS CA 91773

NELL SOTO
STATE CAPITOL
ROOM NO 4066
SACRAMENTO CA 95814

BILL STAFFORD
MARYGOLD MUTUAL WATER CO
9725 ALDER ST
BLOOMINGTON CA 92316-1637

DAVID STARNES
MOBILE COMMUNITY MGMT CO
1801 E EDINGER AVE STE 230
SANTA ANA CA 92705

TOM STETSON
STETSON ENGINEERS INC
3104 E GARVEY AVE
WEST COVINA CA 91791

CRAIG STEWART
GEOMATRIX CONSULTANTS INC.
330 W BAY ST STE 140
COSTA MESA CA 92629

TRACI STEWART

SWRCB
SWRCB - DIV OF WATER RIGHTS
P.O. BOX 2000
SACRAMENTO CA 95809-2000

JIM TAYLOR
POMONA UTILITY SVS DEPT.
148 N HUNTINGTON BLVD
POMONA CA 91768

JERRY THIBEAULT
RWQCB - SANTA ANA REGION
3737 MAIN ST STE 500
RIVERSIDE CA 92501-3339

MICHAEL THIES
SPACE CENTER MIRA LOMA INC
3401 S ETIWANDA AVE BLDG 503
MIRA LOMA CA 91752-1126

JOHN THORNTON
PSOMAS AND ASSOCIATES
3187 RED HILL AVE, SUITE 250
COSTA MESA CA 92626

R.E. THRASH III
PRAXAIR
5705 AIRPORT DR
ONTARIO CA 91761

PETER VAN HAAM
OFFICE OF THE ATTORNEY GENERAL
300 S SPRING ST 11TH FL N TOWER
LOS ANGELES CA 90013-1232

ERNIE VAN SANT
DEPARTMENT OF CORRECTIONS - FAC.
MGMT DIV.
P.O. BOX 942883
SACRAMENTO CA 94283-0001

GEOFFREY VANDEN HEUVEL
CBWM BD (AG)
7551 KIMBALL AVE
CHINO CA 91710

ERICK VAUGHN
ANGELICA RENTAL SERVICE
1575 N CASE ST
ORANGE CA 92867-3635

MARK WARD
AMERON INTERNATIONAL
13032 SLOVER AVE
FONTANA CA 92335-6990

RAY WELLINGTON
SAN ANTONIO WATER COMPANY
139 N EUCLID AVE
UPLAND CA 91786-6036

MICHAEL WHITEHEAD
SAN GABRIEL VALLEY WC
P.O. BOX 6010
EL MONTE CA 91734

MARK WILDERMUTH
WILDERMUTH ENVIRONMENTAL INC
415 N EL CAMINO REAL STE A
SAN CLEMENTE CA 92672

DENNIS YATES
CBWM BD (CHINO)
P.O. BOX 667
CHINO CA 91708-0667

Attorney Service List

Updated 3/28/02

RICHARD ADAMS II
DEPUTY COUNSEL - POMONA
ALVAREZ-GLASMAN & CLOVEN
505 S GAREY AVE
POMONA CA 91766

DAVID B. ANDERSON
DEPARTMENT OF WATER RESOURCES
1416 NINTH ST
PO BOX 94236
SACRAMENTO CA 94236-0001

WILLIAM J. BRUNICK ESQ.
BRUNICK ALVAREZ & BATTERSBY
P O BOX 6425
SAN BERNARDINO CA 92412

THOMAS S. BUNN III
LAGERLOF SENEAL BRADLEY
GOSNEY & KRUSE
301 N LAKE AVE 10TH FLOOR
PASADENA CA 91101-4108

CHINO BASIN WATERMASTER
8632 ARCHIBALD AVE STE 109
RANCHO CUCAMONGA CA 91730

JEAN CIHIGOYENETCHE
CIHIGOYENETCHE GROSSBERG
& CLOUSE
3602 INLAND EMPIRE BLVD SUITE C315
ONTARIO CA 91764

ROBERT DOUGHERTY
GENERAL COUNSEL-ONTARIO
COVINGTON & CROWE
P O BOX 1515
ONTARIO CA 91762

JIM ERICKSON
LAW OFFICES OF JIMMY GUTIERREZ
EL CENTRAL REAL PLAZA
12616 CENTRAL AVE
CHINO CA 91710

FREDERIC FUDACZ
NOSSAMAN GUTHNER KNOX & ELLIOTT LLP
445 S FIGUEROA ST 31ST FLOOR
LOS ANGELES CA 90071-1672

ERIC GARNER
BEST BEST & KRIEGER LLP
P O BOX 1028
RIVERSIDE CA 92502-1028

JIMMY GUTIERREZ
ATTORNEY-CITY OF CHINO
EL CENTRAL REAL PLAZA
12616 CENTRAL AVE
CHINO CA 91710

SHARON JOYCE
LEGAL COUNSEL - STATE OF CA - CDC
1515 S STREET ROOM 125
SACRAMENTO, CA 95814

STEVEN KENNEDY
GENERAL COUNSEL-TVMWD
BRUNICK ALVAREZ & BATTERSBY
P O BOX 6425
SAN BERNARDINO CA 92412

ARTHUR KIDMAN
ATTORNEY-MVWD
MC CORMICK KIDMAN & BEHRENS
695 TOWN CENTER DR SUITE 400
COSTA MESA CA 92626

MARILYN LEVIN
STATE OF CALIFORNIA
OFFICE OF THE ATTORNEY GENERAL
300 S SPRING ST 11TH FLOOR N TOWER
LOS ANGELES CA 90013-1232

JAMES L MARKMAN
RICHARDS WATSON & GERSHON
P O BOX 1059
BREA CA 92622-1059

DAN MC KINNEY
SPECIAL COUNSEL-AG POOL
REID & HELLYER
P O BOX 1300
RIVERSIDE CA 92502-1300

THOMAS H MC PETERS
MC PETERS MCALEARNY
SHIMOFF & HATT
P O BOX 2084
REDLANDS CA 92373

JAMES P MORRIS
BEST BEST & KRIEGER LLP
P O BOX 1028
RIVERSIDE CA 92502-1028

JARLATH OLAY
DEPUTY GENERAL COUNSEL MWD
700 N ALAMEDA ST
LOS ANGELES CA 90012

TIMOTHY J RYAN
SAN GABRIEL VALLEY WATER CO
P O BOX 6010
EL MONTE CA 91734

JOHN SCHATZ
COUNSEL-JCSD
P O BOX 7775
LAGUNA NIGUEL CA 92607-7775

ANNE J SCHNEIDER
ELLISON SCHNEIDER & HARRIS
2015 H ST
SACRAMENTO CA 95814-3109

JESS SENEAL
LAGERLOF SENEAL BRADLEY
GOSNEY & KRUSE
301 N LAKE AVE 10TH FLOOR
PASADENA CA 91101-4108

GERALYN SKAPIK ATTORNEY
CITY OF CHINO HILLS
BURKE WILLIAMS & SORENSON
611 W 6TH ST SUITE 2500
LOS ANGELES CA 90071-1469

SCOTT SLATER
HATCH & PARENT
21 E CARRILLO ST
SANTA BARBARA CA 93101-2782

MICHELE A STAPLES
JACKSON DEMARCO & PECKENPAUGH
4 PARK PLAZA 16TH FLOOR
IRVINE CA 92614

GENE TANAKA
BEST BEST & KRIEGER LLP
P O BOX 1028
RIVERSIDE CA 92502-1028

ANNE T THOMAS
BEST BEST & KRIEGER LLP
P O BOX 1028
RIVERSIDE CA 92502-1028

SUSAN TRAGER
LAW OFFICES OF SUSAN M TRAGER
19712 MACARTHUR BLVD SUITE 120
IRVINE CA 92612

BURTON J GINDLER
MORRISON & FOERSTER LLP
555 W 5TH ST
LOS ANGELES CA 90013-1024