RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 JACKSON ROAD
RANCHO MURIETA, CA. 95683

SPECIAL BOARD
October 25, 2013
District Administration Building
9:00 a.m.

NOTICE IS HEREBY GIVEN that the Board of Directors of the Rancho Murieta Community Services District will hold a Special Meeting on October 25, 2013 at 9:00 a.m., at the Rancho Murieta Community Services District Board Room at 15160 Jackson Road, Rancho Murieta.

AGENDA

1. **CALL TO ORDER, ROLL CALL -** Determination of Quorum - President Pasek **(Roll Call)** 9:00

2. **ADOPT AGENDA** (Motion) 9:05

The running times listed on this agenda are only estimates and may be discussed earlier or later than shown. At the discretion of the Board, an item may be moved on the agenda and or taken out of order. ***TIMED ITEMS*** *as specifically noted, such as Hearings or Formal Presentations of community-wide interest, will not be taken up earlier than listed.*

3. **COMMENTS FROM THE PUBLIC** 9:10

For this Special Meeting, members of the public may ONLY comment on items specifically agendized. Members of the public wishing to address a specific agendized item are encouraged to offer their public comment during consideration of that item. With certain exceptions, the Board may not discuss or take action on items that are not on the agenda.

If you wish to address the Board at the time of the agendized item, as a courtesy, please state your name and address, and reserve your comments to no more than 3 minutes so that others may be allowed to speak. (5 min.)

4. **CLOSED SESSION** 9:15

Under Government Code section 54956.8: Conference with Real Property Negotiators - Real Property APN 128-0080-067; APN 128-0080-068; APN 128-0080-069; APN 128-0080-076; and APN 128-0100-029. Real Property Agency Negotiator: Edward R. Crouse, General Manager. Negotiating Party: CSGF Rancho Murieta, LLC, BBC Murieta Land, LLC, Murieta Retreats, LLC, PCCP CSGF RB PORTFOLIO, LLC. Under Negotiation: Price and Terms.

Conference with Legal Counsel – Anticipated Litigation. Initiation of litigation pursuant to Government Code Section 54956.9(c): (One Potential Case).

Conference with Legal Counsel – Anticipated Litigation. Significant Exposure to Litigation Pursuant to 54956.9(b): (One Potential Case).

5. **FINAL REVIEW OF 670 FINANCING AND SERVICES AGREEMENT** 10:10
(Discussion/Action) *(60 min.)*

6. **DIRECTOR COMMENTS/SUGGESTIONS** 11:10

7. **ADJOURNMENT** (Motion) 11:15

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact the District Office at 916-354-3700 or fax 916-354-2082. Requests must be made as soon as possible and at least two (2) full business days before the start of the meeting.

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is October 23, 2013. Posting locations are: 1) District Office; 2) Plaza Foods; 3) Rancho Murieta Association; 4) Murieta Village Association.

MEMORANDUM

Date: October 25, 2013

To: Board of Directors

From: Edward R. Crouse, General Manager
Jonathan P. Hobbs, General Counsel

Subject: Financing and Services Agreement

INTRODUCTION AND RECOMMENDED ACTION

Staff recommends that the Board consider the proposed Financing and Services Agreement ("FSA"), receive any further public comment, approve the FSA, if acceptable, and/or provide further direction to staff. The FSA has been revised following the Board workshop on June 28, 2013 and public review and comment. A summary of the FSA, as revised, is set forth below. A chart summarizing the FSA components is also attached.

FINANCING AND SERVICES AGREEMENT SUMMARY

The purpose of the FSA is to finance, design and construct water treatment and recycled water facilities to serve existing and proposed development in the District. The initial core capacity of the water treatment facilities will be approximately 3.5 million gallons per day ("mgd"). This total initial capacity is expected to be sufficient to serve approximately 1685 EDU's and accommodate existing and anticipated future development. The water treatment facilities will be expandable to be able to accommodate additional future development.

The estimated cost of the water treatment facilities will be approximately $6.5 million dollars, all subject to later confirmation and competitive bids. To fund the core facilities, the District would use approximately $1.5M from existing reserves and as much of the approximately $4.1M of the prior Letter of Credit ("LOC") as it can access. The District has the option of proceeding with construction in advance of developers if it so chooses, subject to reimbursement. The District Board has indicated a desire to proceed in advance of developers. Accordingly, staff is pursuing this direction.

The FSA provides for developer funding participation by their election at the outset to being either a "participating" or "reimbursing" landowners owners (at their choice) for design and construction. Participating owners would advance the costs and be reimbursed later from reimbursing landowners. All landowners will be responsible to pay their pro-rata cost share per the FSA. Two properties, Riverview and Lakeview, would satisfy their obligations by a prior LOC, which the District would access. If the LOC is not accessible or insufficient to cover these costs, Riverview and Lakeview owners must pay their share to have water capacity. Should the District choose to develop the water treatment improvements before the developers, the District may do so, accessing the LOC, and the District would operate similar to a "participating" landowner for which it may seek reimbursement. Should developers proceed in advance of the District, the

District would reimburse the developers for the District's share of the existing capacity costs, up to a total of $3M. As noted above, the current Board direction being implemented is for the District to proceed now; in advance of developers.

Since the FSA workshop in June, 2013, Cosumnes River Land, LLC, ("CRL") representing the Murieta Gardens property ("Gardens"), has elected to no longer participate in this FSA. The FSA has, therefore, been revised to exclude the Gardens from the FSA. The revised FSA provides an opportunity for the Gardens or others to join the FSA later, at their choice, and with the consent of the parties to the FSA, to the extent there is additional capacity available for transfer or purchase. CRL, however, has indicated its desire to negotiate and execute a separate FSA for its property and the prior Pension Trust Fund ("PTF") property, now under the ownership or control of CRL or its affiliates.

The wastewater disposal facilities are similarly constructed by the same general procedure. Developers will decide whether to be participating or reimbursing landowners. The District holds certain irrigation easements, and the FSA provides that the Developers will convey an additional easement needed in conjunction with development prior to the approval of final maps.

Upon execution of the FSA by the developers, they will receive a conditional will-serve commitment from the District. Final will-serves will be contingent upon the developer's compliance with the terms of the FSA. All developers will be obligated to pay their fair-share commitment before receiving will-serves necessary for final maps or development entitlements. Developers may, if they choose, finance improvements through a CFD.

The FSA also provides for the payment of certain fees. There is a $225 per EDU one time irrigation facilities maintenance fee to cover District maintenance costs pending build out. There is a $7,771 per EDU Bundled Fee, which includes a water augmentation fee (subject to credit for installation of "purple pipe" for reclaimed water), capital improvements fee, water meter fee, water and sewer inspection fees, and security fee. There is also a $5,900 per EDU reimbursement fee to reimburse prior developers for prior infrastructure.

The FSA also provides that there will be no service for delinquent landowners. The FSA runs with the land and reimbursement rights are personal. The FSA has a 30-year term. Upon execution of FSA, $109,000 in prior legal fees due the District will be released from escrow to the District pursuant to a Developer Deposit Agreement entered into in July of 2011.

Summary of FSA Provisions

Component Summary	FSA Sections
Purpose: Finance and construct water treatment facilities and wastewater disposal facilities	Recitals, A through K.
Definitions	Recitals, L
Construction and financing of water treatment facilities	Section 1
Initial capacity of facilities at 3.5 mgd, to be constructed by District or developers (at their option) and subject to reimbursement	Sections 1.1, 1.3(A)
Provisions for transfer of excess EDU's owned by developer	Section 1.2
Mechanisms for participating and reimbursing landowners for water treatment facilities	Sections 1.3(A) through (N)
District may provide temporary water or sewer service at its discretion	Section 1.4
Wastewater disposal facilities	Section 2
Transfer of irrigation easement by developers to District	Section 2.2.
Mechanisms for participating and reimbursing landowners for wastewater facilities	Sections 2.3(A) through (J), 2.4
$225 irrigation facilities fee	Section 2.5
Installation of recycled water facilities	Section 2.6
Provision of service and conditional will-serves to signatories	Section 2.7
Financing mechanisms, including Developers' option to form CFD	Sections 3, 3.1
Establishment of Fund Manager under the District's control	Section 3.2
Bundled Fee of $7,771 per EDU.	Section 3.7(A), Exh. M
Reimbursement fee to prior developers of $5,900 per EDU	Section 3.7(C), Exh. K
Remedies and rights for default of agreement (indemnification to District, advance funding of delinquent amounts by other owners, no will-serves to delinquent owners)	Section 4
General provisions and terms (authority, binding effect, 30 year term, termination, notices, attorneys' fees clause, indemnity to District, dispute resolution)	Section 5
Property descriptions and exhibits	Exhs. A through G
Fair share allocations	Exh. H
Irrigation easement documents	Exhs. I, J
Assignment and assumption form	Exh. L

District Response to Comments on Draft Financing and Services Agreement

Richard E. Brandt comment letter dated July 30, 2013

Response to Comment #1: The comment indicates that Rancho Murieta 205, LLC has been converted from a LLC (limited liability company) to an LP (limited partnership). This means that the business entity converted to another type of business entity, and the LP is a successor in interest to the LLC. This does not necessitate an assignment to effectuate reimbursement rights under the Shortfall Agreement. With respect to the concern that the FSA improperly delegates duties to Economic Planning Systems (EPS), the FSA has been revised to make clear that the District retains control and discretion over the activities of EPS or other designated Fund Manager. (See FSA § 3.2(A)).

Response to Comment #2: The current Water Treatment Plant Expansion (WTP) project is funded by benefitting parties in pro rata share to their capacity needs. The current WTP project is envisioned to begin construction in early 2014 and be completed no later than mid 2015.

Response to Comment #3: Past estimates for the WTP upgrade, paid entirely by the District, have approached $6.0 million plus. The District's share of the current WTP project is on the order of $3.0 million. The FSA caps the District's share of a developer initiated WTP project at $3.0 million. Under both scenarios the cost to the District is roughly 50% of total project costs.

Response to Comment #4: Refer to Response #3 above.

Response to Comment #5: The reimbursement for previously constructed infrastructure is based on replacement value method. The expenditures for previously constructed infrastructure are escalated by the CPI from 1994 to 2013. The agreed upon amount in the FSA is $5,900 per unit. Because the FSA is a negotiated and voluntary agreement between the parties, and does not provide for an imposed fee or exaction by a government agency, the constitutional principles concerning rough proportionality are not applicable.

Response to Comment #6: The Letter of Credit ("LOC") funds will provide funding for the original capacity contemplated in CFD#1, roughly 1.5 mgd.

Response to Comment #7: Comment noted.

Response to Comment #8: Refer to response #6 above.

Response to Comment #9: Section 3.2 (A) has been revised to reflect the Fund Manager is subject to the ultimate control and discretion of the District.

Response to Comment #10: Comment noted; stating a hypothetical opinion.

Response to Comment #11: The District has notified the LOC assignees of its intent to demand their fair share funding of the WTP construction currently estimated at $2.7 million. This demand notice has been forwarded to Wells Fargo Bank, the LOC paying agent. The District has issued a demand against the LOC to WFB and expects payment shortly.

Response to Comment #12: Comment noted.

Response to Comment #13: Refer to Response # 1 and #9 above.

Response to Comment #14: The current FSA allows for construction of the WTP under two scenarios: developer initiated and District initiated. Last May the District decided to move forward with WTP construction ahead of developer needs ostensibly to benefit from reduced construction and financing costs as well as to remove a major stumbling block for new development. In addition the FSA identifies funding obligations and responsibilities of the landowners to move their projects forward which in turn frees up their financing opportunities.

Response to Comment #15: Comment noted.

Response to Comment #16: The WTP project is moving forward with funding, in part from the LOC proceeds for 1.5 mgd capacity contemplated by CFD#1.

Response to Comment #17: The District initiated WTP project is funded by each benefitting party or the LOC proceeds.

Response to Comment #18: For those non participating landowners, the FSA has an imputed carry cost based on the CPI.

Response to Comment #19: Refer to comment #16 above.

Response to Comment #20: With WTP construction as planned, the District anticipates development proceeding within a 5 year window for all FSA landowners. However, the FSA term of 30 years applies to all aspects of the FSA.

Response to Comment #21: The Fund manager, under the direction of the District, will determine reimbursable amounts based on actual construction costs of the WTP.

Cosumnes River Land LLC comment letter dated August 1, 2013

Response to Comment #1: Section 1.1 identifies CFD#1 plant capacity to be built as 1.5 mgd.

Response to Comment #2: The Letter of Credit proceeds are being used to fund the CFD #1 obligation to construct their fair share of the water plant expansion as well as the core facilities of the 670 landowners, currently estimated to be $2.7 million.

Response to Comment #3: Exhibit H identifies each landowners estimated pro rata share of the spray field irrigation facilities.

Response to Comment #4: Section 2.2(A) defines the process to convey either the Van Vleck easement acquired by the landowners or an alternative easement should a landowner not be able to convey his portion of the original Van Vleck easement.

Response to Comment #5: Section 3.7(C) indentifies the reimbursement for previously constructed infrastructure at $5,900 per unit.

Exhibit H shows, for illustrative purposes, each landowner's pro rata fair share for the face value acquisition costs of the original spray field easement, without including amounts previously paid and or amounts owed, including penalties or interest.

Response to Comment #6: The previously constructed infrastructure reimbursement included the actual expenditures to date of approximately $5,150,000 plus an escalator based on the CPI from 1994 through 2013.

Response to Comment #7: Refer to response #6 above.

Response to Comment #8: The previously constructed infrastructure reimbursement does not take into account reduced density of the north properties or depreciated value of the constructed facility.

Response to Comment #9: No previously constructed infrastructure reimbursement monies will be retained by the District. All reimbursement monies will be forwarded to Rancho Murieta 205 LLC and R&B Communities LLC or their successors or assignees.

Response to Comment #10: Refer to Response #9 above.

Response to Comment #11: Section 3.2 (A) has been revised to reflect the Fund Manager is subject to the ultimate control and discretion of the District.

Response to Comment #12: The District has reviewed the corporate changes to RM205 LLC and has determined another Assignment and Assumption Agreement is not necessary. See response #1 to Brandt letter, above.

Response to Comment #13: The current Letter of Credit and yearly amendments to same provide guarantees for RM 205 LLC and R&B Communities LLC.

Richard E. Brandt
6330 Agua Vista
Rancho Murieta, CA 95683

July 30, 2013

Edward Crouse, General Manager
Rancho Murieta Community Service District
P.O. Box 1050
Rancho Murieta, CA. 95683
(Hand Delivered)

RE: Draft Financing and Services Agreement

Dear Mr. Crouse,

This letter is submitted in response to the Rancho Murieta Community Services District (RMCSD) request for public comments on the Draft Financing and Services Agreements for the mapped but undeveloped subdivisions of Rancho Murieta. My comments are mainly directed to the FSA provisions regarding the expansion and upgrade of the water treatment plant (WTP), the last major RMCSD facility of Community Facilities No. 1 (CFD No. 1), the Mello Roos district formed to finance the RMCSD facilities serving Murieta South.

At the April 26th RMCSD workshop on the expansion and upgrade of the WTP, I urged the RMCSD to do everything possible to maximize the use of the $4.2 million letter of credit (LOC) provided by the Murieta South developers under the terms of the 1991 Reimbursement and Shortfall Agreement (Shortfall Agreement) (Exhibit A) as security for funding the WTP expansion and the other facilities of CFD No. 1. Since April, new factual information has come to light regarding the WTP upgrade requirement and the uncertain identity of the party or parties responsible or entitled under the Shortfall Agreement that calls for further comment before discussing the specifics of the FSA.

As to the WTP upgrade requirement, the RMCSD recently disclosed that the California Department of Health Care Services (DHS) has not required the RMCSD to upgrade the existing WTP now or at any specific time in the future. The proposed upgrade of the existing plant at an expected cost to existing Murieta residents of $3 million will be required only because the FSA calls for the expansion of the plant to serve new development. I believe the FSA should compensate RMCSD for accepting this unrequired obligation.

As to the rights and obligations of the parties to the Shortfall Agreement, a recent search of California Secretary of State Records shows that Rancho Murieta 205 LLC, the last RMCSD approved landowner assignee of the Shortfall Agreement, no longer exists because it was converted in 2002 to a new limited partnership, Rancho Murieta 205 LLP (Exhibit B). John Reynan, is listed as the person responsible for the new partnership. John Reynan and Chris Bardis, the two individuals who personally

(1)

guaranteed the Shortfall Agreement when its term was extended in 2001 (Exhibit C), reportedly both filed for personal bankruptcy after the real estate crash of 2008. Also, a group of individual lenders (Boras, Baker, *et. al.*) apparently have acquired, in some sense, the reimbursement rights under the Agreement. None of the changes in parties have been approved by the RMCSD, as is required by the Shortfall Agreement. Based on these facts, I believe that the FSA provisions, which delegate to Economic Planning Systems (EPS) all of the RMCSD powers to identify and pay parties entitled to reimbursement but fail to protect the RMCSD from the payment errors of EPS, are a significant and unjustifiable financial risk to the RMCSD. Neither the changes of the parties nor the lack of a RMCSD obligation to upgrade the existing WTP are addressed in the proposed FSA.

Despite what I see as defects of the FSA, I support the idea of a revised and improved FSA for several reasons. Without the additional treated water that will be provided by an expansion of the WTP, no new development beyond the hotel proposed for Murieta Gardens is possible in Rancho Murieta. I believe that new development in some form is needed to insure the continued financial viability of Rancho Murieta businesses and organizations (Rancho Murieta Association, Rancho Murieta Country Club, *etc.*) and to protect Rancho Murieta property values. I realize that at some point in the future the existing WTP will need to be replaced or renovated to an extent that will impose the requirement to upgrade the technology of the plant, and that at some point in the future DHS may require the upgrade of the existing plant (and WTP#2) even if it is not expanded or renovated. In other words, upgrading the plant now for existing residents is an expenditure in advance of need, not a complete waste of money. I also understand that the upgrade of the WTP will provide residents with a higher quality of water and provide protection against some identified health risks that are not protected against by our existing plant. Moreover, interest rates, and therefore financing costs, are now at historic lows. The longer the time until financing the necessary new facilities, the higher the interest rates and financing costs are likely to be. Finally, I fully appreciate that an FSA for new development will bring to a close at last, after more than 22 years, the debate over rights and obligations under the Shortfall Agreement and will draw upon the $4.2 million LOC before the Shortfall Agreement expires.

In my opinion, there are only two basic criteria the current RMCSD FSA must satisfy. First, and most important, the FSA must be financially fair to existing and future Murieta residents by minimizing their costs and their financial risks from the WTP expansion and upgrade. Second, the FSA should guarantee, or to the maximum extent possible insure, that the new development made possible by the WTP expansion will happen now, when Rancho Murieta needs it. If the RMCSD Board believes that new development is not needed near future, I see no justification for the Board to consider a FSA now. The terms of an FSA should be crafted to appropriately address the facts and issues as of the time the FSA is to be performed.

I have reviewed the FSA, and, in my opinion, it fails and fails somewhat badly to satisfy my two criteria. I cannot fully explain all of the reasons for my opinions without describing the connections and interactions between the current FSA and the earlier RMCSD facility financings; the 1986 Acquisition & Services Agreement and Improvement District No. 1 bond issue and the 1990-1991 CFD No.1, its bond issue, and the Reimbursement and Shortfall Agreement. Unfortunately, such a discussion would

unreasonably extend this already too long letter. Numbered pages 26-35 of the Offering Statement for the CFD No. 1 bond issue (Exhibit D) summarize the financing of Rancho Murieta water and sewer facilities from the beginning of the development through the Shortfall Agreement. To avoid getting lost further than necessary in the fog of details, I will simply state my points on the FSA.

THE PROPOSED FSA IMPOSES UNFAIR FINANCIAL COSTS ON PRESENT AND FUTURE RESIDENTS:

(3)

1. The proposed FSA fails to compensate existing residents for the costs they will incur by upgrading the existing WTP in advance of their need for the upgrade.

The expansion and upgrade is required to provide the treated water for the benefit of the FSA landowners, which will increase the value of their land and allow them to develop their property. Although the upgrade is not required for current residents, the FSA provides no compensating *quid pro quo* from the owners of the undeveloped land to the RMCSD for the RMCSD's proposed acceptance the $3 million upgrade obligation that will be imposed on existing residents. The landowners promoting the proposed FSA assert that RMCSD reserves have been and are being collected for this purpose. The fallacy of this assertion is that the reserves are collected to repair or replace RMCSD facilities when that is necessary, not to upgrade the WTP when that is not yet required. If the WTP is expanded and upgraded now, existing residents will incur interest and carrying cost that they otherwise would not. If upgraded now, before existing residents need the upgrade, the WTP will depreciate and need to be repaired or replaced sooner than if the upgrade is deferred until existing residents need the upgrade. The FSA should compensate the RMCSD for the upgrade in advance of need.

2. The proposed FSA overcharges existing residents for the WTP upgrade by basing the sharing of costs between existing residents and FSA development on their respective percentage use of WTP capacity.

(4)

The FSA provides for the sharing of WTP design and construction costs between RMCSD existing residents and FSA landowners based on their respective shares of use of the capacity of the expanded and upgraded WTP (FSA, section 1.3 (K), p. 21). This cost allocation formula charges existing residents for the expansion of the plant when they should only be charged for the upgrade of the capacity that they use. Existing residents receive no benefit from the expansion of the plant. The existing residents cost share should be limited to the amount that the total cost of the expansion and upgrade of the WTP is increased by the fact that the capacity for existing residents is being upgraded in conjunction with the expansion. Stated in other words, the FSA landowners should be responsible for all of the costs of the expansion and upgrade of the WTP except those costs that the FSA landowners would have avoided if the expansion had not included the upgrade of the capacity for existing residents.

3. The proposed FSA overcharges future residents for facilities/infrastructure previously constructed by the Murieta South developers.

(5)

The Shortfall Agreement is a contract between the RMCSD and the prior developers of Murieta South. Neither the FSA landowners nor the future residents of FSA development are parties to the Shortfall Agreement. Because the FSA landowners and future residents are not parties to the Shortfall Agreement they are not bound by the reimbursement obligations of the Agreement, and, as a matter of constitutional law, the RMCSD cannot directly charge the FSA landowners or the future residents more for the previously constructed facilities than an amount that is "roughly proportional" to the value of the actual benefit they receive from the facilities *Dolan v. City of Tigard* (1994) 512 U.S. 374. This principle was strongly reaffirmed by the June 25, 2013 decision of the United States Supreme Court in *Koontz v. Saint Johns River Water Management District.*

The 1991 Shortfall Agreement bases its reimbursement amounts on estimates of the value of the benefits that each parcel of undeveloped land outside of CFD No.1 will receive from the CFD No. 1 facilities. These estimates are based on capacity demand assumptions from a 1986 development plan of Rancho Murieta Properties, Inc. (RMPI) used in 1986 to spread the assessments of Improvement District No. 1. (Exhibit A, Section 7.B., pp.12-13). These estimates were known in 1991 to be somewhat inaccurate and over the course of the 22 years since have turned out to wildly overstate the development and ultimate treated water demand of Rancho Murieta. They assume that land outside CFD No. 1 that will supposedly benefit from CFD No. 1 funded facilities will have approximately twice as much development as now will be allowed, that the peak treated water demand of residences on this land in summer will be at least two times what it will now be after recycling and water conservation requirements, and that the WTP will be expanded not later than three years after the bond issuance (1994), as was represented to investors in the documents used to sell the CFD No. 1 bonds (Exhibit D, p. 32). As a result of the assumption that the water plant would be built by 1994, the Shortfall Agreement ignores depreciation, even though the facilities built are now more than twenty years old or more than half way through their useful life.

Equally important, the estimated values fail to reflect the effect on land values of the failure to expand the WTP by 1994. As of today, approximately half of the current claim for reimbursement is based on twenty plus years of interest as calculated under the Shortfall Agreement. Interest can be fairly and constitutionally imposed as a charge for the benefit of facilities to landowners who are not a party to the Shortfall Agreement if the facilities built significantly increase the value of the property of the non-party landowner. Here if the WTP had been built by 1994 and had increased the value of property outside CFD No. 1 as of that date, a charge of interest might be justified. But the WTP expansion was not built, and the landowners outside CFD No. 1 have received no benefit that would call for reimbursement including interest.

Most important, the Shortfall Agreement estimated reimbursement amounts assumed that the Murieta South developers would provide $6,589,842 for the CFD No.1 facilities, the amount of estimated shortfall (Exhibit A, Section 2, pp. 3-4). It is my understanding that the Murieta South developers actually spent only about $2.5 million for CFD No. 1 facilities that was not reimbursed. Section 7.E. of the Shortfall Agreement states that the reimbursement shall not exceed the balance of the Shortfall payments made by the developers. By my very rough estimate, the total amount of reimbursement specified by the proposed FSA, although it may be close to the amount actually spent by the Murieta South developers, is still approximately three times more than the amount that can be justified as a "fair share" for landowners outside of CFD No.1 under *Dolan*.

I understand that the RMCSD Board has been advised that *Dolan* technically does not apply in this case because the FSA landowners are freely agreeing to the reimbursement amount; the reimbursement is not being imposed by the RMCSD. That may be true but it does not solve the problem. Section 3.1, p. 31 of the FSA authorizes the establishment of a Mello Roos District to pay the FSA landowners' facilities costs. Section 7.C., p.13 of the Shortfall Agreement requires that the FSA Mello Roos include the Shortfall Agreement reimbursement as a first priority claim. In practical effect, if the RMCSD approves the FSA, the RMCSD will be directing the FSA landowners to pass on to the future Murieta residents who will be paying the Mello Roos taxes a reimbursement charge for prior facilities that may be roughly three times what those residents could be required to pay if they were charged directly by the RMCSD. I doubt that the future residents will be happy with the RMCSD when they come to understand how this works. The arrangement may be legal, but it is very, very bad politics.

(6) Ironically, the FSA fails to account for some additional reimbursement that may be due under the Shortfall Agreement. The primary Murieta South developer obligation for the WTP under the Shortfall Agreement is to provide all of the treated water needed for the Murieta South development plan that was the basis for property appraisal for the CFD No. 1 bond issue (Exhibit A, last "Whereas" clause, p.1, first "Whereas" clause, p. 3; Exhibit D, Appendix B, "Executive Summary of the Appraisal"). The dollar amount of the CFD No. 1 bonds issued and sold was based on the appraised value of the Murieta South property, and the appraised value of the property was based on the commitment to expand the WTP capacity by the amount required to serve all of the then projected Murieta South development. Performance of this obligation immediately resolves the issue of capacity borrowed by Murieta South; all of the capacity borrowed because it was needed for Murieta South development is again available because the expanded WTP makes up the previous Murieta South capacity shortfall.

Assuming the LOC funds new WTP capacity adequate to replace water entitlements borrowed from outside of CFD No.1 and to provide the treatment capacity needed for all of Murieta South/CFD No. 1, including Riverview and Lakeview, any additional treated water

capacity paid for by the LOC and provided to property outside CFD No. 1 is a benefit to the outside property. The value of the benefit should be reimbursable to someone. Contrary to statements made in the FSA (see, FSA Section 1.3(A) and (J)), to the extent that the funding from the LOC is inadequate to fund all of the capacity needed for CFD No.1, the Riverview and Lakeview property owners are responsible for the cost of their required WTP capacity, just like the landowners outside of CFD No.1 are.

As I previously noted, because of the passage of time and change of circumstances, the actual value of the benefit of previously constructed facilities to property outside CFD No. 1 is probably approximately a third of the amount that the Murieta South developers claim to have spent for those facilities. But what the FSA ignores is that the Shortfall Agreement calls for reimbursement from landowners who benefit from CFD No. 1 facilities whenever the facilities are built. It is not limited to facilities built prior to an FSA. Here is where the passage of time and change of circumstances aids the successors in interest of the Murieta South developers.

(7)

By the estimates of the 1991 Shortfall Agreement, the expanded WTP would provide the capacity to serve the development of Murieta South with a tiny surplus of 2.38% (Exhibit C attached to Exhibit A). Because of reduction of the development density of Murieta South, new water conservation programs, and the recycling requirements that may be imposed on Riverview and Lakeview, the same plant 1.5 mgd capacity is now likely to produce a significant surplus over the needs of Murieta South. Section 3.D., p.6 of the Shortfall Agreement (Exhibit A) provides the RMCSD is obligated to reimburse the Mureita South developers or their successors up to the amount of their actual shortfall expenditures from amounts that the RMCSD later collects as reimbursement for the "... amounts paid out or drawn down .." for CFD No. 1 facilities. Based on the quoted language, it appears that the Shortfall Agreement reimbursed parties may be entitled to payments (up to the reimbursement cap) not just for the actual benefit value that landowners outside CFD No. 1 receive from Murieta South developer expenditures for facilities but also for the benefit values received from facilities costs paid for by funds drawn down on the LOC. To put this rather complicated concept into concrete terms, landowners outside CFD No.1 can be charged, and Shortfall Agreement reimbursement parties reimbursed, for the value of the surplus treated water of the expand WTP provided to the outside landowners even if the facilities were paid for by the LOC.

4. The FSA unjustifiably limits the funding the RMCSD is entitled to from the LOC.

(8)

As previously noted, the Murieta South developer were and are obligated by the Shortfall Agreement, the CFD No. 1 documents, and subsequent subdivision maps to provide all of the treated water needed for the Murieta South development plan that was the basis for the property appraisal for the CFD No. 1 bond issue (see citations above). Numerous approvals have defined this treated water need at 1.5 mgd. A more precise engineer estimate concluded that the capacity required was 1.46 mgd (Exhibit

E). The LOC is pledged as security for performance of the Shortfall Agreement obligation to fund all of the facilities of CFD No. 1, including the 1.46-1.5 mgd expansion of the WTP.

Section 1.3 (A) of the FSA limits the obligation of the LOC to payment of the *pro rata* share of Riverview and Lakeview for the WTP expansion and upgrade (FSA, section 1.3(J)) rather than the obligation to pay for the 1.5 mgd WTP expansion and upgrade and other the CFD No. 1 facilities, as required by the Shortfall Agreement (Exhibit A, Last "Whereas" clause on p.1; Section 3.A., p.4) This new limitation of the FSA means that funding costs will be shifted from the LOC to some other source. The other source is obvious, the future residents of the subdivision properties of the FSA landowners. Murieta residents will pay either through higher Mello Roos taxes for WTP expansion costs; the reimbursement overcharges for previously constructed facilities, or higher home prices. The limitation of LOC funding to Riverview and Lakeview is an unjustified give away of public funds that should instead benefit the RMCSD and future Murieta residents.

THE FSA'S FAILURE TO FOLLOW THE TERMS OF THE SHORTFALL AGREEMENT CREATES SIGNIFICANT, UNNECESSARY RISKS THAT THE RMCSD WILL LOSE SHORTFALL FUNDING RIGHTS AND/OR INCREASE RMCSD REIMBURSEMENT OBLIGATIONS.

The proposed FSA incorporates *de facto* changes in the LOC funding and many other rights and obligations established by the Shortfall Agreement. In general, the FSA treats the LOC as a source of funding for the FSA costs of Riverview and Lakeview, the two remaining undeveloped subdivisions of CFD No.1, not as security for performance of the funding obligations of the Shortfall Agreement for the facilities of CFD No.1. The FSA essentially treats Riverview as an owner of the LOC and, in effect, changes the terms of the Shortfall Agreement to fit the deal for Riverview and Lakeview in the FSA. Under the FSA, the reimbursement is changed from reimbursement based on the benefit of particular facilities to particular parcels (Exhibit A, Section 7.B., p.12) to a bundled fee per EDU, *i.e.*, equivalent dwelling unit (FSA, Section, 3.7 C), and the WTP expansion is limited to the capacity needed to serve the FSA landowners (FSA 1.3(A)), not the capacity designated by the CFD No. 1 documents and required by subsequent government approvals.

(9)

The FSA requires "participating landowners" (*i.e.*, the landowner or landowners, if there are any, who volunteer to build the WTP expansion and develop their property under the terms of the FSA) to guarantee the funding of the entire cost of all FSA landowners for design costs and for construction costs of the WTP expansion before these costs are incurred (FSA, Section 1.3). But a demand for funding can be made on the LOC only after design or construction costs have been incurred and an initial demand for payment made on the party or parties obligated under the Shortfall Agreement and they have failed to perform. (Exhibit A, Section 3.D., pp. 5-6). The Shortfall Agreement provides that the RMCSD has full control of reimbursement collections and payments. (Exhibit A, Section 7, pp. 11-16). Under the FSA, Economic Planning Systems, an organization selected by the FSA landowners, is designated the Fund Manager for the FSA with the authority to make all determinations regarding

reimbursement. The FSA states that " ... all responsibilities and obligations for the District to make financial calculations and determinations on funding amounts shall be delegated to and made by the Fund Manager ...," and "[t]he Fund Manager shall be responsible for all determinations to be made by the District hereunder regarding funding and accounting pursuant to this Agreement ..." FSA, (Section 3.2, p.31). The above conflicting provisions are a few examples of the many rights and obligations of Shortfall Agreement that are directly or indirectly modified by the FSA to the disadvantage of the RMCSD and its residents.

(10) The inconsistencies between the terms of the Shortfall Agreement and the FSA are likely to cause several problems for the RMCSD. The Shortfall Agreement is a contract between the RMCSD and the former Murieta South developers. The FSA landowners are not parties to the Shortfall Agreement. The Shortfall Agreement cannot be amended or modified without the consent of the successors in interest to the Murieta South developers (Exhibit A, section 19, p. 19). The successors in interest, whoever they may be, are not parties to the FSA. In theory, the successors in interest could claim that they are no longer responsible for the shortfall, *i.e.*, the funding for the WTP expansion and upgrade, because their obligations are modified and superseded by the FSA. They could also claim that they are being short changed on the bundled fee or on the more defensible reimbursement based on actual benefit because no account is taken of the benefit that will be conferred by the anticipated surplus of treated water over the amount that now will be required for CFD No.1.

(11) The risk to the LOC funding is probably more significant. Because the participating landowners are required to provide unqualified funding guarantees for the WTP expansion well in advance of any RMCSD entitlement to demand funding from the LOC, the bank issuing the LOC can plausibly argue that the RMCSD has arranged alternate funding for the WTP expansion and there is no shortfall that the bank is obligated to cure. The bank might also argue that the FSA has so modified the rights and obligations of the Shortfall Agreement that the shortfall obligation that the LOC was provided to secure has been replaced by new funding rights and obligations that are inconsistent with the Shortfall Agreement and therefore not secured by the LOC.

(12) I do not contend that the potential claims that the $4.2 million LOC is no longer responsible for the WTP funding will be successful if they are raised. But there is no reason to structure the FSA in a way that creates such unnecessary financial risks for the RMCSD. The FSA should recognize that the LOC is security for performance of the Shortfall Agreement, not a funding source for the obligations of Riverview and Lakeview. The Shortfall Agreement and the call on the LOC should be performed separately and first, before the performance of the FSA. The FSA should be structured as backup, subordinate financing for the WTP expansion that is to be called upon only in the amount, if any, that the WTP expansion and upgrade costs are not funded by the LOC.

(13) The sweeping delegation of RMCSD powers to EPS is both remarkable and financially threatening. The FSA (section 3.4, pp. 31-32) gives total control of RMCSD facilities funding to EPS; the RMCSD has no supervisory rights over EPS or right to terminate the services of EPS; the decisions of EPS are not subject to any standard that can be enforced by the RMCSD; and the most fundamental powers of the RMCSD, the authority to approve entitlements and provide water and sewer service, cannot be

exercised by the RMCSD without the prior written authorization of EPS, an EPS right of authorization or denial that is left to the totally unrestricted discretion of EPS. This looks to me like an unlawful delegation of RMCSD governmental powers to EPS. But the more immediate problem is financial.

Between the reimbursement obligation for previously constructed facilities and the potential reimbursement obligation for treated water provided to landowners outside of CFD No. 1, the RMCSD is likely to be obligated for the correctly disburse at least $1-2 million. The RMCSD does not know for sure who is entitled to the reimbursement. But it does know that there could very well be competing claimants (Rancho Murieta 205, LLP; the bankruptcy estates/creditors of John Reynan and Chris Bardis; Boras, Baker, et. al., the group that may have acquired the reimbursement rights; and, possibly, Wells Fargo Bank, the issuer of the LOC). The logical and prudent course in this circumstance would be for the RMCSD to collect the reimbursement(s) and hold the funds until the rightful claimant can be clearly identified by the RMCSD. Under the FSA, that is not possible because the collection and disbursement process has been irrevocably delegated to EPS.

Under the Shortfall Agreement, the RMCSD had control of the reimbursement funds and was protected from liability for erroneous disbursement by the covenant of the developers that the RMCSD, itself, would not be liable for the reimbursement payments. (Exhibit A, section 17, p.19). Since the Shortfall Agreement developers are not parties to the FSA, the protection from liability of the Shortfall Agreement probably does not apply to the disbursement of the reimbursement funds pursuant to the FSA. In summary, if reimbursement funds are collected under the terms of the Shortfall Agreement, the RMCSD is in control and is protected from liability. If reimbursement funds are collected under the terms of the FSA, the RMCSD has no control, the entire process is under the unrestricted control of EPS, and the RMCSD is not protected from liability. If EPS pays the wrong party, the RMCSD probably gets to pay twice. I see no reason that justifies the RMCSD accepting this financial risk.

What I have described is only one of the many problems of delegating the RMCSD's authority to control funds to EPS. For example, EPS apparently can dictate to RMCSD what costs the RMCSD, itself, shall pay for the upgrade of the WTP, and there is no apparent method for the RMCSD to appeal the EPS decision.

THE PROPOSED FSA FAILS TO GUARANTEE, OR AT LEAST DO ALL THAT IS POSSIBLE TO INSURE, THAT NEW DEVELOPMENT IN RANCHO MURIETA WILL PROCEED NOW, WHEN IT IS NEEDED.

(14)

As I stated at the outset, I see no reason for the RMCSD to consider a FSA at this time unless the RMCSD Board believes that new development will benefit Rancho Murieta and that the FSA will cause the development to occur now or in the immediate future, when the community needs it. Obviously, the proposed FSA fails the test of guaranteeing development. The FSA does not commit any landowner to proceed with development or to pay its fair share of a WTP expansion and upgrade other facilities costs at any time during the 30 year term of the agreement. The FSA also fails the test of doing all that can be done to insure development now. In fact, it appears to do the opposite.

(15) The FSA is structured to punish the landowner that first develops and reward the landowner that waits and forces the first to develop (the "participating" landowner(s)) to bear the all of the financial costs and risks of designing and constructing the WTP expansion for all seven of the FSA subdivisions (FSA, section 1.3(C) and (D)) The first subdivision to develop must provide security for all of the costs of the WTP expansion (FSA, section 1.3(C) and (F)) without knowing how much, if any amount will be funded by the $4.2 million LOC. The first to develop landowner has no guarantee that any other landowner will elect to develop and pay its pro-rata share of the design and construction within the 30 year term of the FSA. Even if one landowner does, the original developer must continue to carry the facilities costs for the other five subdivisions. After 30 years, the first to develop landowner loses the right to reimbursement for the facilities costs it has paid. The first developer receives no interest or compensation for carrying the costs of expanding the WTP capacity for the "non-participating" landowners. But the "non-participating" landowners still stand to see a significant increase in the value of their property, despite their refusal to financially contribute to facilities, because their property will have immediate access to treated water (and therefore can be developed) at a price limited to the landowner's pro-rata share of construction costs. The price is not required to be paid until that point in the next 30 years that the "non-participating" landowner decides it is most advantageous to request water service.

(16) The enormous differences between the proposed FSA's disincentives to development and incentives to simply hold land at least until the WTP is expanded creates an economic game of "chicken" where landowners compete to see who will give up first and expand the WTP for the benefit of the other landowners. The incentives and disincentives are reflected in the positions of the landowners. The owners of Murieta Gardens and Murieta Retreats, who wish to develop now or soon, oppose the proposed FSA. Other landowners, who have not disclosed plans to develop their property or shown that they have development experience, support the FSA. Of course, I may just be cynical. Or my perceptions of motivations and intentions of landowners regarding future development may be wrong. And I probably would be proven wrong, and the remainder of this letter would probably be irrelevant if, for example, the FSA was amended to provide that the owners of Riverview and the Residences agree to immediately accept the financial obligations of "participating" landowners when requested to do so by the RMCSD.

The differences between the current landowners reflect changes in ownership and economic interests that have occurred since the 2008 real estate crash. The negotiations for the FSA began in 2005 or earlier between landowner developers, companies that made their money by building and selling residential and commercial development, not by investing in land and profiting from its price appreciation. The pre-crash owners included Regency Realty Group, Warmington Homes California, Woodside Rancho Murieta, Murieta Retreats, Rancho Murieta Riverview, and Rancho Murieta Lakeview. In 2005-2006, most of these landowners were in the process of obtaining subdivision maps and were not sure exactly what development would be approved for their property. Without the knowledge of what development would be approved and when and what conditions would be imposed, the landowners without tentative maps were not in a position to make definitive commitments to RMCSD facilities financing. But the owners knew that they collectively did want to proceed with development as

soon as it was possible for them to do so. These circumstances are the reason that the early drafts of the FSA included the "opt out now/opt in later" option for landowners that the proposed FSA still contains today.

Today the circumstances are wholly changed from before the real estate crash. All of the landowners have tentative subdivision maps. The RMCSD and the landowners now know what can be developed on their properties, what facilities the development will require, and what calculations can determine an equitable allocation of facilities costs among landowners. But the landowners and their economic interests have also changed. The landowners today are primarily property investors, not developers. One need only review the FSA signature lines for the landowners who want the FSA to see the obvious. They include: (PCCP CSGF RB, PORTFOLIO, LLC a Delaware limited liability company; CSGF RANCHO MURIETA, LLC a Delaware limited liability by PCCP CSGF RB, PORTFOLIO, LLC a Delaware limited liability company; and BBC MURIETA LAND LLC, a California limited liability company by BBC LONGVIEW LLS, an Illinois limited liability company, LINCOLNSHIRE ASSOCIATES II, LTD., a Texas limited partnership, and DDC 2009 Irrevocable Trust, its General Partner). Most of these signatories are real estate investment entities formed after the real estate crash, and, to the best of my knowledge, have not disclosed any development experience or plan to develop their property.

Admittedly, the FSA landowners have come to their present ownership positions from different circumstances: one or more include parties who had ownership before 2008 and have hung on to some portion of their interest through the real estate crash, private lenders who have taken title to property that secured unpaid debts, and purchasers of distressed property through foreclosure or other means, the type of owner referred to in the financial press as "vulture investors," the undeveloped land equivalent of residential house "flippers." What they share in common is some recent increase in the market value of their property and the potential for a further increase in value if some other FSA landowner will pay the cost of expanding the WTP enough to serve their property.

The price that Rancho Murieta is most likely to pay for a FSA favoring property investors over property developers is that nothing will happen because a few of the FSA property investor landowners will hold up development by waiting for a higher, "fairer" price for its property until the next real estate down turn comes along and causes all the owners of undeveloped land to abandon their plans for development. The repeated planning for development without actual development is a movie I have seen before. I have lived in Rancho Murieta for 35 years. I was here in 1985 and involved in the RMCSD when the original owner of Rancho Murieta, the Pension Trust for Operating Engineers Local No.3 (PTF) sold RMPI, its development company and the owner of the Rancho Murieta undeveloped land, to Jack Anderson and related entities. Before RMPI went out of business and PTF reclaimed the land a few years later, RMPI managed to move one or more property lines to allow the sale and development of the Fairways and Murieta South. Since PTF reclaimed the undeveloped land as investor owner, rather than the developer owner, many development plans have been made for Rancho Murieta but later died. No deal has been done to finance RMCSD facilities and allow new development since the January 1991 Shortfall Agreement.

I do not mean to demonize passive investors in Rancho Murieta property. But the point I wish to make is that if RMCSD wishes to promote new development in Rancho Murieta, the RMCSD needs to first level the financial playing field in the FSA between property investors and landowners who wish to develop their property now. Then, perhaps, the RMCSD should tilt the field somewhat in favor of the developers. There are several ways the FSA could do this.

1. The FSA should not require "participating" landowners (developers) to pay WTP costs of for "non-participating" landowners (property investors) unless the costs are for elements of the facility that are critical to the operation of the expanded WTP or will clearly be substantially more expensive if construction is deferred until the "non-participating" landowner requests RMCSD services. For example, participating landowners should not be required to pay for the installation of WTP filter elements that will not be required until the "non-participating" landowners request treated water.
2. The FSA should require "non-participating" landowners to pay a generous rate of interest as reimbursement to "participating" landowners for the costs they pay that benefit the property of "non-participating" landowners. The interest charges should reflect both the cost of money and the financial risks incurred by the "participating" landowners; they should be made in regular installments and commence as soon as the investment is made for the benefit of the "non-participating" landowners property. In other words, even if landowners are allowed to be "non-participating" for some period of time for payment of design and construction costs incurred for their benefit, they should participate from the outset as to carrying costs and financial risks.
3. The FSA should protect the "participating" landowners against the additional share of "non-participating" landowner costs they would otherwise be required to bear if the LOC cannot be drawn down in its entirety. The LOC is a $4.2 million part of the funding for the WTP expansion. One or two "participating" landowners cannot reasonably be expected to cover so large an expense if the LOC fails to provide the anticipated funds. "Non-participating" must be required to help close the funding gap. I realize that adjustments would need to be made from the strict application of the rule that "non-participating" landowners must make up their share of lost LOC funding. If the LOC paid nothing, the strict application of the rule would force Riverview and Lakeview, in effect, to be "participating" landowners whether they wanted to or not. Moreover, if the loss of LOC funding is sudden and unexpected, "non-participating" landowners would need some time to respond. If the loss of LOC funding is minor, a separate process for making up the default may not be worth the complication.
4. The FSA should set a reasonable deadline on the right of landowners to participate in the FSA (not more than ten years). If the "non-participating" landowner does not "opt in" and pay its share of costs within that time, its rights under the FSA should terminate, except that any future landowner that uses the water capacity reserved for the landowner who fails to "opt in" should reimburse that "non-participating" landowner

for the carrying costs it has paid. The 30 year term of the FSA should apply only to reimbursement, not to the right to "opt in" for water and sewer and other entitlements.

5. The FSA should use the Shortfall Agreement process for the reallocation of costs and benefits for a new financing mechanism, which is referred to in and authorized by section 7.C., p. 13 and section 9, p.16 of the Shortfall Agreement, to reallocate CFD No. 1 costs and benefits based on the circumstances current at the time of the completion of the WTP expansion. At the completion of the WTP, the RMCSD will know the final costs of the CFD No. 1 facilities and, because all of the subdivisions that will benefit from the facilities now have tentative maps, the RMCSD will be able to determine the actual benefit that properties outside CFD No. 1 will receive from the facilities. The allocation based on this information is the allocation that should be used for the final reimbursement obligations of Shortfall Agreement. The reallocation, in effect, will be the final accounting among landowners for the facilities costs of CFD No. 1.

   The reallocation will serve a second important function mentioned in the Shortfall Agreement: it will establish the cost and reimbursement obligations to be rolled over/passed on to the successor financing mechanism, the Mello Roos District described in Section 3.1 of the FSA. If properly applied, the Mello Roos District is the mechanism that can insure that at the end of the day "participating" landowners are compensated for the costs they incur for the benefit of "non-participating" landowners. As currently written, landowner participation in the Mello Roos is completely voluntary. It would be unconscionable to allow "non-participating" landowners who have benefited from the expenditures of "participating" landowners, to avoid the obligation to reimburse for the benefit of treated water by declining to participate in the Mello Roos. The FSA should be revised to authorize "participating" landowners who have spent money for the benefit of "non-participating" landowners but have not been reimbursed to require the formation of the Mello Roos and to make participation in the Mello Roos mandatory for landowners who are entitled to request water in the future but have not paid for the benefit. The landowners who pay for the WTP expansion must be paid in the end for the share of their costs that provides access to treated water for other landowners or there will not likely be landowners that volunteer to pay the construction costs of the WTP expansion.

Conclusion

I am sure that critics will prove some of my statements and numbers wrong. I am writing this letter as a private citizen. I have not brought to the task the attention to detail and rigor that I would have if I had written the letter as a lawyer before my retirement. But regardless of any errors or omissions, I hope that the RMCSD Board will give consideration to my main points. An FSA should be financially fair to existing and future Rancho Murieta residents by reducing their costs and financial risks. If the Board believes that Rancho Murieta will benefit from new development now or in the

immediate future (which is what I believe), it should insist upon an FSA that either guarantees that development or does all that is possible to achieve that end result.

I understand, of course, that the FSA is a difficult and unusual challenge for the RMCSD Board. The issues are novel because no similar financing agreement has been considered and approved by the RMCSD Board in more than 20 years. In the past, until 2004, the RMCSD had the benefit of the RMCSD institutional history background, experience and skills of Steve Robbins, the land use lawyer who drafted all proposed and approved financing agreement from the time of the formation of the RMCSD. In the past, at least one RMCSD Board member was directly involved in the negotiations from the very beginning and came to the point of consider a draft agreement with knowledge of the issues, the financial numbers, and the likely financial and economic impacts on Rancho Murieta residents.

I understand that the current Board has none of these advantages. I know that a majority of Board members are relatively new to the job, that no Board member has been directly involved in the FSA negotiations or is old enough to possess the knowledge of RMCSD history that I have lived through. But I know of the Board members' past involvement and accomplishments in community affairs, and I am confident of their ability to sort matters out. If I did not hold that opinion, I would never have spent the time to write this letter. I think the Board should view the resolution of the FSA issues as an opportunity in retirement to take on a task that is interesting, very challenging, and very important to the community. Of course, there is an alternate view, the Board may have fallen victim to the ancient Chinese curse: "May you live in interesting times."

Very Truly Yours,

Richard E. Brandt

Cosumnes River Land LLC
7200 Lone Pine Drive Suite 200
Rancho Murieta, CA 95683

August 1, 2013

Ed Crouse, General Manager
Rancho Murieta Community Services District
P.O. Box 1050
Rancho Murieta, CA 95683

RE: FSA Questions

Dear Ed:

Some of these questions have been addressed and some have not. I want to recap the ones addressed so that confirmation can be made to clear up any potential misunderstanding as the District moves forward with financing the WTP upgrade and expansion.

(1) CFD #1 Capacity Responsibility
Question 1-The CFD#1 responsibility for treatment plant capacity was stated at the 30% design meeting with HDR as 1.5 mgd. Please confirm that this is the capacity that RMSouth is responsible for constructing.

(2) Letter of Credit Funding of WTP #3
Question 2-Everyone recognizes the crucial importance of having the WFB letter of credit as security for the faithful performance (funding) of WTP #3. In light of Dick Brandt's letter can the District assure us that the Shortfall obligations of the South Developers is protected, and is not going to be lessened by the District entering into the FSA?

(3) Permanent Sprayfield Cost Allocation for Landowners
Question 3-Since the FSA contemplates the funding of a permanent sprayfield installation ($1,700,000), will an allocation of the projected costs be included in a schedule of projected costs that clearly delineates the allocation to each property?

(4) Van Vleck Sprayfield Easement Language
Question 4-At the June 28th workshop on the FSA, Gardens indicated (and stated that Retreats had concurred) that as long as the Sprayfield reimbursement language and appropriate schedule were attached, and a mechanism and timing of payment would be consistent, it seemed all parties would be in agreement that the Van Vleck Sprayfield easement could be conveyed to the District. Have those changes in the language been incorporated into the document, and if so, what is the mechanism?

5 Previously Constructed Infrastructure (PCI) "interest carry" and Sprayfield "interest carry"
Question 5-At the June 28th FSA workshop, the PCI figure of $5900 was discussed. Gardens and Retreats had (at that time) agreed to a figure of $4,136 per EDU, provided that the interest "carry" outlined in the Operating Agreement of Rancho Murieta 670 LLC was used for under-funded landowners. The alternative was that (Rancho Murieta 205 LLC's assignee) the successor to reimbursement would reduce or forego any interest carry on the PCI.

6 Q5A-Did RM205's successor agree to forego interest?

7 Q5B-If so, what was the adjustment to the PCI, and if it is different from the proposed compromise how was it calculated? (Total reimbursement $/divided by number of EDU's)

8 Q5C-If the assignee of 205 did not adjust the PCI reimbursement figure, how does the District agree to any number that does not consider the specific benefit for specific properties? (What is the District's methodology for their confirmation of the calculation?)

9 District's share of the Reimbursement and "carry"
Question 6-What share of the reimbursement that is owed is to be retained by the CFD?

10 Question 7-What uses can the CFD Board of Directors make of the CFD's share of any reimbursement that are received by it in the future?

11 EPS
Question 8-In light of Dick Brandt's letter regarding a third party disbursement agent, has the District re-examined use of EPS as 'gatekeeper' of the funds?

12 Bankruptcy-Assignment and Assumption Agreements
Question 9-Since it appears as though Rancho Murieta 205 LLC is no longer an entity, under the Reimbursement and Shortfall Agreement, another Assignment and Assumption Agreement will need to be executed by the District.

13 Q9B-It appears as though no one had done any due diligence as to the Assignment and Assumption required to reimburse any entity, is that true? Has the District discussed what security will be required as substitution for the guarantees of John Reynen and Chris Bardis?

14 R&S Agreement
Question 10-Since the FSA is only a tool for the Landowners to get conditional 'will-serves' and does not require any of the properties to move forward, does this mean that the District is moving forward for plant construction on the basis of the Shortfall funding?

15 Parties in Interest
Question 11-Is Lakeview considered to be a party to the Shortfall Agreement?

Shortfall Allocation Report

(16) Question 12-Does the District confirm that the Shortfall Allocation schedule (Attached and Dated 11/2005) is the District's CFD #1 shortfall calculation?

[Shortfall Allocation report totals:]
Total costs to date: $11,857,143
Total Funding from Bond Proceeds: $9,205,158
Funding from SHF share of costs: $181,313
Shortfall amount: $2,470,672

Original Estimated Costs: $15,795,000
Actual Construction Costs: $11,857,143

(17) There have been many questions raised during the 'vetting' of the FSA. It would logical that preservation of the WFB letter of credit funding is job 1. Getting consensus on the PCI, is within reach. It seems as though there is some reluctance to disclose and insert the balance of the "known" costs, in a revised Exhibit H.

Thanks for looking into these questions.

Cosumnes River Land, LLC
John M. Sullivan, Manager

RM CSD - Substitute for Exhibit H
Finance and Service Agreement

Item #	Facility Descriptions		RM CSD WTP #1 Replacement	RM South CSD #1 1.5Mil Gal	31.33% Approved Map Non-CFD Prop	Gardens I & II & RM North Properties	Total
1	Core Facilities		1,843,667	1,843,667	577,676	1,843,667	6,108,677
	Sales Tax (8%)		61,732	61,732	19,342	61,732	204,538
	Subtotal		1,905,399	1,905,399	597,019	1,905,399	6,313,216
	General Conditions (13%)		247,702	247,702	77,612	247,702	820,718
	Subtotal		2,153,101	2,153,101	674,631	2,153,101	7,133,934
	Contingency (25%)		538,275	538,275	168,658	538,275	1,783,483
	Total Core Facility & Filtration Membrane		2,691,376	2,691,376	843,289	2,691,376	8,917,417
2	Irrigation Easement Acquisition: Fair Share Allocation	3,097,218		1,104,829	1,303,606	688,785	3,097,220
	Irrigation Easement Acquisition: Paid to date	3,078,508		242,830	1,771,702	1,063,976	3,078,508
	Prior transfer from 670 legal deposit	100,000		35,672	42,089	22,239	100,000
	Estimated Surplus / (Shortfall) at FSA			(826,327)	510,185	397,430	81,288
							-
3	Land Owner Irrigation Facilities	1,700,000		606,418	715,522	378,060	1,700,000
	Total Van Vleck Easement & Perm Facility Surplus (Shortall)			(1,432,745)	(205,337)	19,370	(1,618,712)
	Total Obligation		2,691,376	4,124,121	1,048,626	2,672,006	10,536,129

SUBSITUTE EXHIBIT "H"

Rancho Murieta CSD
Financing and Services Agreement
Exhibit H: All 670 Properties included
Estimated Fair Share of Eligible Facility Costs

(1) Draft Fair Share Allocation: CSD (Fund Manager) to verify lot size and useage.
(2) Draft Improvement Cost pending actual costs veried by Fund Manager

	.(1) EDU (lots)	gpd >12,000 sf lots 750	gpd <12,000 sf lots 650	gpd 1/2 Plex lots 400	Estimated Capacity gpd	Water Pro rata Share (based on gpd)	Sewer Pro rata Share (based on EDU)
New Development:							
Riverview (PCCP)	140	40	100	0	95,000	21.93%	20.90%
Residences of Murieta Hills East (PCCP)	99	49	50	0	69,250	15.99%	14.78%
Residences of Murieta Hills West (BBC)	99	49	50	0	69,250	15.99%	14.78%
Lakeview (Village)	99	49	50	0	69,250	15.99%	14.78%
Murieta Retreats (CK Homes)	84	0	0	84	33,600	7.76%	12.54%
Murieta Gardens (Regency) - MDR	99	0	99	0	64,350	14.85%	14.78%
Murieta Gardens (Regency) - Comc'l	50	0	50	0	32,500	7.50%	7.46%
Sub-total:	670				433,200	100.00%	100.00%
			Property Owners Design Capacity:		1,000,692	(433,200x1.1 syst.loss x2.1 peaking factor).	
RMCSD							
Existing Plant Capacity (1.5 MGD)	900				1,500,000		
Proposed Public Connections	50				86,625	(750 gpd/EDUx1.1 syst.loss x2.1 peaking factor).	
Total WTP Shared Capacity:	**1620**				**2,587,317**		
RM205, LLC Borrowed Capacity + Escuela	65 (footnote)				112,613	(750 gpd/EDUx1.1 syst.loss x2.1 peaking factor).	
Ultimate WTP Design Capacity:	1685				2,699,930	gpd	

Item	Facility Description	Estimated Cost (2)	Riverview	Residences East	Residences West	Lakeview	Retreats	Gardens MDR	Gardens Comc'l	Total
1	Estimated Water Treatment Plant Design & Constr	$6,500,000								
	District WTP Initial Funding	($1,500,000)								
	Estimated Prop Owner Shared Cost:	$5,000,000	$1,096,491	$799,284	$799,284	$799,284	$387,812	$742,729	$375,115	$5,000,000
	Future District WTP Reimbursement per Project	($1,500,000)	($328,947)	($239,785)	($239,785)	($239,785)	($116,343)	($222,819)	($112,535)	($1,500,000)
	Estimated Net Prop Owner Funding per Project:		$767,544	$559,499	$559,499	$559,499	$271,468	$519,910	$262,581	$3,500,000
2	Irrigation Easement Acquisition; Fair share allocation	$3,097,218	$647,180	$457,649	$457,649	$457,649	$388,308	$457,649	$231,136	$3,097,218
	Irrigation Easement Acquisition; paid to date(1)	$2,997,218	$0	$697,606	$476,271	$242,830	$529,805	$698,120	$352,586	$2,997,218
	Prior transfer from 670 legal deposit	$100,000	$20,896	$14,776	$14,776	$14,776	$12,537	$14,776	$7,463	$100,000
	Estimated surplus / (shortfall) at FSA		($626,284)	$254,733	$33,398	($200,043)	$154,034	$255,248	$128,913	$0
3	Landowner Irrigation Facilities	$1,750,000	$365,672	$258,582	$258,582	$258,582	$219,403	$258,582	$130,597	$1,750,000
4	District Irrigation Facilities	$2,100,000	$438,806	$310,299	$310,299	$310,299	$263,284	$310,299	$156,716	$2,100,000
	Future District Irrigation Reimbursement per Project		($438,806)	($310,299)	($310,299)	($310,299)	($263,284)	($310,299)	($156,716)	($2,100,000)
	(If Advance funded by Property Owner(s))									
	Estimated Prop OwnerObligation (gross):	$11,947,218	$2,548,149	$1,825,814	$1,825,814	$1,825,814	$1,258,806	$1,769,258	$893,565	$11,947,218
	Estimated Prop Owner Obligation (Net):	$8,347,218	$1,780,395	$1,275,730	$1,275,730	$1,275,730	$879,179	$1,236,141	$624,313	$8,347,218
	Estimated District Obligation:	$5,100,000								

EDU of WT Plant Capacity will be added to the design to cover South borrowed capacity & Escuela School obligation
This added capacity is a cost obligation of RM 205 LLC, and is not included in the New Development Shared cost;

Shortfall Allocation

Rancho Murieta Community Services District
Community Facilities District #1

Date: 10-Jul-13

Month Ending : November 2005

FACILITY	ESTIMATED COST	CFD %	Dev %	Total %	Facility Status % complete	Cost to Date	Bond Funding	SHF Share	Total Funding	Shortfall Amount	Allocation of Expected Shortfall (1)
100. WATER TRANSMISSION PIPELINE	$2,350,000	46.66	53.34	100.00	99%	$1,972,022	$1,096,426	$83,368	$1,179,794	($792,228)	
200. WATER STORAGE RESERVOIR	$2,600,000	36.17	63.83	100.00	100%	$2,304,229	$940,525	$76,526	$1,016,051	($1,288,178)	
300. DRAINAGE PUMP STATION	$1,805,000	100.00	0.00	100.00	100%	$1,784,907	$1,805,000	$0	$1,805,000	$20,093	
400. SEWER PUMP STATION	$560,000	100.00	0.00	100.00	100%	$547,097	$560,000	$0	$560,000	$12,903	
500. SEWER FORCE MAIN	$150,000	100.00	0.00	100.00	100%	$105,140	$150,000	$0	$150,000	$44,860	
600. WASTEWATER TREATMENT PLANT PLANT (PH II)	$3,025,000	37.40	62.60	100.00	100%	$2,887,688	$1,131,346	$0	$1,131,346	($1,756,342)	
700. WATER TREATMENT PLANT (PH III)											
701. SITE IMPROVEMENTS	$1,355,000	23.20	76.80	100.00	17%	$218,520	$314,426	$0	$314,426	$97,906	
702. TREATMENT PLANT	$2,945,000	97.62	2.38	100.00	21%	$1,085,620	$2,874,769	$0	$2,874,769	$1,789,149	
800. COSUMNES RIVER BRIDGE	$770,000	18.09	81.91	100.00	100%	$717,700	$139,269	$11,762	$151,031	($568,670)	
900. FIRE EQUIPMENT	$135,000	90.66	9.34	100.00	100%	$129,730	$122,397	$10,657	$133,054	$3,324	
1000. WATER TRANSMISSION PIPELINE (ALAMEDA DR.)	$100,000	71.00	29.00	100.00	100%	$108,489	$71,000	$0	$71,000	($35,489)	
									subtotal	(2,470,672)	
TOTAL	$15,795,000					$11,857,143	$9,205,158	$181,313	$9,386,471	(2,470,672)	
						Allocations Prior to 6/30/2005				(2,449,513)	
						Allocations, 7/1/2005 to Present				(21,159)	

	FN 1 RM 205 LLC	%	FN 2 RM 205 LLC	%	Winn R&B DEV LLC	%	Regency	%	Warrington	%	Woodside	%	Cassano	%
	$1,089,475	44.48%	$627,358	25.61%	$732,681	29.91%	$4,232	20.00%	$4,232	20.00%	$4,232	20.00%	$4,232	20.00%
	$1,882	8.90%	$1,084	5.12%	$1,266	5.98%								
Demand Amount														
Total Shortfall Allocation to Date	1,091,357.18		628,441.40		733,946.38		4,231.79		4,231.79		4,231.79		4,231.79	
Less Previous Shortfall Demands	(1,091,357.18)		(628,441.40)		(733,946.38)		(4,231.79)		(4,231.79)		(4,231.79)		(4,231.79)	
Shortfall Demand This Period	0.00		0.00		0.00		0.00		0.00		0.00		0.00	

Footnote:
1. Negative amounts indicate that no demand on letter of credits is appropriate
2. SHF Acquisitions, Inc. share

	Amount
100. WATER TRANSMISSION PIPELINE	$99,347
200. WATER STORAGE RESERVOIR	$85,221
800 COSUMNES RIVER BRIDGE	$12,619
900. FIRE EQUIPMENT	$11,090
Total	$208,277

SHORTFALL ALLOCATION

Approved by District Engineer: _____

Email Attachment to: Les Hock --- 06-13-13 4:45 pm

Dear Les,

We received your email with the new revised reimbursement for previously constructed infrastructure in the amount of $5900 per lot. You state that this is based on a final actual cost of $5.15 million. Assuming we agree to use the $5.15 million number (which seems to exclude depreciation and the fact that the District's Shortfall Allocation report shows only $2,470,672), and divide it by the remaining 1245 benefitting lots, the reimbursement rate is $4,136 per lot, which would be payable prior to the issuance of a building permit for each dwelling unit. In order to bring this issue to a close, we would be willing to accept a reimbursement rate of $4,136 per lot in the FSA and will participate in the FSA at that rate along with some changes to the FSA as outline below:

1. FSA section on design is now moot because of RMCSD progress on design and funding; we understand the District will be seeking reimbursement for the Design at least partially from the Guarantors, thence the WFB letter of credit per CSD Directors instructions
2. The FSA must enable and facilitate construction of the WTP #3
3. The design size for CFD1 will be 1.46 mgd
4. Rancho Murieta 670 LLC owns the spray field easement, and the transfer to CSD is controlled by Gardens, Retreats, and Residences East. An appendix spelling out the obligation of each property that has not paid their 'fair share' as shown on the SJ Gallina work papers from 12/31/2012 will be an attachment to the FSA as well as language in the FSA that requires payments before CSD will issue sewer will serves.
5. Since all of the RM670 Members, except Riverview are members and hold the easement collectively, we intend to place a "carry" requirement on the transfer of the easement to the district. Unless Riverview pays the carry, Riverview will not have access to the sprayfield easement capacity. A solution to this would be a mutual "no carry" agreement. In exchange for RM 670 not charging Riverview carry, RM 670 members in good standing would pay no carry to the RB interests who would ultimately be due reimbursements once the WTP #3 is constructed.
6. Payment of the Sprayfield easement due from Riverview ($643,285 without carry) shall be paid prior any issuance of will serves for sewer to the property.
7. All $4.2 million of the letter of credit can be used for the Water Treatment Plant Construction.

It seems we can argue our points back and forth forever. However, in the end, the issue is money, and we believe we can easily compromise on these terms in that regard. We just received the updated versions of the FSA. We have not had a chance to review those documents in detail. We may have additional comments after our review.

Sincerely,

John M Sullivan

Gardens I and II

RECORDING REQUESTED BY AND
WHEN RECORDED, MAIL TO:

General Manager
Rancho Murieta Community
Services District
15160 Jackson Road
Rancho Murieta, CA 95683

(SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE)

FINANCING AND SERVICES AGREEMENT

FINANCING AND SERVICES AGREEMENT

This Financing and Services Agreement ("**Agreement**") is entered into this ____ day of _____, 2013, by and among the Rancho Murieta Community Services District ("**District**"), a community services district organized under the laws of the State of California, CSGF Rancho Murieta, LLC ("**Residences East**"), a Delaware limited liability company; BBC Murieta Land, LLC ("**Residences West**"), a California limited liability company; Murieta Retreats, LLC ("**Retreats**"), a California limited liability company; Elk Grove Bilby Partners, LP ("**Lakeview**") a California limited partnership; and PCCP CSGF RB PORTFOLIO, LLC ("**Riverview**"), a Delaware limited liability company; ~~and, Consumnes River Land, LLC ("Gardens")~~, a Delaware limited liability company. Residences East, Residences West, Retreats, Riverview and Gardens are sometimes individually referred to herein as a "**Landowner**" and sometimes collectively referenced herein as "**Landowners.**" The District, Residences East, Residences West, Retreats, Lakeview, and Riverview ~~and Gardens~~ are also sometimes individually referred to herein as a "**Party**" and sometimes collectively referenced herein as "**Parties.**"

RECITALS

A. District is authorized to provide certain services to residents of District, including, without limitation, obtaining a supply of raw water, the storage of raw water, the treatment and distribution of potable water, the collection, treatment and disposal of wastewater, the management and control of storm water runoff and drainage, the provision of security services, the provision of public park and recreational services and the administrative support required therefore.

B. Landowners own or have a legal interest in certain lands within the boundaries of District, and such lands have been granted land use entitlements by the County of Sacramento or are the subject of currently pending planning applications with the County of Sacramento, including Tentative Subdivision Maps. The Retreats, as described in Exhibit A-1 and shown on Exhibit A-2 ("**Retreats**"), is owned by Murieta Retreats, LLC. The Residences of Murieta Hills - East, as described in Exhibit B-1 and shown on Exhibit B-2 ("**Residences - East**"), is owned by CSGF Rancho Murieta LLC. The Residences of Murieta Hills - West, as described in Exhibit C-1 and shown on Exhibit C-2 ("**Residences - West**"), is owned by BBC Murieta Land, LLC.~~The Murieta Gardens Shopping Center, as described in Exhibit D-1 and shown on Exhibit D-2 ("Murieta Gardens Shopping Center") is owned by Consumnes River Land, LLC. The Murieta Gardens Residential Project, as described in Exhibit E-1 and shown on Exhibit E-2 ("Murieta Gardens Residential Project") is owned by Consumnes River Land, LLC.~~ Riverview, as described in Exhibit F-1 and shown on Exhibit F-2 ("**Riverview**") is owned by PCCP CSGF RB PORTFOLIO, LLC. Lakeview, as described in Exhibit G-1 and shown on Exhibit G-2 ("**Lakeview**") is owned by Elk Grove Bilby Partners LP.

C. The lands described in and shown on Exhibits A-1, A-2, B-1, B-2, C-1 C-2, ~~D-1, D-2, E-1, E-2,~~ F-1, F-2, G-1 and G-2 are collectively referred to herein as the "**Property**" or "**Properties**". All such Exhibits are specifically incorporated herein by reference.

D. Landowners wish to obtain a commitment in the form of "will serve" letters from the District that the services provided by District will be available to the residents, owners, and occupants of the Property.

E. The existing facilities of District with respect to the disposal of recycled water and with respect to water treatment are inadequate to serve the future residents, owners, and occupants of the Property.

F. District and Landowners desire to provide for the reconstruction and expansion of the current water treatment plant, which will serve the existing residents of Rancho Murieta, as well as the future residents, owners, and occupants of the Property; and further desire to provide recycled water disposal facilities, and to finance such facilities, which will serve the Property and the future residents, owners, and occupants of the Property.

G. Obtaining will serve letters from the District is contingent on providing certain funding for the reconstruction and expansion of the water treatment plant and recycled water disposal facilities. Since not all Landowners are in the same position with respect to the timing of development of their Property, the Landowners desire to establish a mechanism to: (i) provide funding of certain Agreement processing costs set forth in Section 3.6 below by all Landowners; (ii) provide funding for design and construction of facilities by the Landowners who are then ready to proceed with construction ("**Participating Landowners**") and (iii) provide that the remaining Landowners reimburse the Participating Landowners for their proportionate share of such costs prior to approval of each final subdivision map for their Property ("**Reimbursing Landowners**") as more particularly set forth herein. The Landowners acknowledge that District shall not provide District's consent to approval of a final map for any Property, and shall not provide any water or sewer service to any Property, unless and until the Fund Manager (defined in Section 3.2 herein) has sent written confirmation of payment in full of all amounts due hereunder for such Property. For any Properties not requiring a final map, any provisions herein for District to withhold consent to a final map shall mean District shall withhold consent to any other final development approval and/or water and sewer service to such Property unless and until the Fund Manager provides the written confirmation of payment in full of all amounts due from such Property.

H. The Landowners shall initially elect whether to be a Participating Landowner for purposes of design of the WTP Improvements (defined in Section 1.3(A) below) and the remaining Landowners shall be Reimbursing Landowners for WTP Improvement design costs. Following completion of the design documents and prior to the District advertising for bids for the WTP Improvements, the Landowners shall then each elect whether to be a Participating Landowner for purposes of construction of the WTP Improvements and such Participating Landowners shall post security as required by Section 1.3(F) below, and the remaining Landowners shall be Reimbursing Landowners hereunder for the WTP Improvement construction costs. For the recycled water disposal facilities, Landowners shall initially elect whether to be a Participating Landowner for the permitting and design costs of the recycled water facilities and the remaining Landowners shall be Reimbursing Landowners hereunder for the recycled water facility design and permitting costs. Following completion of the design and

permitting, the Landowners shall then each elect whether to be a Participating Landowner for construction of the recycled water facilities and such Participating Landowners shall post security as required by Section 2.4 (D) below and the remaining Landowners shall be Reimbursing Landowners for the construction of the recycled water facilities. It is the intent of this Agreement that, subject to the terms and conditions in this Agreement, Landowners will be able to elect whether to contribute and advance fund costs as a Participating Landowner separately for (i) the design costs of the WTP Improvements, (ii) the construction costs of the WTP Improvements (iii) the design and permitting of the recycled water facilities and (iv) the construction of the recycled water facilities, such that any Landowner may elect to be a Participating Landowner for none, some, or all of the foregoing categories of funding. As an example of the foregoing, but not in limitation thereof, any Landowner may elect to be a Participating Landowner for the design and construction WTP Improvements and the design and permitting costs for the recycled water facilities, but choose to be a Reimbursing Landowner for the construction costs of the recycled water facilities. This Agreement also provides a mechanism for reimbursement from those Landowners that have not previously contributed to the irrigation easement from the Van Vleck Ranch previously acquired by certain Landowners in Section 2.2.This Agreement shall also allows the District to proceed with design and construction of the WTP improvements, as well as seek outside financing for the District's share of the WTP construction costs, all in the District's sole discretion.

I. For the WTP Improvements, the Parties acknowledge that certain obligations for funding of the WTP Improvements have been satisfied through a prior contract and funding arrangement with District as more particularly described in Section 1.3(J) below. Therefore, Riverview and Lakeview shall not be obligated to provide security or funding for the WTP Improvements, but shall each be considered a Participating Landowner for purposes of the WTP Improvements upon such election.

J. The Landowners and District desire to enter into this Agreement to set forth their respective obligations and timing for advance funding of the necessary facilities to serve the Property and the terms upon which District will provide will serve letters for the Property.

K. This Agreement is solely a financing agreement and is not a "project" under CEQA and, therefore, is not subject to CEQA review. The environmental impacts of the projects contemplated by this Agreement have been or will be properly reviewed and assessed by District pursuant to the California Environmental Quality Act ("**CEQA**").

L. The following terms shall have the meanings set forth below.

TERM	REF	DEFINITION
Additional EDUs	1.1(A)	Potentially available additional EDUs for future development.

TERM	REF	DEFINITION
Advancing Landowners	4.3(A)	Refers to Current Landowners, or any of them, who advance a Delinquent Landowner's Pro-Rata Share due under this Agreement
Agreement	Pre-Recital	This Financing and Services Agreement entered into on the date signed by the District
Bundled Fee	3.7(A)	Landowners shall pay $7,~~619~~771.00 ~~(or $ XXXX for Murieta Gardens)~~ per EDU to District for all development on the Property pursuant to Section 3.7
CEQA	Recital K	California Environmental ~~Qality~~Quality Act
CFD #2	3.1(A)	A potential financing mechanism for the WTP Improvements and the Landowner Irrigation Facilities by formation of a Community Facilities District the boundaries of which shall be coincident with the boundaries of the projects (Mello-Roos Financing)
CFD Participating Landowner	3.1(A)	Parties electing, in each Party's sole and absolute discretion, to participate in CFD #2
Core Facilities	1.3(A)	Backbone WTP Improvements including but not limited to concrete work, embedded piping, controls, pumps, generator, building improvements necessary to provide treatment plant capacity of 3.5 mgd ~~necessary to serve the 900 EDU's of existing capacity, the 50 public EDU's, the 50 EDU's of borrowed capacity, 99 EDU's for Lakeview, 140 EDU's for Riverview, and the 15 EDU's for the EscualaEscuela school site.~~
Delinquent Landowner	4.1(A)	Refers to any Participating Landowner who fails, beyond any applicable notice and cure periods, to contribute its Percentage Share of Advance Funding and its Pro-Rata Share for the costs of the WTP Improvements, the Landowner Irrigation Facilities, or other facilities, or who fails to pay any other costs including, without limitation, all agreement processing costs, and such Landowner has not provided adequate security upon which District may draw, or such security is inaccessible to District

TERM	REF	DEFINITION
District	Pre-Recital	Rancho Murieta Community Services District, a community services district organized under the laws of the State of California
District Irrigation Easement	2.2(B)	Irrigation Easement (attached as Ex I and Ex J to this Agreement) wherein certain Landowners previously acquired and paid for an irrigation easement from Van Vleck Ranch
District Irrigation Facilities	2.4(A)	Recycled water irrigation facilities to be installed on the District Irrigation Easement to serve the existing residents of the District
District Irrigation Facilities Costs	2.4(A)	The cost of the recycled water irrigation facilities to be installed on the District Irrigation Easement to serve the existing residents of the District estimated to be $2,100,000.00, which includes sixty percent (60%) of the Shared Transmission Facilities Costs
EDU	1.1(A)	Equivalent Dwelling Units
~~Escuela~~Escuela School Site	1.1(A)	That certain real property within the District located at the southeast corner of Stonehouse Road and Escuela Drive and identified as APN 073-0190-025.
Estimated Irrigation Facilities Costs	2.4(D)	The full estimated amount of the Landowner Irrigation Facilities Costs and the Shared Transmission Facilities Costs
Estimated WTP Improvement Cost	1.3(F)	Pre-bid Estimate of the WTP Improvements, minus the Letter of Credit amount for Riverview and Lakeview and the Existing District WTP Funding
Existing District WTP Funding	1.3(K)	District funds previously collected from existing development for the rehabilitation and/or expansion of the water treatment plant toward the actual costs of the WTP Improvements in the amount of $1,500,00.00
FN	1.3(A)	FN Projects, Inc., a party to the Shortfall Agreement between the District and Winncrest Homes, Inc., dated January 15, 1991
Fund Manager	3.2(A)	A project fund manager retained as a consultant to administer all funds and securities deposited by the Parties with the District.

TERM	REF	DEFINITION
Future District WTP Funding	1.3(K)	District shall contribute additional funds up to One Million Five Hundred Thousand Dollars ($1,500,000) from future reserve fund fees, as set forth at paragraph 1.3(K).
~~**Gardens**~~	~~Pre-Recital~~	~~Cosumnes River Land, LLC a Delaware limited liability company, and that certain property owned by Gardens, known as Murieta Gardens Shopping Center as described in Ex D-1 and shown on Ex D-2 and Murieta Gardens Residential Project as described in Ex E-1 and shown on Ex E-2~~
Irrigation Advance Funding	2.4(D)	At any time following an election by one or more Landowners to be Participating Landowners, each Participating Landowner shall deposit its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of an advance funding amount equal to the Reimbursing Landowner's Pro-Rata Share of the Estimated Irrigation Facilities Costs
Irrigation Easement Agreement	2.2(A)	That Grant and Agreement Regarding Irrigation Easement (attached as ~~Ex I and~~ Exhibit J to this Agreement) wherein certain Landowners previously acquired and paid for an irrigation easement from Van Vleck Ranch
Irrigation Facilities Maintenance Cost	2.5(A)	Cost of maintaining Landowner Irrigation Facilities from completion through estimated build-out of the Property
Irrigation Facilities Quarterly Payment	2.4(E)	On a quarterly basis each Participating Landowner shall be invoiced for its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of Irrigation Advance Funding for the next ninety (90) day period
Irrigation Facilities Shortfall	2.4(F)	The amount the cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities exceeds the Estimated Irrigation Facilities Costs
Irrigation Facilities Shortfall Notice	2.4(F)	The District's notice, with reasonable supporting documentation, that an Irrigation Facilities Shortfall exists and the amount of such Irrigation Facilities Shortfall
LAIF	2.4(B)	Local Agency Investment Fund

TERM	REF	DEFINITION
Lakeview	Recital H.1.	Owners of the Lakeview property, as described in Ex G-1 and shown on Ex G-2
Landowner Irrigation Easement	2.2(A)	References an area of approximately sixty (60) acres and is anticipated to be of sufficient size to dispose of the full amount of recycled water estimated to be generated by the Property when applied at agronomic rates and in accordance with the requirements of the Regional Water Quality Control Board
Landowner Irrigation Facilities	2.4(A)	Recycled water irrigation facilities to be installed on the Landowner Irrigation Easement
Landowner Irrigation Facilities Costs	2.4(A)	The costs of engineering, construction management, construction, plan check and inspection, change orders and District administrative costs related to the recycled water irrigation facilities to be installed on the Landowner Irrigation Easement, including forty percent (40%) of the Shared Transmission Facilities Costs (currently estimated to be $1,750,000.00)
Landowner(s)	Recital B	Those owners of the property described in and shown as Exhibits A-1, A-2; B-1, B-2; C-1, C-2; ~~D-1, D-2; E-1, E-2;~~ F-1, F-2, G-1 and G-2.
Letter of Credit	1.3(J)	Prior owner has provided District with Letter(s) of Credit, in the total remaining amount of approximately $4,136,099.12~~4,200,000.00~~ pursuant to the provisions of the Shortfall Agreement
~~**Murieta Gardens Residential Project**~~	~~Recital B~~	~~That certain property owned by Gardens, as described in Ex E-1 and shown on Ex E-2~~
~~**Murieta Gardens Shopping Center**~~	~~Recital B~~	~~That certain property owned by Gardens, as described in Ex D-1 and shown on Ex D-2~~
Original Cost Per EDU	1.3(B)	The actual cost of the WTP Improvements paid by Landowners divided by seven hundred twenty (720) EDUs, adjusted annually in proportion to the annual increase in the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items and Major Group figures published by the U.S. Dept. Of Labor, Bureau of Labor Statistics

TERM	REF	DEFINITION
Participating Landowners	Recital G and H	Those Landowners who are ready to proceed with design and/or construction and elect to provide funding for design and/or construction of the WTP Improvements and/or the recycled water facilities
Percentage Share	1.3(D)	An amount equal to the percentage of funds contributed by such Participating Landowner to the total funds contributed by all Participating Landowners for the specified funding costs or improvements
Permitting/Design Advance Funding	2.3(A)	Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities
Pre-bid Estimate	1.3(E)	District shall provide Landowners with a pre-bid estimate prior to the advertisement for bids
Property	Recital C	Those lands described in ~~in~~ and shown on Exhibits A-1, A-2; B-1, B-2; C-1, C-2; ~~D-1, D-2; E-1, E-2;~~ F-1, F-2, G-1 and G-2.
Pro-Rata Share	1.1(B) (C) (D) and (E)	Each Landowner's proportional share for costs for each facility
Public EDUs	1.1(F)	50 EDUs to be used for schools, fire stations, parks, or other public community facilities
Reimbursement Fee	3.7(C)	The amount to be reimbursed to successor-in-interests and assignees of Winncrest and FN for infrastructure previously funded by Winncrest and FN pursuant to the Shortfall Agreement

TERM	REF	DEFINITION
Reimbursing Landowners	Recital G	Those Landowners who are not Participating Landowners. Reimbursing Landowners agree to reimburse the Participating Landowners for their proportionate share of such costs prior to approval of each final subdivision map for their property or for any properties not requiring a final map, prior to any other final development approval and/or water and sewer service to such Property.
Residences East	Recital B	CSGF Rancho Murieta, LLC, a Delaware limited liability company and shall mean that certain property known also as Residences of Murieta Hills – East referenced in Ex B-1 and Ex B-2
Residences West	Recital B	BBC Murieta Land, LLC, a California limited liability company and that certain property known also as Residences of Murieta Hills – West, owned by Residence West and described in Ex C-1 and Ex C-2
Retreats	Recital B	Murieta Retreats, LLC, a California limited liability company and that certain property owned by Retreats as described in Ex A-1 and Ex A-2
Riverview	Recital B	PCCP CSGF RB PORTFOLIO, LLC Delaware limited liability company and that certain property referenced in Ex F-1 and Ex F-2
RWQCB	2.2(A)	Regional Water Quality Control Board
Shared Transmission Facilities	2.4(A)	Facilities necessary to convey the recycled water from the District wastewater treatment plant to the Landowner Irrigation Easement and the District Irrigation Easement
Shared Transmission Facilities Costs	2.4(A)	Cost of the Shared Transmission Facilities
Shortfall Agreement	1.3(A)	The Reimbursement and Shortfall Agreement dated January 15, 1991, as amended and extended, between the District, Winncrest Homes, Inc., and FN Projects Inc., regarding Lakeview and Riverview

TERM	REF	DEFINITION
VVR	2.2(A)	Van Vleck Ranch is a party to that Grant and Agreement Regarding Irrigation Easement attached as Ex I and Ex J to this Agreement
Water Augmentation Fee	3.7(A)	The Bundled Fee includes a Water Augmentation fee in the amount of ~~$4,419.00~~4,5271.00
Winncrest	1.3(A)	Winncrest Homes, Inc., party to Shortfall Agreement with FN Projects Inc. and District.
WTP Advance Funding	1.3(F)	Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the construction of the WTP Improvements and the $1,500,000.00 Future District WTP Funding
WTP Design Advance Funding	1.3(D)	Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design of the WTP Improvements
WTP Improvements	1.3(A)	The District shall design, engineer, permit and construct a new Water Treatment Plant with the ability to serve the 900 existing EDUs, 50 Public EDUs, and the Property in accordance with the terms set forth in this Agreement
WTP Quarterly Payment	1.3(G)	On a quarterly basis, the District will invoice each Participating Landowner for its respective Pro-Rata Share of the Estimated WTP Improvement Cost and its Percentage Share of WTP Advance Funding for the next ninety (90) day period
WTP Shortfall	1.3(H)	Each Participating Landowner shall pay its respective Pro-Rata Share and Percentage Share of the WTP Advance Funding for the difference between the actual cost of the WTP Improvements and the Estimated WTP Improvement Cost
WTP Shortfall Notice	1.3(H)	District's notice with reasonable supporting documentation that a WTP Shortfall exists and the amount of such WTP Shortfall to be paid by each Participating Landowner

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein contained, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

SECTION 1. Water Treatment Plant

1.1 Potable Water.

(A) The Parties agree that the existing facilities of District for the treatment and production of potable water are inadequate to produce the volume of potable water necessary to serve the future residents, owners, and occupants of the Property. The Parties further agree that the potable water necessary to serve the Property, and the maximum amount of potable water that will be available to serve the Property after completion of the WTP Improvements (as defined below in Section 1.3) is estimated to be approximately six hundred and seventy (670) equivalent dwelling units ("**EDUs**"), provided however, the potable water demand for the Property shall be determined by District based on the number of lots and the lot sizes within each Landowner's Property using the gallon/unit/day (gpd) calculation attached hereto as Exhibit H. The Landowners acknowledge that during the negotiation of this Agreement certain property owners within the District decided not to become a party to this Agreement. However, the Landowners still intend to size the WTP Improvements for 670 EDUs for the Property which may result in the Landowners funding approximately 149 additional EDUs for future development ("**Additional EDU's**"), which Additional EDU's, if any, may be sold or transferred by the Landowners in accordance with Section 1.2 below. The WTP Improvements shall be sized to serve ~~only~~ the Landowners' Property and need ~~shall~~ not be sized to accommodate any additional development, except for the nine hundred (900) existing EDUs, ~~and~~ fifty (50) Public EDUs, as defined in Section 1.3(B) below; fifty (~~the~~ 50) EDU's of borrowed capacity ~~from~~by the previous Greens and Crest developments within the District, and fifteen (15) EDU's for the ~~Escuala~~Escuela school site which is included as part Winncrest's obligation to construct 1.5 mgd water treatment plant expansion capacity contemplated in the original CFD#1. Therefore, total capacity of the WTP Improvements shall be 3.5 mgd, which includes approximately one thousand six hundred ~~sixteen hundred~~ and eighty-five ~~twenty~~ (~~1620~~1685) EDUs, including nine hundred (900) existing EDUs, approximately six hundred and seventy (670) EDUs designated to serve the Property, ~~and~~ fifty (50) Public EDUs, fifty (50) EDU's of borrowed capacity ~~from previous Greens and Crest developments~~, and fifteen (15) EDU's for the ~~Escuala~~Escuela school site. The capacity in the WTP Improvements for the District's 900 EDUs shall be approximately 1.5 mgd based on the capacity of the existing facilities that are being replaced. For the purposes of this Agreement, each Landowner's Property has been assigned both an EDU value for water service (based on lot size as set forth on Exhibit H) and an EDU value for recycled water facilities (based on EDUs for recycled water facilities as set forth in Exhibit H, but not based on lot size). As an example of the water service EDU calculation, an EDU for water service for a 12,000 sq. ft (or larger) lot would be seven hundred fifty (750) gpd, an EDU for a lot under 12,000 sq. ft. would be 650 gpd, and an EDU for half-plex lots would be 400 gpd. Any EDU

calculations for uses not set forth herein, including, without limitation, commercial or industrial uses, shall be determined by the District in consultation with the Landowners using the above EDU standards as a basis, provided, however, that the District shall have the sole discretion to make the final determination as to what constitutes an EDU for such uses.

~~(A)~~(B) For the purposes of this Agreement, each Landowner's "**Pro-Rata Share**" for WTP Improvements or any costs hereunder related to potable water shall be equal to the estimated capacity in gpd for such Landowner's respective project based on lot size divided by the total estimated capacity in gpd needed for all EDUs in the Property (670 EDUs) as set forth on Exhibit H.

~~(A)~~(C) For the purposes of this Agreement, each Landowner's "**Pro-Rata Share**" for the Irrigation Facilities (defined in Section 2.4 below) and any costs hereunder related to recycled water facilities or the disposal of recycled water or other costs hereunder (including but not limited to costs set forth in Section 3.6 below) shall be equal to the EDUs for such Landowner's respective project divided by the total EDUs in the Property (670 EDUs) as set forth on Exhibit H.

~~(A)~~(D) For the purposes of this Agreement, each Landowner's "**Pro-Rata Share**" for the Irrigation Easement (defined in Section 2.2 below) shall be as set forth in Section 2.2 and shall be equal to the EDUs for such Landowner's respective project divided by the total EDUs in the Property (670 EDUs) as set forth on Exhibit H.

~~(A)~~(E) Pro-Rata Shares shall be fixed based on the estimated capacity set forth in the Exhibits attached hereto and shall not be subject to change for purposes of funding pursuant to this Agreement, provided however, if any Landowner's Property is entitled or develops in a manner that requires fewer EDUs than estimated, such Landowner can seek reimbursement pursuant to the provisions of Section 1.2 below. If any Landowner's Property is entitled or develops in a manner that requires greater EDUs than estimated and allocated to such Property hereunder, such Landowner shall not be entitled to additional capacity but may purchase additional capacity from other Landowners or District if such excess capacity is available.

~~(A)~~(F) An additional fifty (50) EDUs will be available for public or community facilities, hereinafter referred to as the "**Public EDUs**", in accordance with the provisions of and as defined in Section 1.3(B) below. The 50 Public EDUs shall be sized for 750 gpd.

1.2 Transfer or Sale of EDUs.

(A) Except as set forth herein, Landowners shall not transfer or sell any EDUs for water service to any other person or entity, including owners of property within or outside the boundaries of the District, provided however, that in the event any Landowner's Property is entitled or develops in a manner that requires fewer EDUs than initially determined by Exhibit H as set forth in Section 1.1 above, such Landowners shall have right to transfer any excess EDUs to other Landowners for use within the District provided the express written consent of the Board of Directors ~~General Manager~~ of District is first obtained, which may be granted or withheld in its reasonable discretion. Within ninety ~~thirty~~ (~~3~~90) days following a request from any

Landowner to transfer EDUs, the District Board of Directors shall provide its written approval or its disapproval along with the basis therefor. The Board may extend this ninety (90) period in its reasonable discretion. If District Board fails to respond within such ~~thirty~~ninety (9~~3~~0) day period, it shall not be a deemed District's approval of such transfer. Notwithstanding the foregoing, Landowners may transfer or sell any Additional EDUs for water service to any other owners of property within the boundaries of the District by providing written notice to the District of such sale or transfer of EDUs, provided however, that all amounts hereunder for such Additional EDUs have been paid in full in accordance with the terms of this Agreement. Alternatively, the Parties may amend this Agreement to allow any other property owner within the District to become a party to this Agreement and obtain such Additional EDUs in accordance with the terms of this Agreement and by the process set forth in Section 5.21 herein. Notwithstanding the foregoing or anything herein to the contrary, no Landowner shall be permitted to transfer EDUs, or receive a transfer of EDUs, unless and until such Landowner has paid their Pro-Rata Share of all WTP Improvement costs hereunder.

1.3 Water Treatment Plant Expansion.

(A) WTP Improvements. Subject to the satisfaction of any and all conditions precedent in this Agreement and upon the full compliance with the provisions of this Agreement by Landowners, including the provision of funding by Landowners, District shall design, engineer, permit, and construct a new Water Treatment Plant ("**WTP Improvements**") with an initial eCore fFacilities capacity of at least 3.5 mgd ~~(million gallons per day)~~, unless otherwise expressly directed by the District Board of Directors, which is estimated to be sufficient ~~the ability~~ to serve the nine hundred (900) existing EDUs, fifty (50) Public EDUs, fifty (50) EDU's of borrowed capacity, fifteen (15) EDU's for the ~~Escuala~~Escuela school site, and the Property in accordance with the terms set forth in this Agreement. The WTP Improvements will be sized to accommodate ~~only~~ the existing 900 EDUs, ~~the Lakeview Property,~~ the Property, ~~and~~ the 50 Public EDUs, the fifty (50) EDU's of borrowed capacity, and the fifteen (15) EDU's for the ~~Escuala~~Escuela school site ~~to the closest extent possible and without any excess capacity~~. Notwithstanding the foregoing, the term "Landowners" and "Participating Landowner" as used in this Section 1.3 shall not include Lakeview or Riverview with respect to any liabilities or obligations for funding the WTP Improvements, as the funding obligation for the WTP Improvements attributable to Lakeview and Riverview are the responsibility of a previous owner of such properties pursuant to the Reimbursement and Shortfall Agreement dated January 15, 1991, as amended, between the District and Winncrest Homes, Inc. ("**Winncrest**") and FN Projects, Inc. ("**FN**") ("**Shortfall Agreement**"). Since it is anticipated that the funding obligation for the WTP Improvements for the Lakeview and Riverview Properties will be satisfied by an existing Letter of Credit (defined in Section 1.3 (J) below) held by the District, Lakeview and Riverview shall provide funds for the design and construction of the WTP Improvements through the District's enforcement of the existing contractual obligations under the Shortfall Agreement and draw on the Letter of Credit. Riverview and Lakeview shall each be considered a "Participating Landowner" under this Section 1.3 only for purposes of all rights hereunder including without limitation the rights to: (i) elect whether to be a Participating Landowner for purposes of providing advance funding for Reimbursing Landowners; (ii) meet and confer; (iii) re-elect on bid opening pursuant to Section 1.3(E); (iv) review and comment on bid packages; (v)

attend meetings and receive reports; (vi) to obtain and have a vested right to capacity for all lots within the Riverview Property and Lakeview Property; and (vii) receive reimbursement pursuant to Sections 1.3 (B) (K) and (L) below to the extent Riverview and/or Lakeview provides advance funding hereunder in excess of the Riverview Property's and/or Lakeview Property's Pro-Rata Share. Notwithstanding the foregoing or anything to the contrary herein, Riverview and Lakeview shall have no obligation to provide a Pro-Rata Share of funding or security for the WTP Improvements, and shall not be considered a Landowner for purposes of the joint and several liability provision of Section 1.3(D). It is the intent of this Section 1.3 that Riverview and Lakeview shall have no obligation to pay a Pro-Rata Share for the WTP Improvements and District shall use its best efforts to draw on the Letter of Credit to satisfy such Pro-Rata Share obligation, and if District obtains funds from the Letter of Credit, Riverview and Lakeview shall be entitled to capacity for the Riverview and Lakeview Properties. In addition, Riverview and Lakeview shall have the right, but not the obligation to elect to be a Participating Landowner for purposes of advance funding, and if Riverview and/or Lakeview makes such election, Riverview and/or Lakeview (as applicable) shall then become obligated for its Percentage Share (defined in Section 1.3(C) and 1.3(F) below) of WTP Design Advance Funding and/or WTP Advance Funding (as the case may be) and shall have any and all rights of a Participating Landowner.

Notwithstanding any other provision of this Agreement, if the District chooses to proceed with designing, engineering, permitting, and/or construction of any or all of **WTP Improvements** prior to the Landowners desire to do so, the District shall have the right to do so by designing, engineering, permitting, and/or constructing the **Core Facilities** for the **WTP Improvements** in advance of the Landowners, when the District so chooses, and at its sole discretion, by using its **Existing District WTP Funding** of $1,500,000, as identified in section 1.3(K), in addition to as much of the Letter of Credit as can be accessed by the District up to the full amount of the Letter of Credit, all subject to the District's right to reimbursement for any oversizing of the Core Facilities from any person or entity benefitting therefrom for future development. "Core Facilities" for purposes of this paragraph and this Agreement, shall mean 3.5 mgd capacity to serve the 900 EDU's of existing capacity, the 50 public EDU's, the 50 EDU's of borrowed capacity, 99 EDU's for Lakeview, 140 EDU's for Riverview, and the 15 EDU's for the ~~Escuala~~Escuela school site, all for a total of approximately 1,254 EDU's. The District shall have ~~retain~~ the right~~, at its sole discretion,~~, but not the obligation, to expand the Core Facilities if and when it so chooses,~~–~~ at its sole discretion, using whatever financing mechanism legally available to the District.

(B) Public EDUs. For the purposes of this Agreement, "**Public EDUs**" shall mean EDUs to be used for schools, fire stations, parks, or other public or community facilities, as assigned, transferred and/or authorized by District. The Public EDUs shall not be used for any private residential or commercial development project. Annually on or about July 1st of each year commencing on the first full year after completion of the WTP Improvements (as defined below), District shall provide Landowners with a written accounting of the number of Public EDUs that have been assigned or transferred in the preceding year, the name and address of the

party or parties to whom the Public EDUs that were assigned or transferred, and the amount paid for each Public EDU. Concurrently with such written accounting, District shall reimburse to each Landowner its respective Pro-Rata Share of the amount paid to the District for the Public EDUs in the preceding year, or the Original Cost Per EDU, whichever is greater. "**Original Cost Per EDU**" is defined as the actual cost of the WTP Improvements paid by Landowners divided by seven hundred twenty (720) EDUs, adjusted annually in proportion to the annual increase in the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items and Major Group Figures, published by the United States Department of Labor, Bureau of Labor Statistics, or similar index used by the District, in its reasonable discretion.

~~(B)~~(C) WTP Improvement Design/Election to be Participating Landowner. Upon a written request from District, each Landowner shall elect whether to become a Participating Landowner for purposes of funding design costs for the WTP Improvements. District's written request shall include an estimate of WTP Improvement design costs that would be incurred by Participating Landowners in order for the WTP Improvements to be bid ready. Only those costs necessary for the design of the WTP Improvements (to be bid ready) shall be included in the design costs. Landowners shall make a written election whether to become a Participating Landowner for funding the design costs of the WTP Improvements within thirty (30) days following receipt of District's notice by providing written notice to all Parties hereunder. Those Landowners not electing to become Participating Landowners for purposes of design costs shall be Reimbursing Landowners with respect to such costs. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners then the Parties shall have no obligations to fund design costs under this Agreement with respect to the WTP Improvements, provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate potable water capacity to serve such Landowner's Property. At any time following an election by any Landowner(s) to become Participating Landowners for design, District shall make a written request for payment of the full estimated design costs from Participating Landowners, along with a written determination of each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share (defined below) of WTP Design Advance Funding (defined below). Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design of the WTP Improvements ("**WTP Design Advance Funding**"). Each Participating Landowner's "**Percentage Share**" of the WTP Design Advance Funding shall be equal to the percentage of funds contributed by such Participating Landowner to the total funds contributed by all Participating Landowners for the design costs of the WTP Improvements. Each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share shall be paid to District within forty-five (45) days following District's written request for funding. Notwithstanding any other provision of this Agreement, the District shall have the right, but not the obligation, to proceed with the design of the WTP Improvements, regardless of whether any Landowners elect to become Participating Landowners for design of the WTP Improvements.

(D) WTP Improvement Construction/Election to be Participating Landowner. Following completion of the design documents and prior to the advertisement for bids, District shall provide Landowners with the opportunity to review and comment on the request for bid package, including bid specifications and proposed contract requirements. At any time thereafter, District may request that each Landowner elect whether to become a Participating Landowner for purposes of construction of the WTP Improvements and Landowners shall make a written election whether to become a Participating Landowner for funding the construction of the WTP Improvements within thirty (30) days following receipt of District's notice by providing written notice to all Parties hereunder. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners for the construction of the WTP Improvements following District's written request, then the Parties shall have no obligation to fund construction costs under this Agreement with respect to the WTP Improvements, provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate potable water capacity to serve such Landowner's Property. Notwithstanding any other provision of this Agreement, the District shall have the right, but not the obligation, to proceed with the construction of the Core Facilities WTP Improvements, regardless of whether any Landowners elect to become Participating Landowners for construction of the WTP Improvements.

~~(E)~~

(E) Construction Costs of WTP Improvements. Prior to the advertisement for bids, District shall provide Landowners with a pre-bid estimate ("**Pre-bid Estimate**"). Except as provided in Section 1.3(K), Participating Landowners agree to pay all actual costs of the WTP Improvements, and each Participating Landowner acknowledges and agrees that it is jointly and severally liable to the District for the construction costs of the WTP Improvements. Participating Landowners agree that the cost of the WTP Improvements shall include the costs of engineering, permitting, construction management, construction, plan check and inspection, temporary facilities needed during construction, change orders and District administrative costs. District administrative costs shall include (i) the costs of internal staff time and expenses, as determined on a periodic basis in accordance with generally accepted accounting practices, and (ii) legal fees of District Counsel. District and Landowners will work cooperatively in good faith to reasonably control the cost of the WTP Improvements. Notwithstanding the provisions of this paragraph and unless otherwise agreed to by the Parties, if the lowest responsive and responsible bid for the WTP Improvements exceeds the Pre-bid Estimate, in addition to annual construction cost increases as reported in the Engineering News Record, or similar publication, by more than ten percent (10%), the District and the Landowners shall meet and confer prior to the award of bid to determine a mutually acceptable course of action. ~~At such time, the Landowners shall have the right to re-elect whether to become Participating Landowners or Reimbursing Landowners for purposes of funding the WTP Improvements, and all security posted pursuant to Section 1.3(F) shall be returned to the Party that deposited the same within ten (10) business days of the bid opening. If there are Landowners electing to become Participating Landowners, and such Participating Landowners unanimously agree on funding the WTP Improvements in~~

~~accordance with the terms and conditions herein, notwithstanding the higher bid response (or after the WTP Improvements are re-bid and a responsive and responsible bid is received that is acceptable to all Participating Landowners) then those Parties electing to be Participating Landowners shall provide the security required by Section 1.3(F) prior to District's award of the contract for the WTP Improvements.~~ If the District and Landowners unanimously agree on an alternative course of action for construction of the WTP Improvements or construction of Core Facilities WTP Improvements, the Parties ~~shall~~ may enter into an amendment to this Agreement with respect to their funding obligations for the WTP Improvements. If no Landowners elect to become Participating Landowners, within sixty (60) days from the opening of bids, then the Parties shall have no obligation to fund construction costs under this Agreement with respect to the WTP Improvements., provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate potable water capacity to serve such Landowner's Property. Notwithstanding any other provision of this Agreement, the District shall have the right, but not the obligation, to proceed with the construction of the Core Facilities WTP Improvements, regardless of whether any Landowners agree with the lowest responsive and responsible bid amount.

~~(G)~~

~~(H)~~(F) Security/Advance Funding For WTP Improvement Construction Costs. Notwithstanding any other provision in this Agreement, Landowners understand and acknowledge that District shall not advertise for bids for construction of the WTP Improvements until Participating Landowners have deposited cash or letters of credit, as more specifically described below, to cover the full Pre-bid Estimate of the WTP Improvements, minus the Letter of Credit amount for Riverview and Lakeview and the Existing District WTP Funding referenced in Section 1.3(K) below, with the District, which total amount is referred to herein as the "**Estimated WTP Improvement Cost**". At any time following an election by any Landowner(s) to become Participating Landowners for construction costs, District shall make a written request for Participating Landowners to deposit with the District, cash, or irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form reasonably acceptable to the District, the aggregate amount of the Estimated WTP Improvement Cost. Such request will include a written determination of each Participating Landowner's Pro-Rata Share of the Estimated WTP Improvement Cost and each Participating Landowner's Percentage Share (defined below) of WTP Advance Funding. Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the of the WTP Improvements and the 1.5 Million Dollar Future District WTP Funding ("**WTP Advance Funding**"). Each Participating Landowner's "**Percentage Share**" of the WTP Advance Funding shall be equal to the percentage of funds contributed by such Participating Landowner to the total funds to be contributed by all Participating Landowners for the Estimated WTP Improvement Cost. The cash or letter of credit in the amount of each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share shall be deposited with District within forty-five (45) days following District's written request therefor.

~~(H)~~(G) Invoice for WTP Improvement Construction Costs. District shall, on a quarterly basis, invoice each Participating Landowner for its respective Pro-Rata Share of the Estimated WTP Improvement Cost and its Percentage Share of WTP Advance Funding for the next ninety (90) day period ("**WTP Quarterly Payment**"). District shall at the same time provide each Participating Landowner with supporting documentation for the estimated costs for the next ninety (90) day period, as well as supporting documentation for costs incurred during the preceding ninety (90) day period, however the claimed insufficiency of such documentation shall not be grounds for delay in submitting a WTP Quarterly Payment by a Participating Landowner. Supporting documentation shall include certification from the project engineer or project manager that the labor and materials for work identified in the preceding period has been performed or provided and the percentage of work completed, copies if invoices from the general contractor, together with evidence of payment for costs incurred during such billing period and lien releases for work performed. A WTP Quarterly Payment may be made through payment of funds to District or by written authorization from a Participating Landowner to draw on their cash deposit held by District. Subject to the provisions set forth in this Section 1.3, if District does not receive a WTP Quarterly Payment from a Participating Landowner within thirty-five (35) days from the registered express mailing of the quarterly invoice to such Participating Landowner, the District is expressly authorized by each Participating Landowner to draw against such Participating Landowner's cash deposits or irrevocable letter(s) of credit to cover that Participating Landowner's respective full Pro-Rata Share and Percentage Share of Advance Funding of the Estimated WTP Improvement Costs. The first two (2) times that the District does not receive a WTP Quarterly Payment in the thirty-five (35) day period set forth herein from a Participating Landowner, such Participating Landowner shall receive a notice of non-receipt of a WTP Quarterly Payment ten (10) days prior to the District drawing against such Participating Landowner's cash deposits or irrevocable letter of credit. District agrees that it will not make any advance payment to any contractor, it shall only pay for work actually and satisfactorily performed by the contractor responsible for the WTP Improvements, and shall only pay contractors in the amount and at the time such payment is lawfully due.

(H) Actual WTP Improvement Costs. The actual cost of the WTP Improvements may exceed the Estimated WTP Improvement. Each Participating Landowner shall pay its respective Pro-Rata Share and Percentage Share of the WTP Advance Funding for the difference between the actual cost of the WTP Improvements and the Estimated WTP Improvement Cost (hereinafter referred to as the "**WTP Shortfall**") within thirty (30) days of receiving notice and reasonable supporting documentation from District that a WTP Shortfall exists and the amount of such WTP Shortfall ("**WTP Shortfall Notice**"). The Pro-Rata Share and Percentage Share of WTP Advance Funding of the WTP Shortfall shall be deposited in cash or irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form acceptable to the District. In the event that the cumulative amount of all WTP Shortfall Notices exceeds the Estimated WTP Improvement Cost by eight percent (8%), then the Parties shall meet and confer before the District issues any subsequent WTP Shortfall Notices. Additionally, the District and Landowners shall work cooperatively and in good faith to make all reasonable efforts to control the further costs of the WTP Improvements. In the event the Estimated WTP Improvement Cost exceeds the actual WTP Improvement Costs, or any funds are remaining following completion of the WTP Improvements, such excess funds shall be refunded to the Participating Landowners

within sixty (60) days following completion of the WTP Improvements, in the same percentages as such Participating Landowners contributed to the WTP Improvement costs.

~~(H)~~(I) Status Meetings. After commencement of construction of the WTP Improvements, District and Landowners agree to meet at least on a quarterly basis to review the status, progress and costs of the WTP Improvements. District shall also report quarterly on the amount of the ten percent (10%) contingency that has been expended, and shall further call a separate meeting with Landowners at such time as eighty percent (80%) of the ten percent (10%) contingency has been expended. District shall be responsible for scheduling such meetings and providing a report, with reasonable supporting documentation, on the status, progress and costs of the WTP Improvements.

~~(H)~~(J) Letter of Credit/Satisfaction of Lakeview and Riverview Obligations for WTP Improvement Costs. Pursuant to the provisions of the Shortfall Agreement, a prior owner of the Lakeview and Riverview properties is required to pay for the design and construction of 1.5 mgd water supply facilities necessary to serve Lakeview and Riverview, the 50 EDU's of borrowed capacity, and the 15 EDU's for the ~~Escuala~~Escuela school site, and has not satisfied its obligations. Such prior owner has provided District with security for such obligation in the form of Letter(s) of Credit, in the remaining ~~total~~ amount of approximately Four Million One Hundred Thirty Six Thousand Ninety-Nine and 12/100's Dollars ~~Two Hundred Thousand Dollars~~ ($4,136,099.12~~4,200,000.00~~) ~~(less $300,000 which has been allocated to District for reimbursement of borrowed capacity pursuant to the Shortfall Agreement)~~ ("**Letter of Credit**"). District shall use its best efforts to apply the Letter of Credit (or equivalent funds paid by the parties to the Shortfall Agreement) to the costs of the WTP Improvements to satisfy the obligation of the Lakeview and Riverview properties, but makes no warranty or representation that it will be successful in such efforts. If District is unsuccessful in obtaining funds from the Letter of Credit or equivalent funds, then District shall send written notice to Riverview and Lakeview of such unsuccessful effort (along with documentation substantiating such effort), and the Parties shall meet and confer in an effort to agree upon an acceptable course of action. If the Parties are unable to agree on an acceptable course of action, as evidenced by a written and executed amendment to this Agreement, within sixty (60) days from District notice of such unsuccessful effort, Riverview and Lakeview shall each have the right to elect either to: (i) elect to be a Participating Landowner for their Pro-Rata Share of WTP Improvement Costs or (ii) elect to be a Reimbursing Landowner for their Pro-Rata Share of WTP Improvement Costs. If Riverview or Lakeview (as applicable) fails to make such election within ten (10) days following a written request from District requesting such election (provided such ten (10) day period shall not commence until the minimum sixty (60) day negotiation period has expired), then it shall be deemed an election by Riverview or Lakeview (as applicable) to be a Reimbursing Landowner and this Agreement shall remain in full force and effect. The Parties may mutually agree in writing to an extension of the sixty (60) day time limit set forth above. In the event District obtains funds from the Letter of Credit (or equivalent funds), Lakeview and Riverview shall be deemed to have fully satisfied their obligation to provide their Pro-Rata Share of funding for the WTP Improvements and Lakeview and Riverview shall have a vested right to their share of EDUs for potable water set forth in Section 1.1 above. If and when District obtains funds from the Letter of Credit, District shall deposit such funds in an interest bearing account and shall

expend such funds solely for the WTP Improvements. All funds used from the Letter of Credit attributable to the Riverview property shall be considered a Participating Owner contribution by Riverview for the Riverview property and all funds used from the Letter of Credit for the Lakeview property shall be considered a Participating Owner contribution by Lakeview for the Lakeview property. All funds used for the WTP Improvements from the Letter of Credit (or equivalent funds) shall be paid out of the District's account as if such funds were paid by Lakeview and Riverview as Participating Landowners using the same Pro-Rata Share calculations and timing required in this Section 1.3 for such payments. The Letter of Credit (or equivalent funds) shall not be used for any Percentage Share of WTP Design Advance Funding or WTP Advance Funding which shall be the obligation of Riverview if Riverview elects to become a Participating Landowner. Any such amounts paid by Riverview toward the WTP Improvement costs shall entitle Riverview to reimbursement for such excess contribution from Reimbursing Landowners in accordance with the provisions herein. Notwithstanding anything herein to the contrary, Riverview shall have no obligation to provide cash or letters of credit for the Riverview Pro-Rata Share of the WTP Improvements, and shall be deemed to have provided such payment upon the District obtaining funds from the Letter of Credit (or equivalent funds), but shall be required to provide such cash or security for its Percentage Share of WTP Design Advance Funding and/or WTP Advance Funding upon election to be a Participating Landowner.

~~(H)~~(K) District Funding for Existing 900 EDUs. District shall commit funds previously collected by District from existing development for the rehabilitation and/or expansion of the water treatment plant toward the actual costs of the WTP Improvements in the amount of One Million Five Hundred Thousand Dollars ($1,500,000) ("**Existing District WTP Funding**"). From and after the Effective Date of this Agreement, District shall contribute additional funds up to One Million Five Hundred Thousand Dollars ($1,500,000) from future reserve fund fees (through debt service pre-funding), to be collected in the future, at no less than current rates, and to the extent allowed by applicable law, toward the actual costs of the WTP Improvements ("**Future District WTP Funding**"), provided, however, that the District's total contribution to the funding of the WTP Improvements (including the initial $1,500,000 initial funding commitment) shall not exceed 55% of the total cost of the WTP Improvements or $3,000,000, whichever is less. The Future District WTP Funding shall be paid to Landowners as reimbursement for District's share of capacity. Existing District WTP Funding shall be invested and maintained by District in a separate capital facilities account and expended only for the WTP Improvements as provided herein. Following deposit of all cash or letters of credit by Participating Landowners as provided in Section 1.3(F), District shall commit all Existing District WTP Funding to the WTP Improvements and use such funds toward the design and construction costs incurred for the construction of the WTP Improvements on a pro-rata basis (District's pro-rata share shall be determined based on District's $1,500,000 contribution divided by the total Estimated WTP Improvement Cost). All Future District WTP Funding shall be paid to the Landowners on an annual basis (commencing one (1) year following the date the Notice of Completion for the WTP Improvements is filed) as reserve fees are collected by District until all Future District WTP Funding is paid in full. Each Future District WTP Funding annual reimbursement payment shall be paid only to Participating Landowners and Reimbursing Landowners that have paid in full all design and construction costs for the WTP Improvements for such Landowner's Property. Notwithstanding any other provision of this Agreement, the

District may, in its sole discretion, pursue alternative funding mechanisms to ensure earlier funding of the Core Facilities, as identified in section 1.3(A).

~~(H)~~(L) Reimbursement From Reimbursing Landowners. Each Reimbursing Landowner (for both design and construction costs as the case may be) shall be required to pay their Pro-Rata Share of the actual costs for the WTP Improvements incurred by the Participating Landowners subject to adjustment equal to any annual increases in the Engineering News-Record Construction Cost Index for San Francisco accruing from the date of completion of the WTP Improvements to the date of payment by such Reimbursing Landowner. Such reimbursement shall be paid by Reimbursing Landowners to District prior to recordation of each final subdivision map for the Reimbursing Landowner's Property. Each reimbursement payment from a Reimbursing Landowner shall be repaid by District to Participating Landowners in the same Percentage Shares that such WTP Design Advance Funding and/or WTP Advance Funding (as the case may be) was paid and shall be paid to Participating Landowners within thirty (30) days following receipt of such funds by District. District shall not provide its consent to final map approval until such Reimbursing Landowner has paid its Pro-Rata Share of actual costs for the WTP Improvements.

~~(H)~~(M) District Obligation To Design and Construct. Provided Participating Landowners provide the security and funding required by this Agreement, District shall design, permit, engineer, construct or cause to be constructed, the WTP Improvements. Upon receipt of WTP Design Advance Funding, District shall use diligent, good faith efforts to prepare design documents for the WTP Improvements. Within thirty (30) days following receipt of all WTP Advance Funding from Participating Landowners as required by Section 1.3(F), District shall use diligent good faith efforts to obtain all necessary permits and approvals for the WTP Improvements, and upon receipt of all permits and approvals, District shall cause the commencement of construction of the WTP Improvements. Following commencement of construction, District shall cause its contractors to diligently prosecute such construction to completion. District's obligations to commence and complete construction shall subject to commercially reasonable delay due to Force Majeure causes and failure to construct in the winter months in accordance with standard industry practice. In the event that, despite District's diligent, good faith efforts to obtain permits, District is unable to obtain such permits within a commercially reasonable time, all security and unexpended funds shall be returned to the Participating Landowners upon request therefor, less any amounts already reasonably expended for the WTP Improvements. District shall obtain from all contractors, including engineers, subcontractors and suppliers, all normal and customary guaranties and warranties. The WTP Improvements shall be constructed (a) in a good and workmanlike manner and (b) in accordance with applicable laws, regulations and codes. District covenants to make best efforts to keep the Landowners' Properties free from any liens, including mechanic's liens, which may arise in the construction of the WTP Improvements, unless such lien results from a breach of this Agreement by such Landowner. The Parties acknowledge that the Landowners' obligations hereunder relate solely to financing of the WTP Improvements, and Landowners shall have no responsibility or liability for design, engineering or construction defects related to or arising out of the construction of the WTP Improvements.

~~(H)~~(N) Release of Unused Funds/Security. Within ninety (90) days following the completion of the WTP improvements, District agrees to release all letters of credit and release any unexpended portion of the Participating Landowner's cash deposits to the Parties that deposited the same, except to the extent there are any claims relating to the construction of the WTP Improvements. If there are any claims during such ninety (90) day period, a portion of the security equal to the amount of the claim may be retained by District until the final resolution of such claim.

1.4 Temporary Water and Sewer Service.

(A) District agrees to provide temporary water and sewer service for construction and use of model homes, for construction of commercial/retail space within the Landowners' projects and for fire flow, before the WTP Improvements are completed and in service. Notwithstanding any provisions to the contrary, no residential, commercial or retail units shall be occupied until the WTP Improvements are completed and in service, except for model homes which shall be used exclusively for sales activities.

(B) The District Board of Directors ~~General Manager~~ may, in its ~~his/her~~ sole discretion and subject to any conditions it ~~he/she~~ deems necessary, provide water service to residential production units and commercial/retail units through the use of a temporary filtration unit, or other District approved facilities, to be paid for by the Landowners requesting water service, but only if (1) it ~~he/she~~ determines that District has adequate capacity to serve all existing customers and (2) the California Department of Health Services has approved of such service.

1.5 Water Rights.

(A) Landowners acknowledge that District's water rights are only protected through the year 2020, pursuant to the State Water Resources Control Board Order WR 2006-0017, adopted on November 15, 2006.

SECTION 2. Wastewater Treatment Plant Disposal Facilities.

2.1 Recycled Water.

(A) The Parties acknowledge that the existing facilities of District with respect to the disposal of recycled water are inadequate to serve the future residents, owners, and occupants of the Property.

2.2 Irrigation Easement.

(A) Certain Landowners and other parties not participating in this Agreement previously acquired and paid for an irrigation easement ("**Landowner Irrigation Easement**") from Van Vleck Ranch ("**VVR**") in accordance with the terms set forth in the Grant and Agreement Regarding Irrigation Easement, attached hereto as Exhibit J, and incorporated herein by reference ("**Irrigation Easement Agreement**"). The Landowner Irrigation Easement is

approximately sixty (60) acres and is anticipated to be of sufficient size to dispose of the full amount of recycled water estimated to be generated by the Property when applied at agronomic rates and in accordance with the requirements of the Regional Water Quality Control Board ("**RWQCB**"). If and when requested by the District, the Landowners shall either (i) cause the Landowner Irrigation Easement to be conveyed to District or (ii) obtain and provide an alternative easement or other property interest approved by the District Board of Directors to provide for disposal of the full amount of recycled water estimated to be generated by the Property. If the Landowner Irrigation Easement is conveyed as required by the District, those Landowners that have not previously paid their Pro-Rata Share of the Landowner Irrigation Easement shall be considered a Reimbursing Landowner for purposes of this Section 2.2 and shall be required to pay their Pro-Rata Share to District prior to recordation of each final subdivision map for their Property. The amounts owed by each Landowner are based on each Landowner's Pro-Rata Share ~~as set forth on Exhibit H attached hereto~~as determined by the District in consultation with the Landowners and Fund Manager. If the Landowners are not able to cause the Landowner Irrigation Easement to be provided to District using commercially reasonable efforts, and elect to provide an alternative easement or other property interest approved by District, the costs of such alternative easement or other property interest shall be the sole responsibility of Landowners, and each Landowner shall be required to pay a Pro-Rata Share of such alternative easement or other property interest costs as determined by the District in consultation with the Landowners and Fund Manager prior to Final Map, and the Landowners shall have no obligation hereunder to pay a Pro-Rata Share for the Landowner Irrigation Easement. District shall not provide its consent to final map approval until such Reimbursing Landowner has either (i) paid its Pro-Rata Share as required hereunder for the Landowner Irrigation Easement or (ii) provided an alternate easement or other property interest approved by District, and paid a Pro-Rata Share of such costs. If the Landowner Irrigation Easement is provided to District, District shall reimburse each Landowner that paid for the Landowner Irrigation Easement in the same percentages that were contributed to the Landowner Irrigation Easement solely from funds received by Fund Manager from Reimbursing Landowners. All reimbursement funds received by District from a Reimbursing Landowner shall be paid to the Landowners that paid for the Landowner Irrigation Easement within thirty (30) days of receipt of such payment by District. Any reimbursement owed to other parties not participating in this Agreement that paid for the Landowner Irrigation Easement shall be held and retained by District unless and until a contractual obligation to pay such reimbursement amounts to such other parties is negotiated and entered into between District, Landowners and such other parties not participating in this Agreement or in accordance with the terms of any other contractual obligation for such reimbursement amount to be paid to other parties not participating in this Agreement.~~ The Irrigation Easement has been conveyed to District pursuant to the Grant of Easement attached hereto as Exhibit I. Those Landowners that have not previously paid their Pro Rata Share of the Landowner Irrigation Easement shall be considered a Reimbursing Landowner for purposes of this Section 2.2 and shall be required to pay their Pro Rata Share to District prior to recordation of each final subdivision map for their Property. The amounts owed by each Landowner based on each Landowner's Pro Rata Share are set forth on Exhibit H attached hereto. District shall not provide its consent to final map approval until such Reimbursing Landowner has paid its Pro Rata Share in the amounts required hereunder. District shall reimburse each Landowner that paid for the Landowner Irrigation Easement in the same

~~percentages that were contributed to the Landowner Irrigation Easement. All reimbursement funds received by District from a Reimbursing Landowner shall be paid to the Landowners that paid for the Landowner Irrigation Easement within thirty (30) days of receipt of such payment by District.~~

~~(A)~~(B) District has acquired an irrigation easement from the owners of the VVR ("**District Irrigation Easement**"), ~~in the general location depicted on the Map of Irrigation Easement~~ as set forth in the Grant and Agreement Regarding Irrigation Easement, attached to this Agreement as Exhibit I, in order to supplement District's recycled water irrigation capacity, and thereby insure the adequacy of storage and disposal facilities for recycled water generated by existing residents within the boundaries of District. Landowners shall not be required to advance or pay any costs associated with the acquisition of the District Irrigation Easement.

2.3 Irrigation Facilities Design, Permitting and Construction Costs/Election to be Participating Landowner.

(A) Upon a written request from District, along with an estimate of the permitting, administrative and design costs for the recycled water facilities, each Landowner shall elect whether to become a Participating Landowner for purposes of Section 2.3(C) (permitting, administrative and design costs). Landowners shall make a written election whether to become a Participating Landowner for funding the costs in Section 2.3(C) below within thirty (30) days following receipt of District's notice. Those Landowners not electing to become Participating Landowners for purposes of Section 2.3(C) below shall be Reimbursing Landowners with respect to such costs. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners for purposes of Section 2.3(C), then the Parties shall have no obligations to fund such costs under this Agreement, provided however that Landowners shall not have the right to receive a final map (and District shall not consent to final map approval) from District unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate recycled water facilities to serve such Landowner's Property. At any time following an election by any Landowner(s) to become Participating Landowners for design and permitting costs of the Landowner Irrigation Facilities and the District Irrigation Facilities (defined below), District shall make a written request for payment of the full estimated design/permitting costs in Section 2.3(C) below from Participating Landowners, along with a written determination of each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share (defined below) of the Landowner Irrigation Facilities and the District Irrigation Facilities. Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities ("**Permitting/Design Advance Funding**"). Each Participating Landowner's "**Percentage Share**" of the Permitting/Design Advance Funding shall be equal to the percentage of funds contributed by such Participating Landowner to the total funds contributed by all Participating Landowners for the full estimated design/permitting costs in Section 2.3(C). Each Participating Landowner's Pro-Rata Share and each Participating

Landowner's Percentage Share shall be paid to District within forty-five (45) days following District's written request for funding.

~~(A)~~(B) At any time following completion of the design and District obtaining all permits for the Landowner Irrigation Facilities and District Irrigation Facilities, District may request that each Landowner elect whether to become a Participating Landowner for purposes of funding the construction of the Landowner Irrigation Facilities pursuant to Section 2.4 hereunder. Landowners shall make a written election whether to become a Participating Landowner for funding the costs required by Section 2.4 below within thirty (30) days following receipt of District's notice and prior to District's advertisement for bids. Those Landowners not electing to become Participating Landowners for purposes of Section 2.4 below shall be Reimbursing Landowners with respect to such costs. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners for purposes of Section 2.4, then the Parties shall have no obligations to fund such construction costs under this Agreement, provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate recycled water facilities to serve such Landowner's Property.

~~(A)~~(C) Participating Landowners for the design of the Landowner Irrigation Facilities agree to pay the full costs for obtaining necessary permits for the installation and operation of the Landowner Irrigation Facilities and the District Irrigation Facilities, and to cover District administrative costs associated with obtaining such necessary permits and for the estimated costs for the design of the Landowner Irrigation Facilities and the District Irrigation Facilities. Each Reimbursing Landowner shall be required to pay their Pro-Rata Share of such costs prior to recordation of a final map for such Reimbursing Landowner's Property.

~~(A)~~(D) Each Reimbursing Landowner shall be required to pay their Pro-Rata Share of the actual costs required by Section 2.3(C) which shall be subject to adjustment equal to any annual increases in the Engineering News-Record Construction Cost Index for San Francisco accruing from the date of completion of all design and permitting to the date of payment by such Reimbursing Landowner. Such reimbursement payment shall be required by District and paid to District prior to recordation of each final subdivision map for such Reimbursing Landowner's Property. Each reimbursement payment from a Reimbursing Landowner shall be repaid by District to Participating Landowners within thirty (30) days following District's receipt of such funds from a Reimbursing Landowner and in the same Percentage Shares that such costs were paid. District shall not provide its consent to final map approval until such Reimbursing Landowner has paid its Pro-Rata Share in the amounts set forth herein. Notwithstanding anything herein to the contrary, or any termination of this Agreement, the obligation for a Reimbursing Landowner to reimburse Participating Landowners for all costs incurred hereunder shall remain in full force and effect even upon termination of this Agreement, until such time as such Reimbursing Landowner has repaid all amounts required hereunder.

2.4 Irrigation Facilities.

(A) The Parties agree that the costs of engineering, construction management, construction, plan check and inspection, change orders and District administrative costs related to the recycled water irrigation facilities to be installed on the Landowner Irrigation Easement and necessary to serve the Property ("**Landowner Irrigation Facilities**"), including forty percent (40%) of the Shared Transmission Facilities Costs, as defined below, is currently estimated to be One Million Seven Hundred and Fifty Thousand Dollars ($1,750,000.00) ("**Landowner Irrigation Facilities Costs.**") The costs of the recycled water irrigation facilities to be installed on the District Irrigation Easement to serve the existing residents of the District ("**District Irrigation Facilities**"), if such facilities are ultimately constructed by District, is currently estimated to be Two Million One Hundred Thousand Dollars ($2,100,000.00) ("**District Irrigation Facilities Costs**"), which includes sixty percent (60%) of the Shared Transmission Facilities Costs. The above estimates are preliminary only and will be revised as further information becomes available, or upon receipt of a final engineer's estimate. The District shall annually review the District EDU standard as the recycled water specifications and availability are determined. The facilities necessary to convey the recycled water from the District wastewater treatment plant to the Landowner Irrigation Easement and the District Irrigation Easement are referred to in this Agreement as the "**Shared Transmission Facilities**" and the cost of the Shared Transmission Facilities is referred to in this Agreement as the "**Shared Transmission Facilities Costs.**"

~~(A)~~(B) In the event that the District determines to proceed with the construction of the District Irrigation Facilities in advance of the Participating Landowners' determination to proceed with the construction of the Landowner Irrigation Facilities, District shall pay for the costs of such construction. In the event that the District determines to proceed with the construction of the District Irrigation Facilities concurrently with the construction of the Landowner Irrigation Facilities, the Participating Landowners shall advance the full amount of the Shared Transmission Facilities Costs, subject to District reimbursement of its sixty percent (60%) share of the Shared Transmission Facilities Costs, within three (3) years from completion of construction, with interest at the Local Agency Investment Fund ("**LAIF**") rate. In the event that District determines not to construct the District Irrigation Facilities concurrently with, or in advance of, the construction of the Landowner Irrigation Facilities, District shall nonetheless be required to reimburse Participating Landowners for the sixty percent (60%) of the actual Shared Transmission Facilities Costs, in accordance with the terms set forth above. In the event that District has not fully reimbursed Participating Landowners for such advanced costs at the time of issuance of a building permit, then all or the remaining portion of the outstanding balance shall become a credit against any Bundled Fees owed to District, on a dollar for dollar basis, by each Participating Landowner, on a pro rata basis, until such time as such advance costs have been fully credited or reimbursed by District. To the extent such credits do not fully reimburse any Participating Landowner, such Participating Landowners shall be entitled to any Bundled Fees or charges collected by District from other development until all Participating Landowners are fully reimbursed.

~~(A)~~(C) Participating Landowners agree to pay all actual Landowner Irrigation Facilities Costs and each Participating Landowner acknowledges and agrees that it is jointly and severally liable to the District for such costs, provided however, District shall first use its best efforts to

apply any security provided by a defaulting Participating Landowner prior to implementing the joint and several liability provisions of this Section. In the event District sells any excess capacity in the Landowner Irrigation Facilities (to future development property other than the Properties), District shall reimburse the Landowners from such funds based on the Pro-Rata Shares herein within thirty (30) days following receipt of such funds from other benefitting properties.

~~(A)~~(D) Notwithstanding any other provision in this Agreement, Landowners understand and acknowledge that District shall not advertise for bids for construction of the Landowner Irrigation Facilities or the District Irrigation Facilities, until Participating Landowners have deposited in accordance with this Section 2.4(D) the full estimated amount of the Landowner Irrigation Facilities Costs and the Shared Transmission Facilities Costs, with District, which amount is referred to herein as the "**Estimated Irrigation Facilities Costs**". At any time following an election by one or more Landowners to be Participating Landowners pursuant to Section 2.3(B) above, each Participating Landowner shall deposit its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of an advance funding amount equal to the Reimbursing Landowner's Pro-Rata Share of the Estimated Irrigation Facilities Costs ("**Irrigation Advance Funding**") in cash or by an irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form reasonably acceptable to the District within forty-five (45) days following such request from District.

~~(A)~~(E) The District shall on a quarterly basis invoice each Participating Landowner for its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of Irrigation Advance Funding for the next ninety (90) day period ("**Irrigation Facilities Quarterly Payment**"), in accordance with the process set forth in Section 1.3, inserting "Irrigation Facilities" in place of "WTP Improvements".

~~(A)~~(F) The actual cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities may exceed the Estimated Irrigation Facilities Costs. Each Participating Landowner shall pay (i) its respective Pro-Rata Share of the difference between the actual cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities (as such costs are adjusted from time to time) and the Estimated Irrigation Facilities Costs, plus (ii) its Percentage Share of Irrigation Advance Funding for the difference between the actual cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities (as such costs are adjusted from time to time) and the Estimated Irrigation Facilities Costs (hereinafter collectively referred to as the "**Irrigation Facilities Shortfall**") within thirty (30) days of receiving notice, and reasonable supporting documentation, from District that an Irrigation Facilities Shortfall exists and the amount of such Irrigation Facilities Shortfall ("**Irrigation Facilities Shortfall Notice**"). Such Irrigation Facilities Shortfall shall be paid in cash or irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form acceptable to the District. In the event that the cumulative amount of all Irrigation Facilities Shortfall Notices exceeds the Estimated Irrigation Facilities Costs by eight percent (8%), then the Parties shall meet and confer before the District issues any subsequent Irrigation Facilities Shortfall Notice. Additionally, the District and Landowners shall work cooperatively and in good faith to make all reasonable efforts to control the further costs of the Landowner Irrigation Facilities and the Shared

Transmission Facilities. In the event the Estimated Irrigation Facilities Cost exceeds the actual Irrigation Facilities Costs, or any funds are remaining following completion of the Landowner Irrigation Facilities and the Shared Transmission Facilities, such excess funds shall be refunded to the Participating Landowners within sixty (60) days following completion of the Landowner Irrigation Facilities and the Shared Transmission Facilities, in the same percentages as such Participating Landowners contributed to the Irrigation Facilities construction costs.

~~(A)~~(G) After commencement of construction of the Landowner Irrigation Facilities, District and Landowners agree to meet at least on a quarterly basis to review the status, progress and costs of such facilities. District shall also report quarterly on the amount of the ten percent (10%) contingency that has been expended, and shall further call a separate meeting with Landowners at such time as eighty percent (80%) of the ten percent (10%) contingency has been expended. District shall be responsible for scheduling such meetings and providing a report, with reasonable supporting documentation, on the status, progress and costs of such facilities.

~~(A)~~(H) Each Reimbursing Landowner shall be required to pay their Pro-Rata Share of the actual costs for the Landowner Irrigation Facilities incurred by the Participating Landowners pursuant to this Section 2.4 subject to adjustment equal to any annual increases in the Engineering News-Record Construction Cost Index for San Francisco accruing from the date of completion of all design and permitting to the date of payment by such Reimbursing Landowner. The portion of the Irrigation Advance Funding attributable to the District's 60% portion of the Shared Transmission Facilities shall be reimbursed to Participating Landowner's directly by District pursuant to Section 2.4(B) above. Such reimbursement shall be paid to District prior to recordation of a final map for the Reimbursing Landowner's Property. Each reimbursement payment from a Reimbursing Landowner shall be repaid by District to Participating Landowners in the same Percentage Shares that such Irrigation Advance Funding was paid and shall be paid to Participating Landowners within thirty (30) days following receipt of such funds by District. District shall not provide consent to final map approval until such Reimbursing Landowner has paid its Pro-Rata Share of actual Landowner Irrigation Facilities Costs.

~~(A)~~(I) District Obligation To Design and Construct. Provided Participating Landowners provide the security and funding required by this Agreement for the Irrigation Facilities, District shall design, permit, engineer, construct or cause to be constructed, the Irrigation Facilities. Upon receipt of Permitting/Design Advance Funding, District shall use diligent, good faith efforts to prepare design documents for the Irrigation Facilities and obtain all necessary permits and approvals for the Irrigation Facilities. Upon receipt of all permits and approvals, and receipt of all Irrigation Advance Funding, District shall cause the commencement of construction of the Irrigation Facilities. Following commencement of construction, District shall cause its contractors to diligently prosecute such construction to completion. District's obligations to commence and complete construction shall subject to commercially reasonable delay due to Force Majeure causes and failure to construct in the winter months in accordance with standard industry practice. In the event that, despite District's diligent, good faith efforts to obtain permits, District is unable to obtain such permits within a commercially reasonable time, all security and unexpended funds shall be returned to the Participating Landowners upon request therefore, less any amounts already reasonably expended for the WTP Improvements. District shall obtain from

all contractors, including engineers, subcontractors and suppliers, all normal and customary guaranties and warranties. The Irrigation Facilities shall be constructed (a) in a good and workmanlike manner and (b) in accordance with applicable laws, regulations and codes. District covenants to make best efforts to keep the Landowners' Properties free from any liens, including mechanic's liens, which may arise in the construction of the Irrigation Facilities, unless such lien results from a breach of this Agreement by such Landowner. The Parties acknowledge that the Landowners' obligations hereunder relate solely to financing of the Irrigation Facilities, and Landowners shall have no responsibility or liability for design, engineering or construction defects related to or arising out of the construction of the Irrigation Facilities.

~~(A)~~(J) Release of Unused Funds/Security. Within ninety (90) days following the completion of the Landowner Irrigation Facilities Costs and the Shared Transmission Facilities Costs, District agrees to release all letters of credit and release any unexpended portion of the Participating Landowner's cash deposits to the Parties that deposited the same, except to the extent there are any claims relating to the Construction of the Landowner Irrigation Facilities Costs or the Shared Transmission Facilities Costs. If there are any claims during such ninety (90) day period, a portion of the security equal to the amount of the claim may be retained by District until the final resolution of such claim.

2.5 Irrigation Facilities Maintenance Costs.

(A) Within thirty (30) days of completion of the Landowner Irrigation Facilities, each Participating Landowner agrees to deposit with District a one-time payment of Two Hundred Twenty Five Dollars ($225.00) for each EDU within each Participating Landowner's respective Property and for each EDU in the Reimbursing Landowners' Properties (for a total payment of One Hundred Fifty Thousand Seven Hundred Fifty Dollars ($150,750.00) from all Participating Landowners) to pay the estimated cost of maintaining such facilities from completion through estimated build-out of the Property ("**Irrigation Facilities Maintenance Cost**"). Each Reimbursing Landowner shall be required to pay Two Hundred Twenty Five Dollars ($225.00) for each EDU within their respective Property for the Irrigation Facilities Maintenance Cost to District prior to final map approval. District shall reimburse such costs to Participating Landowners within thirty (30) days following receipt thereof.

2.6 Recycled Water Facilities.

(A) Subject to the provisions set forth below in this Section 2.6, Landowners agree to install recycled water irrigation facilities, including the distribution system within such Landowner's Property, service lines to the recycled water meter, the recycled water meter "setter" and the service extension to the point of connection to the recycled water irrigation system, within new residential and commercial developments on the Property, so that the District can increase the beneficial use of recycled water, and thereby reduce the demand for potable water supply within the Property.

Recycled water irrigation facilities shall be installed for landscape irrigation within the boundaries of the Landowner's Property that may include parks, schools, residential front

and rear yard landscaping, and landscaped common areas. The actual areas within the Property that will be irrigated with recycled water shall be determined by the District on a project-by-project basis, subject to health and safety regulations, and after discussions with the effected Landowner. District shall make a determination of the requirements for the installation of recycled water irrigation facilities in new residential or commercial development and provide notice to the applicable Landowner at any time prior to installation of water facility lines in the Landowner's development project. Such notice shall include the following information:

(1) Identification of the areas where recycled water irrigation facilities are to be installed; and

~~(1)~~(2) The specifications for such recycled water irrigation facilities, including applicable regulations of the Department of Health Services, including Title 22, and the provisions of the Master Reclamation Permit issued by the RWQCB.

(B) If District fails to produce Board adopted recycled water specifications within thirty (30) days following a Landowner's initial submittal of grading plans or Improvement Plans, District shall not require such Landowner to fund or install recycled facilities on such project.

2.7 Provision of Service.

(A) As consideration for the terms and conditions set forth herein, as of the Effective Date, District agrees to provide all Landowners (except any defaulting Landowners hereunder) a conditional will serve letter upon request of such Landowner which provides that upon compliance with this Agreement, including payment in full for all amounts due hereunder from such Landowner (including all amounts due from a Reimbursing Landowner), such Landowner will be entitled to a final will serve letter. District agrees to provide water service and wastewater service to the Property, subject to and contingent upon the satisfactory performance of all of the terms and conditions of this Agreement by Landowners and of other legal obligations of Landowners as set forth in duly enacted or adopted ordinances and regulations of District, and without limitation, subject to the WTP Improvements and the Landowner Irrigation Facilities being fully operational and in service. Water service is further contingent upon issuance of the appropriate permit(s) from the Department of Health Services. Additionally, wastewater service is further contingent upon issuance of the appropriate permit(s) from the RWQCB and the County of Sacramento for use of the recycled irrigation facilities on the Landowner Irrigation Easement.

~~(A)~~(B) Notwithstanding the provisions of Section 2.7(A) above, in the event that one or more of the Landowners have not satisfactorily performed all of their respective legal obligations, whether pursuant to the terms and conditions of this Agreement or in duly enacted and adopted ordinances and regulations of District, District shall not withhold water service or wastewater service to the remaining Landowners and their respective projects, provided that all other contingencies to water service and/or wastewater service have been satisfied by such Landowner.

SECTION 3. Financing and Fees.

3.1 Mello-Roos Financing.

(A) The Parties agree that the ultimate financing mechanism for the WTP Improvements and the Landowner Irrigation Facilities (collectively referred to herein in this Section 3 as "**Improvements**") may be a Community Facilities District (hereafter referred to as "**CFD #2**"), the boundaries of which shall be coincident with the boundaries of the projects of the Parties electing, in each Party's sole and absolute discretion, to participate in CFD #2 (each a "**CFD Participating Landowner**"), and which shall be subject to the requirements and limitations of Sections 53311 *et seq.* of the Government Code of the State of California. District will use its best efforts to form CFD #2 and act as lead agency. Nothing in this Section 3.1 shall obligate a Landowner to participate in CFD #2 or obligate District to make a finding nor to take any discretionary action regarding the formation of a Community Facilities District or the levy of a tax. Such decisions shall be made in accordance with all statutory requirements and procedures, and District ordinances and policies, and subject to the evidence and findings at the time that such a proposal is formally presented to the District's Board of Directors.

3.2 Fund Control.

(A) All funds and securities deposited by the Parties with the District shall be administered by a project fund manager retained as a consultant ("**Fund Manager**"). The Parties have elected to have Economic Planning Systems (2150 River Plaza Dr., suite 400, Sacramento, phone 916-649-8010) to be the Fund Manager. The costs of the Fund Manager shall be included in the administration costs included in this Agreement (as provided in Section 3.6 below). If EPS is unable or unwilling to provide such services, or in the event a majority of the Landowners decide to change the Fund Manager, the Fund Manager may be changed to any other qualified person or firm selected by a majority of the owners, with the written consent of the District Manager. The Parties acknowledge that all responsibilities and obligations for District to make financial calculations and determinations on funding amounts hereunder shall be undertaken by ~~delegated to and made by~~ the Fund Manager in accordance with the provisions herein, all subject to the ultimate control and discretion of the District.. The Fund Manager shall be responsible for all determinations to be made by District hereunder regarding funding and accounting pursuant to this Agreement, including but not limited to accounting for all funds paid or advanced by Participating Landowners, determining the Pro-Rata Shares, determining the Percentage Shares for advance funding for each improvement cost, determining the costs to be paid by each Landowner pursuant to Section 3.6 below, determining reimbursement to Landowners for reimbursement from Future District WTP Funding, determining reimbursement for Advance Funding, determining Excess EDU reimbursement, determining reimbursement for Public EDUs, and determining amount of all other financial calculations and reimbursement or refunds due pursuant to the terms herein. All amounts to be paid hereunder shall be paid to and held in an account(s) established District, except for CFD funds and security provided hereunder which shall be held by District separately from such account. District shall not provide consent to approval of any final map (or any other final development approval for those Properties not obtaining a final map) and shall not provide any sewer or water service, for any of the Properties hereunder, unless and until the Fund Manager has sent written confirmation of payment in full of all amounts due hereunder. Landowners agree that District shall be entitled to conclusively rely on the determinations of the Fund Manager. Landowners hereby fully release District and shall

fully defend, indemnify, save and hold harmless District, its governing body, officers, agents and employees from any claims, actions, or costs (collectively, "**Claims**") brought by Landowners hereunder arising from or related to the determinations or calculations of Fund Manager hereunder, except Claims arising from the willful misconduct or fraud of District or material breach of this Agreement by District. Any such indemnity costs hereunder shall be paid in the same Pro-Rata Shares set forth herein. The Fund Manager may be changed at any time with ten (10) days written notice of the change signed by all Landowners.

3.3 Audit.

(A) District shall keep itemized records of the expenses incurred that are related to the design and construction of the WTP Improvements and Irrigation Facilities, and all accounting of the Fund Manager, and all such records shall be retained for a minimum of three (3) years following completion of each improvement and shall be made available to the Parties for review during regular business hours, upon at least 72 hours advance written notice.

3.4 Bond Proceeds/Special Taxes - Construction Fund.

(A) Pursuant to California Government Code Section 53314.9, the District agrees that upon the formation of CFD #2, the levy of a special tax upon the properties within the boundaries of CFD #2, and the receipt of bond proceeds pursuant to Section 3.1 above and/or the receipt of revenues from the collection of pay-as-you-go special taxes, the District shall repay the CFD Participating Landowners from the net amount of such bond proceeds and special tax proceeds available for the amount that each such CFD Participating Landowner advanced to the District and/or paid for the construction of Improvements, pursuant to this Agreement for the construction of the Improvements, as provided for in this Agreement, and to the extent allowed pursuant to those documents relating to the issuance of bonds and other applicable law. The District's agreement to repay the CFD Participating Landowners as provided in this Section 3.4 shall be included in both the resolution of intention to establish CFD #2 to be adopted pursuant to Section 53321 of the California Government Code and in the resolution of formation to establish CFD #2 to be adopted pursuant to Section 53325.1 of the California Government Code. This Section 3.4(A) is not intended to limit or preclude the inclusion of funding for facilities other than the Improvements in CFD #2, provided that any such additional facilities are approved by the CFD Participating Landowners.

~~(A)~~(B) Upon the sale of bonds and receipt of the net bond proceeds by District, each CFD Participating Landowner may reduce the security provided pursuant to Sections 1.3 and 2.4 of this Agreement by the respective amount of bond proceeds attributable to such Landowner's respective project, as reasonably determined by District. This provision is not intended to relieve each Participating Landowner from its shortfall obligations pursuant to Sections 1.3 and 2.4 of this Agreement.

~~(A)~~(C) Notwithstanding any provision to the contrary, unless District and the successor-in-interest and assignee of Winncrest and FN enter into an amendment to the Shortfall Agreement deleting the requirement applicable to bond proceeds, the net bond proceeds of CFD #2 shall first be used to pay successors- in-interest and assignees of Winncrest and FN the full

amount of the Reimbursement Fee (defined in Section 3.7(C) below) applicable to that portion of the Property within the CFD #2 boundaries as required by the Shortfall Agreement.

3.5 No Reimbursement.

(A) Except as otherwise provided in this Agreement (including without limitation Section 1.2(B), Section 1.3(B), and Section 1.3(K) above), Landowners agree that the improvements which are to be paid for by Landowners will only serve buildings and residents attributable to the lots within and development of the Property. Except as otherwise provided in this Agreement (including without limitation Section 1.2(B), 1.3(B), and 1.3(K) above), Landowners understand and agree that Landowners will not be reimbursed for the costs of such Improvements, except as otherwise expressly provided herein.

3.6 Agreement Processing Costs.

(A) Prior to the execution of this Agreement, certain Landowners have paid certain consultant costs incurred by the District in connection with the negotiation of this Agreement, including legal fees, in the approximate amount of One Hundred Thousand Dollars ($100,000.00), pursuant to the Developer Deposit Agreement entered into by and between the District and Riverview including, without limitation, past due legal fees due to District incurred by other Landowners. Each Landowner agrees to pay its respective Pro-Rata Share of legal fees advanced under the Developer Deposit Agreement on the earlier of: (i) the first election to become a Participating Landowner for any portion of the design or construction hereunder or (ii) at the time a Reimbursing Landowner makes a reimbursement payment and prior to the first final map for such Reimbursing Landowner's Property. Such amounts shall be reimbursed to Riverview upon receipt by District. In addition, Landowners shall pay any future consultant costs incurred by the District in connection with the processing and adoption of this Agreement, including legal fees, administration costs for the Fund Manager and CEQA consultant costs, which costs shall be included with the applicable Estimated WTP Improvement Cost and Estimated Irrigation Facilities Costs (and each Landowner shall be responsible as either a Participating Landowner or Reimbursing Landowner for their Pro-Rata share of such costs as applicable for each improvement). In addition to all other legal and equitable remedies provided herein for failure to pay such costs when due, the provisions of Section 4.4 below shall apply for failure to pay amounts due under this Section 4.4.

3.7 Fees For Other Services and Facilities.

(A) Landowners agree to pay a bundled fee in the amount of Seven Thousand ~~Six~~ Seven Hundred ~~Nineteen~~ Seventy~~Twenty~~-one Dollars (~~$7,619~~7,721) per EDU ("**Bundled Fee**") to District for all development on the Property~~, except for the Murieta Gardens landowner who shall pay a bundled fee of $XXXX.~~ to account for their reduced Security Impact Fee, as shown in Exhibit M.. The Bundled Fee shall be paid in full at the time of issuance of a building permit for residential units, and shall be paid in full at the time of issuance of a certificate of occupancy for commercial buildings. The Bundled Fee shall be adjusted annually in proportion to the annual increase in the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items and Major Group Figures, published by the United States Department of Labor, Bureau of

Labor Statistics, or similar index used by the District, in its reasonable discretion. The Bundled Fee includes a Water Augmentation Fee in the amount of Four Thousand Five ~~Four~~ Hundred Seventy~~Twenty~~-one ~~Nineteen~~ Dollars ($~~4,419~~4,527~~1~~) ("**Water Augmentation Fee**"). Landowners shall be entitled to a fee credit in the amount of Two Thousand Dollars ($2,000) per EDU against the Water Augmentation Fee when such Landowner installs the in-tract reclaimed water system for the Property. In addition, should the District reduce the amount of the Water Augmentation Fee after the execution of this Agreement, Landowners shall be entitled to pay the reduced Water Augmentation Fee after the effective date of such reduction. Landowners shall not be entitled to reimbursement for the amount of any fees paid prior to the effective date of any reduction in the Water Augmentation Fee.

~~(A)~~(B) All other fees included in the Bundled Fee shall be subject to any increases adopted by the District Board of Directors, if such increases are adopted in accordance with the Mitigation Fee Act (Government Code Section 66000, et seq.) and applied uniformly to all new development. Landowner's participation in implementing this Agreement and compliance with the terms and conditions herein, including without limitation payment of the Bundled Fee and Water Augmentation Fee, is intended to constitute complete satisfaction of the requirements of District in order to obtain will serve letters and water and sewer service for the Projects for the number of EDUs allocated to such Projects herein and shall be deemed full mitigation of the impact upon the District from the development of the Property. Upon completion of the facilities described herein, Landowners will have provided sufficient capacity for the EDUs set forth in Section 1.1 above to serve the Property.

~~(A)~~(C) The amount of Five Thousand Nine Hundred Dollars ($5,900) per EDU will be paid to District, to satisfy the obligations of each Landowner's Property as a "Benefitting Property" pursuant to the Shortfall Agreement. Any Landowner's Property shall be deemed to have paid all amounts due pursuant to Section 7 of the Shortfall Agreement upon payment of such $5,900 per EDU. District shall collect such amounts upon the recordation of the first Final Map for each project, or if no Final Map is required, upon the recordation of the Parcel Map (or if no map is required for any project prior to any certificate of occupancy or provision of service to such Property). Such amount represents the amount to be reimbursed to successor-in-interests and assignees of Winncrest and FN for infrastructure previously funded by Winncrest and FN pursuant to the Shortfall Agreement ("**Reimbursement Fee**"). The Reimbursement Fee shall be paid for the benefit of the successor-in -interest and assignee of Winncrest and FN as and to the extent required by the Shortfall Agreement as determined by District in their sole discretion. Any amounts not reimbursed to the successor-in -interest and assignee of Winncrest and FN by District may be retained by District and used by District pursuant to the terms of the Shortfall Agreement. The Reimbursement Fee is a fixed amount and shall not be subject to any increases, adjustments or interest. Compliance with the terms and conditions herein and payment of the Reimbursement Fee by a Landowner shall be full and final satisfaction of any and all payment obligations to District and to successor-in -interest ~~sst~~ and assignees of Winncrest and FN for a Benefitting Property pursuant to the Shortfall Agreement. District represents, warrants and covenants that the successors-in-interest and assignees to Winncrest and FN have expressly consented to this provision, as evidenced by the Letter of Acknowledgement and Consent attached hereto as Exhibit K which shall supersede and amend the obligation for the Properties to

pay any greater amount pursuant to the existing Shortfall Agreement. Notwithstanding the foregoing, the Reimbursement Fee shall not be applicable to the Riverview or Lakeview Properties, as those properties are not subject to reimbursement obligation pursuant to the Shortfall Agreement.

~~(A)~~(D) All costs and fees in this Section 3.7 are identified in Exhibit M attached hereto.

SECTION 4. Default by Landowner; Remedies of Other Landowners.

4.1 Delinquent Landowners.

(A) Any Participating Landowner who fails, beyond any applicable notice and cure periods set forth in this Agreement, to contribute its Percentage Share of Advance Funding and its Pro-Rata Share for the costs of the WTP Improvements, the Landowner Irrigation Facilities, or other facilities, as required hereunder, or who fails to pay any other costs required hereunder including, without limitation, all agreement processing costs set forth in Section 3.6 above, and such Landowner has not provided adequate security upon which District may draw, or such security is inaccessible to District for any reason whatsoever, shall be referred to as a "**Delinquent Landowner**". Participating Landowners who have timely paid their Percentage Share of Advance Funding and Pro-Rata Shares of the above referenced costs as required under this Agreement, or have provided adequate security upon which District may draw, shall be referred to as "**Current Landowners**". In addition, any Reimbursing Landowner who fails to pay any and all amounts due hereunder as and when required by this Agreement (as set forth in Recital G and Section 3.6 and 3.7 herein) shall be considered in material default hereunder.

4.2 Indemnification Obligations.

(A) Each Delinquent Landowner shall indemnify, defend, protect and hold the Current Landowners and Reimbursing Landowners, individually and collectively, harmless from any loss, cost, or expense, including, without limitation, reasonable attorneys' fees and costs and late fees or penalties incurred or accruing under this Agreement and resulting from the Delinquent Landowner's failure to make any Pro-Rata Share contribution, Advance Funding payment or other payment of funds required under this Agreement.

4.3 Obligation to Advance Delinquent Amounts.

(A) All Current Landowners shall be required, within thirty (30) days following receipt of written notice that a Landowner has become a Delinquent Landowner, to advance the Delinquent Landowner's Pro-Rata Share of any delinquent payments due under this Agreement, with such advances being made in proportion to the Current Landowners' respective number of EDUs allocated under this Agreement as compared to the aggregate number of EDUs allocated to the Current Landowners under this Agreement, or as may otherwise be agreed to by the Current Landowners. If an otherwise Current Landowner fails to pay its share of a Delinquent Landowner's Pro-Rata Share as required under this Section 4.3, such Current Landowner shall immediately become a Delinquent Landowner, and the remaining Current Landowners shall be

obligated hereunder to fund such Delinquent Landowner's share of any other Delinquent Landowner's Pro-Rata Share as provided hereunder. If the Current Landowners, or any of them, advance a Delinquent Landowner's Pro-Rata Share due under this Agreement, such Current Landowners shall thereafter be referred to as **"Advancing Landowners"**, and such Advancing Landowners shall be entitled to recover from the Delinquent Landowner the amount advanced on behalf of the Delinquent Landowner, together with any and all costs associated with such Advancing Landowners' obtaining the necessary funds for such advance (including, without limitation, any loan fees or expenses and any legal fees reasonably incurred to obtain such funds), together with interest on the amount advanced by such Advancing Landowners at the rate of twelve percent (12%) per annum or the maximum rate allowable by law on delinquent financial obligations, whichever is less.

~~(A)~~(B) The payments necessary to bring a Delinquent Landowner's Pro-Rata Share current shall include the costs and interest payments calculated on the number of days the subject Pro-Rata Share payment is delinquent, up to and including the date the payments are received by the District or Advancing Landowners. Thereafter, any and all amounts paid by said Delinquent Landowner to cure such default, or any amounts received by Current Landowners through reimbursements or credits that would otherwise have been payable to such Delinquent Landowner, as provided herein, including all amounts for interest, shall be paid to the Advancing Landowners who advanced such amounts for the Delinquent Landowner, in proportion to the amounts so advanced by the Advancing Landowners. As additional security, the Delinquent Landowner grants the Current Landowners a security interest in the Delinquent Landowner's right to receive any reimbursement under this Agreement to secure the Delinquent Landowner obligations under this Section 4 and further agrees to execute a UCC-1 financing statement as the Current Landowners may reasonably request. The Delinquent Landowner shall execute any financing statement provided by the Current Landowners and deliver those documents to the Current Landowners within five (5) days of the receipt of those documents.

~~(A)~~(C) The Landowners acknowledge and agree that no other Landowner shall have any right to enforce this Agreement against a Landowner's real property (except as otherwise expressly provided herein) and no Landowner, shall have any right to record a contractual lien against such Landowner's Property provided that nothing in this Section 4.3 or elsewhere in this Agreement shall prohibit or preclude a Landowner from recording a judgment lien generally against a Delinquent Landowner's or defaulting Reimbursing Landowner's real property interests in Sacramento County (including such Delinquent Landowner's or defaulting Reimbursing Landowner's interest in the Property), as permitted by law.

4.4 No Service to Delinquent Landowner/No Service to Defaulting Reimbursing Landowner.

(A) The Parties agree that, in the event that a Landowner becomes a Delinquent Landowner under this Agreement or in the event a Reimbursing Landowner fails to pay all amounts due hereunder when required by this Agreement or is otherwise in material default of its obligations hereunder and District and/or the Fund Manager receives notice of such delinquency or default, then until such Delinquent Landowner shall have fully cured such delinquency, including, without limitation, reimbursing the Advancing Landowners for all costs

and interest incurred or accrued in connection with the Advancing Landowners advancing of the Delinquent Landowner's Pro-Rata Share, or until a Reimbursing Landowner has fully paid all amounts due hereunder when required by this Agreement or has cured such other material default, including without limitation reimbursing all Participating Landowners as required hereunder, District shall not provide, and the Delinquent Landowner or the defaulting Reimbursing Landowner shall not request or be entitled to, a final map, a final will serve, any other final approval, or any water or disposal services to the Delinquent Landowner (or defaulting Reimbursing Landowner as the case may be) and/or its portion of the Property. District shall be entitled to rely on the written determinations of Fund Manager regarding the amount due from such Delinquent Landowner or Reimbursing Landowner and the date that such Delinquent Landowner or Reimbursing Landowner has been paid current. District shall not to approve any final map or final will serve for any Property unless and until District receives a written statement from the Fund Manager showing all amounts due hereunder for such Property paid in full. This provision shall not require District to interrupt or disconnect existing services.

SECTION 5. Miscellaneous Provisions.

5.1 Covenant to Grant Easements.

(A) Each Landowner agrees to convey to District, upon demand at any time following approval of a final subdivision map for the Property containing such easement or right of way, any easements or rights of way reasonably required to accommodate the facilities and improvements required by District to serve the Property, without compensation or subject to any conditions.

5.2 Authority of District.

(A) Landowners and District agree that nothing in this Agreement is intended to limit or restrict the exercise of the normal and customary powers of District to act in accordance with its obligations to protect the public health and safety of the residents, owners, and occupants of property within the District. District retains the right and obligation to adopt ordinances and regulations addressing the needs of District provided that all such ordinances and regulations are uniformly applicable to similarly situated property within the boundaries of District.

5.3 Binding Agreement; Runs With Land.

(A) This Agreement shall constitute a contract under the laws of the State of California between Landowners and District, and an equitable servitude of each Landowner (and Landowner's successors and assigns) as to the lands described and shown on Exhibits A-1, A-2, B-1, B-2, C-1 C-2, ~~D-1, D-2, E-1, E-2,~~ F-1, F-2, G-1 and G-2 and such servitude shall obligate each Landowner (and Landowner's successors and assigns), as to such lands, for the benefit of District and other lands within the District. A memorandum of this Agreement shall be recorded in the Official Records of the County of Sacramento, California. This Agreement is, and shall be, a covenant and shall run with and bind District and the owners of the lands described in this

Agreement, subject to the termination provisions set forth in Section 5.5 below. Notwithstanding the foregoing, the right to reimbursement hereunder is personal to each Landowner and such right to reimbursement shall not run with the land and shall remain with such Landowner unless expressly assigned as part of an executed assignment and assumption agreement.

5.4 Term.

(A) The term of this Agreement shall be for a period of thirty (30) years from the date of execution by the District. In the event of an earlier termination pursuant to the provisions hereof, or due to the failure to obtain necessary permits or approvals for any of the facilities, the District shall return to Landowners any funds provided to District pursuant to this Agreement, which have not been expended or committed under contract, in the same Pro-Rata Shares as such funds were contributed, within sixty (60) days following such termination. Notwithstanding any earlier termination of this Agreement or anything herein to the contrary, all provisions herein for Reimbursing Landowners to provide reimbursement to Participating Landowners for costs incurred by such Participating Landowners prior to termination of this Agreement shall survive such earlier termination and shall remain in full force and effect even upon termination of this Agreement prior to the 30 year term.

5.5 Termination.

(A) Each Landowner (and Landowner's successors and assigns) may terminate this Agreement as to a specific lot or parcel at an earlier date than that set forth in Section 5.4, provided that all of the obligations with respect to the construction and financing of facilities and infrastructure, and the payment of fees and all reimbursement due hereunder from such Landowner has been fully satisfied. Such termination shall be evidenced by a Notice of Termination, executed by the respective Landowner and District, to be recorded in the Official Records of the County of Sacramento, California by such Landowner as to the lot or parcel so terminated. District shall provide such Notice of Termination within thirty (30) days following a request therefore from a Landowner (provided the Fund Manager has provided written confirmation that all amounts due from such Landowner have been paid in full). This Agreement shall automatically terminate and be of no further force or effect as to any single family residence or any other building and the lot or parcel on which it is located, when such residence or building has been approved by the County for occupancy.

5.6 Notices.

(A) All notices, requests, demands and other communication given or required to be given hereunder shall be in writing and (i) personally delivered, (ii) sent by United States registered or certified mail, postage prepaid, return receipt requested, (iii) sent by nationally recognized courier service such as Federal Express, or (vi) sent by facsimile or e-mail, provided that any notice sent by facsimile or e-mail shall also be sent by one of the other methods

provided above. All notices, requests, demands or other communications shall be addressed to the Parties as follows:

To District:
Rancho Murieta Community Services District
15160 Jackson Road
Rancho Murieta, CA 95683
Attention: General Manager

With copy to:
Kronick, Moskovitz, Tiedemann & Girard
400 Capitol Mall, 27th Floor
Sacramento, CA 95814
Attention: Jonathan P. Hobbs, General Counsel

Notices required to be given to Landowners shall be addressed as follows:

To Residences East:
CSGF Rancho Murieta LLC
555 California Street, #3450
San Francisco, CA 94104
Attention: Jim Galovan

To Residences West:
BBC Murieta Land, LLC
853 North Elston
Chicago, IL 60642
Attention: Robert Weil

To Retreats:
Murieta Retreats, LLC.
11249 Gold Country Blvd., Suite 190
Gold River, CA 95670
Attention: Gerry Kamilos ~~& Robert Cassano~~

~~To Gardens:~~
~~Consumnes River Land, LLC~~
~~7200 Lone Pine Drive, Ste 200~~
~~Rancho Murieta, CA 95683~~
~~Attention: John Sullivan~~

To Riverview:
PCCP CSGF RB PORTFOLIO, LLC
555 California Street, Suite 3450
San Francisco CA 94104
Attention: Jim Galovan

With a copy to:
Hock Construction Management, Inc.
10630 Mather Blvd.

Sacramento, CA 95655
Attention: Les Hock

To Lakeview: Elk Grove Bilby Partners, LP
900 Emmett Ave., Ste 200
Belmont, CA 94002

To Rancho Murieta 205 LLC: Rancho Murieta 205 LLC
(Successors in Interest to Winncrest/FN)
10630 Mather Blvd.
Sacramento, CA 95655
Attention: Lori Rispoli

To Fund Manager: Economic Planning Systems
2150 River Plaza Dr. Ste 400
Sacramento, CA 95833
Attention: Jamie Gomes

(B) Delivery of any notice or other communication hereunder shall be deemed made on the date of actual delivery thereof to the address of the addressee, if personally delivered, and on the date indicated in the return receipt or courier's records as the date of delivery or as the date of first attempted delivery, if sent by mail or courier service. Notice may also be given by facsimile or e-mail (provided another method in subsection (i)-(iii) above is also used) which shall be deemed delivered when received by the facsimile machine or e-mail of the receiving party if received before 5:00 p.m. (Pacific Time) on a business day, or if received after 5:00 p.m. (Pacific Time) or on a day other than a business day (*i.e.*, a Saturday, Sunday, or legal holiday), then such notice shall be deemed delivered on the following business day. The transmittal confirmation receipt produced by the facsimile machine or e-mail server of the sending party shall be prima facie evidence of such receipt (provided another method is used in addition to such fax or e-mail). Any party may change its address, facsimile number or e-mail for purposes of this Section by giving notice to the other Parties and the Fund Manager as herein provided.

~~(B)~~(C) Any Party may change its address by giving notice in writing to the other Parties.

5.7 Force Majeure.

(A) Performance by any Party related to construction of improvements shall not be deemed to be in default during any period where delays or defaults are due to war, acts of terrorism, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, or enactment of conflicting state or federal laws or regulations, except that payment of any amounts due hereunder shall not be excused for Force Majeure events.

5.8 Entire Agreement.

(A) This is an integrated Agreement, and contains all of the terms, consideration, understanding and promises of the Parties. It is intended to be, and shall be, read as a whole. All recitals and exhibits are incorporated herein. This Agreement and the Exhibits hereto contain the entire agreement between the Parties with respect to the subject matter hereof. Except as otherwise specified in this Agreement, all prior correspondence, memoranda, agreements, warranties or representations are superseded in total by this Agreement and the Exhibits hereto.

5.9 Legal Action.

(A) In addition to any other rights or remedies, any Party may institute legal action to cure, correct or remedy any default, to enforce any covenant or agreement herein, or to enjoin any threatened or attempted violation.

5.10 Attorneys' Fees.

(A) In the event of any litigation (including nonjudicial arbitration) arising out of this Agreement, the prevailing Party (or Parties) in such action, in addition to any other relief which may be granted, shall be entitled to recover its reasonable attorneys' fees and costs. Such attorneys' fees and costs shall include fees and costs on any appeal, and all other reasonable costs incurred in investigating such action, taking depositions and discovery, retaining expert witnesses, and all other necessary and related costs with respect to such litigation or arbitration. All such fees and costs shall be deemed to have accrued on commencement of the action and shall be enforceable whether or not the action is prosecuted to judgment.

5.11 Applicable Law.

(A) This Agreement shall be construed and enforced in accordance with the laws of the State of California.

5.12 Indemnity.

(A) Each Landowner hereby agrees to and shall defend, indemnify and hold District, its Board, officers, agents, and employees harmless from any liability for damage, litigation or claims: (i) relating to the approval of this Agreement by District, and (ii) hereby agrees to and shall defend, indemnify and hold District, its Board, officers, agents, and employees harmless from any liability for damages for personal injury, or bodily injury including death, as well as from claims for property damage (collectively "**Claims**") to the extent such Claims arise from the operations or performance of such Landowner or the operations or performance of such Landowner's contractors, subcontractors, agents, or employees under this Agreement, whether such operations or performance be by the indemnifying Landowner, or by any of the indemnifying Landowner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for indemnifying Landowner or any of the

indemnifying Landowner's contractors or subcontractors, unless such damage or claim arises from the negligence or willful misconduct of District. A Landowner shall not be required to indemnify the District for damages or claims caused by the negligence or willful misconduct of the District, or its Board, officers, agents contractors, subcontractors or employees. The indemnity obligations under 5.12(i) above shall be joint and several. The indemnity obligations under 5.12(ii) above shall be several.

5.13 Waiver of Rights and Claims

(A) In consideration of the mutual promises and covenants set forth in this Agreement, each Landowner (including successors in interest and assigns) hereby waives and releases any present or future rights or claims Landowner may have or possess with respect to the Property under Government Code section 66000 et. seq. with respect to the District's establishment, receipt and use of those fees and reimbursement amounts specifically required by this Agreement including without limitation the Bundled Fee and required to be paid to District under this Agreement. This provision is not intended to prevent Landowners from objecting to or challenging any proposed increase in the Bundled Fee, or portions thereof, other than indexed annual adjustments, or objecting to or challenging any proposed new fees and this Section 5.13 shall not be a waiver of any rights or remedies Landowners may have against District for a breach of this Agreement by District.

5.14 Joint and Several Liability Procedures.

(A) Whenever in this Agreement, the Landowners are jointly and severally liable to the District, District agrees to adhere to the following procedure prior to enforcing such liability against any Party:

~~(A)~~(B) In the event that a Participating Landowner is required to pay a Pro-Rata Share or make any other monetary payment or contribution pursuant to this Agreement, and after notice and request to make such payment or contribution by District, has failed to do so, District shall first seek to satisfy the obligation of such Participating Landowner by drawing upon any security deposited or provided by such Landowner pursuant to Section 1.3 and/or Section 2.4 above.

~~(A)~~(C) Should a Participating Landowner fail to make a required payment or contribution, and there is inadequate security provided by such Participating Landowner upon which District may draw, or such security is inaccessible to District for any reason whatsoever, then such Participating Landowner shall be designated a Delinquent Landowner, as such term is defined in Section 4.1 above, and District shall request in writing that the remaining Participating Landowners collectively make the payment or contribution of the Delinquent Landowner within thirty (30) days of such request by the District.

~~(A)~~(D) If the remaining Participating Landowners do not collectively make the payment or contribution of the Delinquent Landowner within the time specified in Section 5.14(B) above, then each Participating Landowner shall be jointly and severally liable for the payment or

contribution of the Delinquent Landowner, and District may demand and take any lawful action, without further delay or condition, to require and obtain full payment from any or all of the Participating Landowners, including the Delinquent Landowner, as District deems necessary in its sole discretion.

5.15 Dispute Resolution Regarding Allocation of Pro-Rata Shares, Percentage Shares, Payment

(A) In the event issues, claims, controversies or disputes arise concerning matters regarding the calculation or determination of costs hereunder, including without limitation estimated costs, the allocation of Pro-Rata Shares, Percentage Shares, amounts due under invoices, reimbursement amounts, shortfall calculations, the actual improvement costs, approval of change orders, and timing of construction, as a condition precedent to arbitration, all such disputes, shall first be resolved according to this Section 5.15.

~~(A)~~(B) Should the parties be unable to resolve any dispute described in section 5.15(A) informally, the parties shall endeavor to resolve any such dispute by mediation before a mutually agreeable mediator, with a preference given to a mediator with experience in construction and development matters. Any controversy or claim described in section 5.15(A) that remain unresolved after 60 days of initiation of mediation proceedings shall be finally resolved by binding arbitration. The arbitration shall be conducted and administered by JAMS in accordance with the JAMS rules and procedures. All arbitration proceedings shall be held in Sacramento County before a single neutral arbitrator agreeable to the parties, with a preference given to an arbitrator with experience in construction and development matters. The parties shall operate in good faith in an attempt to conclude the arbitration proceedings within 60 days of the initiation of the arbitration. The arbitrator shall have no power to vary or modify any of the provisions of this Agreement. The arbitration award shall be in writing and may be reduced to judgment consistent with the California Code of Civil Procedure. The Parties shall have the right to conduct discovery consistent with the California Code of Civil Procedure section 1283.05.

5.16 No Joint Venture.

(A) It is specifically understood and agreed by and among the Parties hereto that the subject project is a private development. No partnership, joint venture or other association of any kind is formed by this Agreement.

5.17 Cooperation.

(A) In the event of any legal action instituted by a third party or other governmental entity or official challenging the validity of any provision of this Agreement, the Parties hereby agree to cooperate in defending said action.

5.18 Third Parties.

(A) This Agreement is made and entered into for the sole protection and benefit of the Parties. No other person shall have any right of action based upon any provision in this Agreement.

5.19 Time of the Essence.

(A) The Parties agree that time is of the essence for each Agreement provision of which time is an element.

5.20 Assignment.

(A) Subject to the provisions of Section 1.2 above, each Landowner shall have the right to assign this Agreement, or any portion thereof, in connection with any sale, transfer or conveyance of the Property, or any portion thereof, and upon the express written assignment by a Landowner and assumption by the assignee of this Agreement in the form attached hereto as Exhibit L, and the conveyance of Landowner's interest in the Property related thereto, and upon provision of a copy of the executed assignment and assumption agreement to the District, such Landowner shall be released from any future liability or obligation hereunder, related to the portion of the Property so conveyed and the assignee shall be deemed the "Landowner," with all rights and obligations related thereto, with respect to such conveyed property. Notwithstanding the foregoing, no Participating Landowner shall be relieved of any liability or obligations hereunder unless and until the proposed assignee provides adequate replacement security, as determined by District, to adequately secure the remaining obligations under this Agreement.

5.21 Amendments.

(A) This Agreement may be amended only in writing by mutual consent of the Parties or their successors in interest. Notwithstanding the foregoing, in the event there is additional excess capacity in the WTP Improvements and/or the Irrigation Facilities (in addition to the capacity for the Properties, the existing EDUs and the public EDUs), the Landowners shall have the right to amend this Agreement to allow any other property owner within the District to become a party to this Agreement in order to obtain capacity in the WTP Improvements and/or the Irrigation Facilities by complying with the terms and conditions herein, provided the consent of the District Board of Directors ~~manager~~ is obtained, which consent shall not be unreasonably withheld, delayed or conditioned. Such amendment will allocate any excess capacity to such property owner and provide for the additional property owner to become a party hereunder, and reallocate the Pro-Rata Shares hereunder based on the additional property.

5.22 Severability

(A) The provisions of this Agreement are intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason whatsoever, any invalidation by judgment or court order shall in no way affect any of the other provisions hereof or the application thereof to any other person and the remainder of the Agreement shall remain in full force and effect, unless enforcement of this Agreement as so invalidated would be unreasonable or grossly inequitable under all the circumstances or would frustrate the purposes of this Agreement. Such invalidation shall not limit or restrict the obligations of Landowners or District with respect to obligations previously incurred in connection with an actual formation of CFD #2 or with the prior issuance of bonds thereby.

5.23 Exhibits.

(A) The following exhibits are attached hereto and are incorporated herein by this reference:

A-1 Legal Description of the Retreats

A-2 Diagram of the subdivision for the Retreats

B-1 Legal Description of the Residences of Murieta Hills – East

B-2 Diagram of the subdivision for the Residences of Murieta Hills – East

C-1 Legal Description of the Residences of Murieta Hills – West

C-2 Diagram of the subdivision for the Residences of Murieta Hills – West

D-1 ~~Legal Description of the Murieta Gardens Shopping Center~~[Intentionally Omitted]

D-2 ~~Diagram of the subdivision for the Murieta Gardens Shopping Center~~[Intentionally Omitted]

E-1 ~~Legal Description of Murieta Gardens Residential Project~~[Intentionally Omitted]

E-2 ~~Diagram of the subdivision for Murieta Gardens Residential Project~~[Intentionally Omitted]

F-1 Legal Description of Riverview

F-2 Diagram of the subdivision for Riverview

G-1 Legal Description of Lakeview

G-2 Diagram of the subdivision for Lakeview

H ~~EDU Calculations (for both water and sewer)~~Estimated Fair Share of Eligible Facility Costs

I Grant and Agreement Irrigation Easement, District

J Grant and Agreement Irrigation Easement, Landowners

K Letter of Acknowledgment and Consent

L Form of Assignment and Assumption

M RMCSD Bundled Fee Summary

[Signatures page follows]

IN WITNESS WHEREOF, the Parties hereto execute this Agreement:

_____, 2013

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

APPROVED BY THE BOARD OF DIRECTORS AT ITS MEETING ON THE ___ DAY OF _____, 2013

By: _____
Gerald E. Pasek,
President, Board of Directors

"DISTRICT"

Approved as to form:

By: _____
Jonathan Hobbs,
District Counsel

_____, 2013

CSGF RANCHO MURIETA, LLC, a Delaware limited liability company

By: PCCP CSGF RB PORTFOLIO, LLC a Delaware limited liability company, its Member

By: _____
Printed Name: _____
Authorized Signatory

"Residences East"

_____, 2013

BBC MURIETA LAND LLC,
a California limited liability company

By: BBC LONGVIEW, LLC, an Illinois limited liability company, its Manager

By: LINCOLNSHIRE ASSOCIATES II, LTD., a Texas limited partnership, its Manager

By: DDC 2009 IRREVOCABLE TRUST, its General Partner

By: _____
David D. Colburn, Trustee

"Residences West"

_____, 2013

MURIETA RETREATS, LLC,
a California limited liability company,
Member

By: The Robert J. Cassano and Sandra L. Cassano Revocable Living Trust, its Manager Member

By:_____
Name: Robert J. Cassano
Title: Co-Trustee

"RETREATS"

~~_____, 2013~~

~~CONSUMNES RIVER LAND, LLC,~~
~~a Delaware limited liability company~~

~~By:_____~~
~~Carol Anderson Ward~~
~~Title: Manager~~

~~By:_____~~
~~John M Sullivan~~
~~Title: Manager~~

~~"GARDENS"~~

_____, 2013

PCCP CSGF RB PORTFOLIO, LLC a Delaware limited liability company

By: _____

Title: _____

" RIVERVIEW"

_____, 2013

ELK GROVE BILBY PARTNERS, L.P., a California limited partnership

By: VPI 2004, Inc., a California corporation, its General Partner

By: _____

Title: _____

" LAKEVIEW"

ACKNOWLEDGMENTS

(FORM OF ACKNOWLEDGMENT)

State of California)
)
County of _____)

On _____, 20__, before me, _____, (here insert name and title of the officer), personally appeared _____, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A-1

Legal Description of the Retreats

EXHIBIT A-2

Diagram of the subdivision for the Retreats

EXHIBIT B-1

Legal Description of the Residences of Murieta Hills - East

EXHIBIT B-2

Diagram of the subdivision for the Residences of Murieta Hills - East

EXHIBIT C-1

Legal Description of the Residences of Murieta Hills – West

EXHIBIT C-2

Diagram of the subdivision for the Residences of Murieta Hills – West

EXHIBIT –D-1

~~**Legal Description**~~
~~**of the Murieta Gardens Shopping Center**~~[Intentionally Omitted]

EXHIBIT D-2

~~Diagram of the subdivision for the Murieta Gardens Shopping Center~~[Intentionally Omitted]

EXHIBIT –E-1

~~Legal Description of~~
~~Murieta Gardens Residential Project~~[Intentionally Omitted]

EXHIBIT E-2

~~Diagram of the subdivision for Murieta Gardens Residential Project~~[Intentionally Omitted]

EXHIBIT F-1

Legal Description of Riverview

EXHIBIT F-2

Diagram of the subdivision for Riverview

EXHIBIT G-1

Legal Description of Lakeview

EXHIBIT G-2

Diagram of the subdivision for Lakeview

EXHIBIT H

~~**EDU Calculations**~~Estimated Fair Share of Eligible Facility Costs
(for both water and sewer)

EXHIBIT I

Grant and Agreement Irrigation Easement, District

EXHIBIT J

Grant and Agreement Irrigation Easement, Landowners

EXHIBIT K

Letter of Acknowledgment and Consent

EXHIBIT L

Form of Assignment and Assumption

EXHIBIT M

RMCSD Bundled Fee Summary

EXHIBIT N

Memorandum of Financing and Services Agreement

Exhibit N

Recording requested by,
and when recorded return to:

General Manager
Rancho Murieta Community
Services District
15160 Jackson Road
Rancho Murieta, CA 95683

MEMORANDUM OF FINANCING AND SERVICES AGREEMENT

THIS MEMORANDUM OF FINANCING AND SERVICES AGREEMENT ("**Memorandum**") is executed as of _____ ___, 2013, by and among the Rancho Murieta Community Services District ("**District**"), a community services district organized under the laws of the State of California, CSGF Rancho Murieta, LLC (**"Residences East"**), a Delaware limited liability company; BBC Murieta Land, LLC ("**Residences West**"), a California limited liability company; Murieta Retreats, LLC ("**Retreats**"), a California limited liability company; Elk Grove Bilby Partners, LP ("**Lakeview**") a California limited partnership; and PCCP CSGF RB PORTFOLIO, LLC ("**Riverview**"), a Delaware limited liability company~~; and, Cosumnes River Land, LLC ("Gardens"), a Delaware limited liability company.~~ Residences East, Residences West, Retreats, Riverview, and Lakeview~~, and Gardens~~ are sometimes individually referred to herein as a "**Landowner**" and sometimes collectively referenced herein as "**Landowners.**"

1. The Landowners entered into that certain Financing and Services Agreement dated as of June __, 2013 (the "**Financing and Services Agreement**") related to certain real property located within the boundaries of the District, County of Sacramento, State of California, more particularly described on Exhibits A through G, inclusive, attached hereto (**"Properties"**), which is incorporated herein by reference as if fully set forth herein. The Financing and Services Agreement was approved by the District's Board of Directors on _____, 2013. All capitalized terms not defined herein shall have the meanings ascribed to them set forth in the Financing and Services Agreement.

2. In order to obtain will serve letters from the District for the Properties, the Landowners have voluntarily entered into a Financing and Services Agreement which provides for certain funding for the reconstruction and expansion of a water treatment plant and recycled water disposal facilities, and the payment of certain other fees and reimbursements. The Financing and Services Agreement, among other things, specifically provides for: (i) advance funding for design and construction of certain water and sewer facilities by the Landowners who

are then ready to proceed with development of their Property ("**Participating Landowners**"); (ii) reimbursement from certain of the Landowners for their proportionate share of such costs incurred by the District and/or Participating Landowners prior to approval of each final subdivision map for their Property ("**Reimbursing Landowners**") as more particularly set forth therein; and (iii) funding of certain processing costs and certain other fees and reimbursements as set forth therein. The Financing and Services Agreement provides that District shall not provide District's consent to approval of a final map for any Property, and will not provide any water or sewer service to any Property, unless and until the Fund Manager (as defined in the Financing and Services Agreement) has sent written confirmation of payment in full of all amounts due from such Property pursuant to the terms of the Financing and Services Agreement. For any Properties not requiring a final map, any provisions therein for District to withhold consent to a final map shall mean District shall withhold consent to any other final development approval and/or water and sewer service to such Property unless and until the Fund Manager provides the written confirmation of payment in full of all amounts due from such Property pursuant to the Financing and Services Agreement. In the event any amounts due under the Financing and Services Agreement are not paid to District when due, in addition to all other rights and remedies of the District as provided in the Financing and Services Agreement, District may withhold water and sewer service from such Property.

3. The rights and obligations established under the Financing and Services Agreement constitute covenants that run with the land, in accordance with Section 1468 of the California Civil Code, and shall be binding upon those persons or entities having any right, title, or interest in and to the Properties respectively, and their respective heirs, successors and assigns.

4. The parties desire to make the existence of the Financing and Services Agreement a matter of public record and have, therefore, executed this Memorandum and caused it to be recorded in the Official Records of Sacramento County, California. However, in the event of any inconsistency between the terms of the Financing and Services Agreement and the terms of this Memorandum, the terms of the Financing and Services Agreement shall control and govern the rights and duties of the Parties.

5. This Memorandum may be executed in one or more counterparts, each of which shall, for all purposes, be deemed an original and all such counterparts, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have signed this Memorandum as of the date first above written.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

By: _____
Gerald E. Pasek,
President, Board of Directors

"DISTRICT"

_____, 2013

BBC MURIETA LAND LLC,
a California limited liability company

By: BBC LONGVIEW, LLC, an Illinois limited liability company, its Manager

By: LINCOLNSHIRE ASSOCIATES II, LTD., a Texas limited partnership, its Manager

By: DDC 2009 IRREVOCABLE TRUST, its General Partner

By: _____
David D. Colburn, Trustee

"Residences West"

_____, 2013

MURIETA RETREATS, LLC,
a California limited liability company,
Member

By: The Robert J. Cassano and Sandra L. Cassano Revocable Living Trust, its Manager Member

By:_____
Name: Robert J. Cassano
Title: Co-Trustee

"RETREATS"

~~_____, 2013~~

~~COSUMNES RIVER LAND, LLC,~~
~~a Delaware limited liability company~~

~~By:_____~~
~~Carol Anderson Ward~~
~~Title: Manager~~

~~By:_____~~
~~John M Sullivan~~
~~Title: Manager~~

~~"GARDENS"~~

_____, 2013

PCCP CSGF RB PORTFOLIO, LLC a Delaware limited liability company

By: _____

Title: _____

" RIVERVIEW"

_____, 2013

ELK GROVE BILBY PARTNERS, L.P.,
a California limited partnership

By: VPI 2004, Inc., a California corporation, its General Partner

By: _____

Title: _____

" LAKEVIEW"

EXHIBITS A-G TO MEMORANDUM OF AGREEMENT

LEGAL DESCRIPTION OF PROPERTIES

DRAFT

RECORDING REQUESTED BY AND
WHEN RECORDED, MAIL TO:

General Manager
Rancho Murieta Community
Services District
15160 Jackson Road
Rancho Murieta, CA 95683

(SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE)

FINANCING AND SERVICES AGREEMENT

DRAFT

FINANCING AND SERVICES AGREEMENT

This Financing and Services Agreement ("**Agreement**") is entered into this ____ day of _____, 2013, by and among the Rancho Murieta Community Services District ("**District**"), a community services district organized under the laws of the State of California, CSGF Rancho Murieta, LLC ("**Residences East**"), a Delaware limited liability company; BBC Murieta Land, LLC ("**Residences West**"), a California limited liability company; Murieta Retreats, LLC ("**Retreats**"), a California limited liability company; Elk Grove Bilby Partners, LP ("**Lakeview**") a California limited partnership; and PCCP CSGF RB PORTFOLIO, LLC ("**Riverview**"), a Delaware limited liability company;, a Delaware limited liability company. Residences East, Residences West, Retreats, Riverview and Gardens are sometimes individually referred to herein as a "**Landowner**" and sometimes collectively referenced herein as "**Landowners.**" The District, Residences East, Residences West, Retreats, Lakeview, and Riverview are also sometimes individually referred to herein as a "**Party**" and sometimes collectively referenced herein as "**Parties.**"

RECITALS

A. District is authorized to provide certain services to residents of District, including, without limitation, obtaining a supply of raw water, the storage of raw water, the treatment and distribution of potable water, the collection, treatment and disposal of wastewater, the management and control of storm water runoff and drainage, the provision of security services, the provision of public park and recreational services and the administrative support required therefore.

B. Landowners own or have a legal interest in certain lands within the boundaries of District, and such lands have been granted land use entitlements by the County of Sacramento or are the subject of currently pending planning applications with the County of Sacramento, including Tentative Subdivision Maps. The Retreats, as described in Exhibit A-1 and shown on Exhibit A-2 ("**Retreats**"), is owned by Murieta Retreats, LLC. The Residences of Murieta Hills - East, as described in Exhibit B-1 and shown on Exhibit B-2 ("**Residences - East**"), is owned by CSGF Rancho Murieta LLC. The Residences of Murieta Hills - West, as described in Exhibit C-1 and shown on Exhibit C-2 ("**Residences - West**"), is owned by BBC Murieta Land, LLC. Riverview, as described in Exhibit F-1 and shown on Exhibit F-2 ("**Riverview**") is owned by PCCP CSGF RB PORTFOLIO, LLC. Lakeview, as described in Exhibit G-1 and shown on Exhibit G-2 ("**Lakeview**") is owned by Elk Grove Bilby Partners LP.

C. The lands described in and shown on Exhibits A-1, A-2, B-1, B-2, C-1 C-2, F-1, F-2, G-1 and G-2 are collectively referred to herein as the "**Property**" or "**Properties**". All such Exhibits are specifically incorporated herein by reference.

D. Landowners wish to obtain a commitment in the form of "will serve" letters from the District that the services provided by District will be available to the residents, owners, and occupants of the Property.

E. The existing facilities of District with respect to the disposal of recycled water and with respect to water treatment are inadequate to serve the future residents, owners, and occupants of the Property.

F. District and Landowners desire to provide for the reconstruction and expansion of the current water treatment plant, which will serve the existing residents of Rancho Murieta, as well as the future residents, owners, and occupants of the Property; and further desire to provide recycled water disposal facilities, and to finance such facilities, which will serve the Property and the future residents, owners, and occupants of the Property.

G. Obtaining will serve letters from the District is contingent on providing certain funding for the reconstruction and expansion of the water treatment plant and recycled water disposal facilities. Since not all Landowners are in the same position with respect to the timing of development of their Property, the Landowners desire to establish a mechanism to: (i) provide funding of certain Agreement processing costs set forth in Section 3.6 below by all Landowners; (ii) provide funding for design and construction of facilities by the Landowners who are then ready to proceed with construction ("**Participating Landowners**") and (iii) provide that the remaining Landowners reimburse the Participating Landowners for their proportionate share of such costs prior to approval of each final subdivision map for their Property ("**Reimbursing Landowners**") as more particularly set forth herein. The Landowners acknowledge that District shall not provide District's consent to approval of a final map for any Property, and shall not provide any water or sewer service to any Property, unless and until the Fund Manager (defined in Section 3.2 herein) has sent written confirmation of payment in full of all amounts due hereunder for such Property. For any Properties not requiring a final map, any provisions herein for District to withhold consent to a final map shall mean District shall withhold consent to any other final development approval and/or water and sewer service to such Property unless and until the Fund Manager provides the written confirmation of payment in full of all amounts due from such Property.

H. The Landowners shall initially elect whether to be a Participating Landowner for purposes of design of the WTP Improvements (defined in Section 1.3(A) below) and the remaining Landowners shall be Reimbursing Landowners for WTP Improvement design costs. Following completion of the design documents and prior to the District advertising for bids for the WTP Improvements, the Landowners shall then each elect whether to be a Participating Landowner for purposes of construction of the WTP Improvements and such Participating Landowners shall post security as required by Section 1.3(F) below, and the remaining Landowners shall be Reimbursing Landowners hereunder for the WTP Improvement construction costs. For the recycled water disposal facilities, Landowners shall initially elect whether to be a Participating Landowner for the permitting and design costs of the recycled water facilities and the remaining Landowners shall be Reimbursing Landowners hereunder for the recycled water facility design and permitting costs. Following completion of the design and permitting, the Landowners shall then each elect whether to be a Participating Landowner for construction of the recycled water facilities and such Participating Landowners shall post security as required by Section 2.4 (D) below and the remaining Landowners shall be Reimbursing Landowners for the construction of the recycled water facilities. It is the intent of

this Agreement that, subject to the terms and conditions in this Agreement, Landowners will be able to elect whether to contribute and advance fund costs as a Participating Landowner separately for (i) the design costs of the WTP Improvements, (ii) the construction costs of the WTP Improvements (iii) the design and permitting of the recycled water facilities and (iv) the construction of the recycled water facilities, such that any Landowner may elect to be a Participating Landowner for none, some, or all of the foregoing categories of funding. As an example of the foregoing, but not in limitation thereof, any Landowner may elect to be a Participating Landowner for the design and construction WTP Improvements and the design and permitting costs for the recycled water facilities, but choose to be a Reimbursing Landowner for the construction costs of the recycled water facilities. This Agreement also provides a mechanism for reimbursement from those Landowners that have not previously contributed to the irrigation easement from the Van Vleck Ranch previously acquired by certain Landowners in Section 2.2.This Agreement shall also allows the District to proceed with design and construction of the WTP improvements, as well as seek outside financing for the District's share of the WTP construction costs, all in the District's sole discretion.

I. For the WTP Improvements, the Parties acknowledge that certain obligations for funding of the WTP Improvements have been satisfied through a prior contract and funding arrangement with District as more particularly described in Section 1.3(J) below. Therefore, Riverview and Lakeview shall not be obligated to provide security or funding for the WTP Improvements, but shall each be considered a Participating Landowner for purposes of the WTP Improvements upon such election.

J. The Landowners and District desire to enter into this Agreement to set forth their respective obligations and timing for advance funding of the necessary facilities to serve the Property and the terms upon which District will provide will serve letters for the Property.

K. This Agreement is solely a financing agreement and is not a "project" under CEQA and, therefore, is not subject to CEQA review. The environmental impacts of the projects contemplated by this Agreement have been or will be properly reviewed and assessed by District pursuant to the California Environmental Quality Act ("**CEQA**").

L. The following terms shall have the meanings set forth below.

TERM	REF	DEFINITION
Additional EDUs	1.1(A)	Potentially available additional EDUs for future development.
Advancing Landowners	4.3(A)	Refers to Current Landowners, or any of them, who advance a Delinquent Landowner's Pro-Rata Share due under this Agreement
Agreement	Pre-Recital	This Financing and Services Agreement entered into on the date signed by the District

TERM	REF	DEFINITION
Bundled Fee	3.7(A)	Landowners shall pay $7,771.00 per EDU to District for all development on the Property pursuant to Section 3.7
CEQA	Recital K	California Environmental Quality Act
CFD #2	3.1(A)	A potential financing mechanism for the WTP Improvements and the Landowner Irrigation Facilities by formation of a Community Facilities District the boundaries of which shall be coincident with the boundaries of the projects (Mello-Roos Financing)
CFD Participating Landowner	3.1(A)	Parties electing, in each Party's sole and absolute discretion, to participate in CFD #2
Core Facilities	1.3(A)	Backbone WTP Improvements including but not limited to concrete work, embedded piping, controls, pumps, generator, building improvements necessary to provide treatment plant capacity of 3.5 mgd
Delinquent Landowner	4.1(A)	Refers to any Participating Landowner who fails, beyond any applicable notice and cure periods, to contribute its Percentage Share of Advance Funding and its Pro-Rata Share for the costs of the WTP Improvements, the Landowner Irrigation Facilities, or other facilities, or who fails to pay any other costs including, without limitation, all agreement processing costs, and such Landowner has not provided adequate security upon which District may draw, or such security is inaccessible to District
District	Pre-Recital	Rancho Murieta Community Services District, a community services district organized under the laws of the State of California
District Irrigation Easement	2.2(B)	Irrigation Easement (attached as Ex I and Ex J to this Agreement) wherein certain Landowners previously acquired and paid for an irrigation easement from Van Vleck Ranch
District Irrigation Facilities	2.4(A)	Recycled water irrigation facilities to be installed on the District Irrigation Easement to serve the existing residents of the District

TERM	REF	DEFINITION
District Irrigation Facilities Costs	2.4(A)	The cost of the recycled water irrigation facilities to be installed on the District Irrigation Easement to serve the existing residents of the District estimated to be $2,100,000.00, which includes sixty percent (60%) of the Shared Transmission Facilities Costs
EDU	1.1(A)	Equivalent Dwelling Units
Escuela School Site	1.1(A)	That certain real property within the District located at the southeast corner of Stonehouse Road and Escuela Drive and identified as APN 073-0190-025.
Estimated Irrigation Facilities Costs	2.4(D)	The full estimated amount of the Landowner Irrigation Facilities Costs and the Shared Transmission Facilities Costs
Estimated WTP Improvement Cost	1.3(F)	Pre-bid Estimate of the WTP Improvements, minus the Letter of Credit amount for Riverview and Lakeview and the Existing District WTP Funding
Existing District WTP Funding	1.3(K)	District funds previously collected from existing development for the rehabilitation and/or expansion of the water treatment plant toward the actual costs of the WTP Improvements in the amount of $1,500,00.00
FN	1.3(A)	FN Projects, Inc., a party to the Shortfall Agreement between the District and Winncrest Homes, Inc., dated January 15, 1991
Fund Manager	3.2(A)	A project fund manager retained as a consultant to administer all funds and securities deposited by the Parties with the District.
Future District WTP Funding	1.3(K)	District shall contribute additional funds up to One Million Five Hundred Thousand Dollars ($1,500,000) from future reserve fund fees, as set forth at paragraph 1.3(K).

TERM	REF	DEFINITION
Irrigation Advance Funding	2.4(D)	At any time following an election by one or more Landowners to be Participating Landowners, each Participating Landowner shall deposit its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of an advance funding amount equal to the Reimbursing Landowner's Pro-Rata Share of the Estimated Irrigation Facilities Costs
Irrigation Easement Agreement	2.2(A)	That Grant and Agreement Regarding Irrigation Easement (attached as Exhibit J to this Agreement) wherein certain Landowners previously acquired and paid for an irrigation easement from Van Vleck Ranch
Irrigation Facilities Maintenance Cost	2.5(A)	Cost of maintaining Landowner Irrigation Facilities from completion through estimated build-out of the Property
Irrigation Facilities Quarterly Payment	2.4(E)	On a quarterly basis each Participating Landowner shall be invoiced for its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of Irrigation Advance Funding for the next ninety (90) day period
Irrigation Facilities Shortfall	2.4(F)	The amount the cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities exceeds the Estimated Irrigation Facilities Costs
Irrigation Facilities Shortfall Notice	2.4(F)	The District's notice, with reasonable supporting documentation, that an Irrigation Facilities Shortfall exists and the amount of such Irrigation Facilities Shortfall
LAIF	2.4(B)	Local Agency Investment Fund
Lakeview	Recital H.1.	Owners of the Lakeview property, as described in Ex G-1 and shown on Ex G-2
Landowner Irrigation Easement	2.2(A)	References an area of approximately sixty (60) acres and is anticipated to be of sufficient size to dispose of the full amount of recycled water estimated to be generated by the Property when applied at agronomic rates and in accordance with the requirements of the Regional Water Quality Control Board

TERM	REF	DEFINITION
Landowner Irrigation Facilities	2.4(A)	Recycled water irrigation facilities to be installed on the Landowner Irrigation Easement
Landowner Irrigation Facilities Costs	2.4(A)	The costs of engineering, construction management, construction, plan check and inspection, change orders and District administrative costs related to the recycled water irrigation facilities to be installed on the Landowner Irrigation Easement, including forty percent (40%) of the Shared Transmission Facilities Costs (currently estimated to be $1,750,000.00)
Landowner(s)	Recital B	Those owners of the property described in and shown as Exhibits A-1, A-2; B-1, B-2; C-1, C-2; F-1, F-2, G-1 and G-2.
Letter of Credit	1.3(J)	Prior owner has provided District with Letter(s) of Credit, in the total remaining amount of approximately $4,136,099.12 pursuant to the provisions of the Shortfall Agreement
Original Cost Per EDU	1.3(B)	The actual cost of the WTP Improvements paid by Landowners divided by seven hundred twenty (720) EDUs, adjusted annually in proportion to the annual increase in the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items and Major Group figures published by the U.S. Dept. Of Labor, Bureau of Labor Statistics
Participating Landowners	Recital G and H	Those Landowners who are ready to proceed with design and/or construction and elect to provide funding for design and/or construction of the WTP Improvements and/or the recycled water facilities
Percentage Share	1.3(D)	An amount equal to the percentage of funds contributed by such Participating Landowner to the total funds contributed by all Participating Landowners for the specified funding costs or improvements

TERM	REF	DEFINITION
Permitting/Design Advance Funding	2.3(A)	Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities
Pre-bid Estimate	1.3(E)	District shall provide Landowners with a pre-bid estimate prior to the advertisement for bids
Property	Recital C	Those lands described in and shown on Exhibits A-1, A-2; B-1, B-2; C-1, C-2; F-1, F-2, G-1 and G-2.
Pro-Rata Share	1.1(B) (C) (D) and (E)	Each Landowner's proportional share for costs for each facility
Public EDUs	1.1(F)	50 EDUs to be used for schools, fire stations, parks, or other public community facilities
Reimbursement Fee	3.7(C)	The amount to be reimbursed to successor-in-interests and assignees of Winncrest and FN for infrastructure previously funded by Winncrest and FN pursuant to the Shortfall Agreement
Reimbursing Landowners	Recital G	Those Landowners who are not Participating Landowners. Reimbursing Landowners agree to reimburse the Participating Landowners for their proportionate share of such costs prior to approval of each final subdivision map for their property or for any properties not requiring a final map, prior to any other final development approval and/or water and sewer service to such Property.
Residences East	Recital B	CSGF Rancho Murieta, LLC, a Delaware limited liability company and shall mean that certain property known also as Residences of Murieta Hills – East referenced in Ex B-1 and Ex B-2

TERM	REF	DEFINITION
Residences West	Recital B	BBC Murieta Land, LLC, a California limited liability company and that certain property known also as Residences of Murieta Hills – West, owned by Residence West and described in Ex C-1 and Ex C-2
Retreats	Recital B	Murieta Retreats, LLC, a California limited liability company and that certain property owned by Retreats as described in Ex A-1 and Ex A-2
Riverview	Recital B	PCCP CSGF RB PORTFOLIO, LLC Delaware limited liability company and that certain property referenced in Ex F-1 and Ex F-2
RWQCB	2.2(A)	Regional Water Quality Control Board
Shared Transmission Facilities	2.4(A)	Facilities necessary to convey the recycled water from the District wastewater treatment plant to the Landowner Irrigation Easement and the District Irrigation Easement
Shared Transmission Facilities Costs	2.4(A)	Cost of the Shared Transmission Facilities
Shortfall Agreement	1.3(A)	The Reimbursement and Shortfall Agreement dated January 15, 1991, as amended and extended, between the District, Winncrest Homes, Inc., and FN Projects Inc., regarding Lakeview and Riverview
VVR	2.2(A)	Van Vleck Ranch is a party to that Grant and Agreement Regarding Irrigation Easement attached as Ex I and Ex J to this Agreement
Water Augmentation Fee	3.7(A)	The Bundled Fee includes a Water Augmentation fee in the amount of $4,571.00
Winncrest	1.3(A)	Winncrest Homes, Inc., party to Shortfall Agreement with FN Projects Inc. and District.

TERM	REF	DEFINITION
WTP Advance Funding	1.3(F)	Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the construction of the WTP Improvements and the $1,500,000.00 Future District WTP Funding
WTP Design Advance Funding	1.3(D)	Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design of the WTP Improvements
WTP Improvements	1.3(A)	The District shall design, engineer, permit and construct a new Water Treatment Plant with the ability to serve the 900 existing EDUs, 50 Public EDUs, and the Property in accordance with the terms set forth in this Agreement
WTP Quarterly Payment	1.3(G)	On a quarterly basis, the District will invoice each Participating Landowner for its respective Pro-Rata Share of the Estimated WTP Improvement Cost and its Percentage Share of WTP Advance Funding for the next ninety (90) day period
WTP Shortfall	1.3(H)	Each Participating Landowner shall pay its respective Pro-Rata Share and Percentage Share of the WTP Advance Funding for the difference between the actual cost of the WTP Improvements and the Estimated WTP Improvement Cost
WTP Shortfall Notice	1.3(H)	District's notice with reasonable supporting documentation that a WTP Shortfall exists and the amount of such WTP Shortfall to be paid by each Participating Landowner

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein contained, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

SECTION 1. Water Treatment Plant

1.1 Potable Water.

(A) The Parties agree that the existing facilities of District for the treatment and production of potable water are inadequate to produce the volume of potable water necessary to serve the future residents, owners, and occupants of the Property. The Parties further agree that the potable water necessary to serve the Property, and the maximum amount of potable water that will be available to serve the Property after completion of the WTP Improvements (as defined below in Section 1.3) is estimated to be approximately six hundred and seventy (670) equivalent dwelling units ("**EDUs**"), provided however, the potable water demand for the Property shall be determined by District based on the number of lots and the lot sizes within each Landowner's Property using the gallon/unit/day (gpd) calculation attached hereto as Exhibit H. The Landowners acknowledge that during the negotiation of this Agreement certain property owners within the District decided not to become a party to this Agreement. However, the Landowners still intend to size the WTP Improvements for 670 EDUs for the Property which may result in the Landowners funding approximately 149 additional EDUs for future development ("**Additional EDU's**"), which Additional EDU's, if any, may be sold or transferred by the Landowners in accordance with Section 1.2 below. The WTP Improvements shall be sized to serve the Landowners' Property and need not be sized to accommodate any additional development, except for the nine hundred (900) existing EDUs, fifty (50) Public EDUs, as defined in Section 1.3(B) below; fifty (50) EDU's of borrowed capacity by the previous Greens and Crest developments within the District, and fifteen (15) EDU's for the Escuela school site which is included as part Winncrest's obligation to construct 1.5 mgd water treatment plant expansion capacity contemplated in the original CFD#1. Therefore, total capacity of the WTP Improvements shall be 3.5 mgd, which includes approximately one thousand six hundred and eighty-five (1685) EDUs, including nine hundred (900) existing EDUs, approximately six hundred and seventy (670) EDUs designated to serve the Property, fifty (50) Public EDUs, fifty (50) EDU's of borrowed capacity, and fifteen (15) EDU's for the Escuela school site. The capacity in the WTP Improvements for the District's 900 EDUs shall be approximately 1.5 mgd based on the capacity of the existing facilities that are being replaced. For the purposes of this Agreement, each Landowner's Property has been assigned both an EDU value for water service (based on lot size as set forth on Exhibit H) and an EDU value for recycled water facilities (based on EDUs for recycled water facilities as set forth in Exhibit H, but not based on lot size). As an example of the water service EDU calculation, an EDU for water service for a 12,000 sq. ft (or larger) lot would be seven hundred fifty (750) gpd, an EDU for a lot under 12,000 sq. ft. would be 650 gpd, and an EDU for half-plex lots would be 400 gpd. Any EDU calculations for uses not set forth herein, including, without limitation, commercial or industrial uses, shall be determined by the District in consultation with the Landowners using the above EDU standards as a basis, provided, however, that the District shall have the sole discretion to make the final determination as to what constitutes an EDU for such uses.

(B) For the purposes of this Agreement, each Landowner's "**Pro-Rata Share**" for WTP Improvements or any costs hereunder related to potable water shall be equal to the estimated capacity in gpd for such Landowner's respective project based on lot size divided by the total estimated capacity in gpd needed for all EDUs in the Property (670 EDUs) as set forth on Exhibit H.

(C) For the purposes of this Agreement, each Landowner's "**Pro-Rata Share**" for the Irrigation Facilities (defined in Section 2.4 below) and any costs hereunder related to recycled water facilities or the disposal of recycled water or other costs hereunder (including but not limited to costs set forth in Section 3.6 below) shall be equal to the EDUs for such Landowner's respective project divided by the total EDUs in the Property (670 EDUs) as set forth on Exhibit H.

(D) For the purposes of this Agreement, each Landowner's "**Pro-Rata Share**" for the Irrigation Easement (defined in Section 2.2 below) shall be as set forth in Section 2.2 and shall be equal to the EDUs for such Landowner's respective project divided by the total EDUs in the Property (670 EDUs) as set forth on Exhibit H.

(E) Pro-Rata Shares shall be fixed based on the estimated capacity set forth in the Exhibits attached hereto and shall not be subject to change for purposes of funding pursuant to this Agreement, provided however, if any Landowner's Property is entitled or develops in a manner that requires fewer EDUs than estimated, such Landowner can seek reimbursement pursuant to the provisions of Section 1.2 below. If any Landowner's Property is entitled or develops in a manner that requires greater EDUs than estimated and allocated to such Property hereunder, such Landowner shall not be entitled to additional capacity but may purchase additional capacity from other Landowners or District if such excess capacity is available.

(F) An additional fifty (50) EDUs will be available for public or community facilities, hereinafter referred to as the "**Public EDUs**", in accordance with the provisions of and as defined in Section 1.3(B) below. The 50 Public EDUs shall be sized for 750 gpd.

1.2 Transfer or Sale of EDUs.

(A) Except as set forth herein, Landowners shall not transfer or sell any EDUs for water service to any other person or entity, including owners of property within or outside the boundaries of the District, provided however, that in the event any Landowner's Property is entitled or develops in a manner that requires fewer EDUs than initially determined by Exhibit H as set forth in Section 1.1 above, such Landowners shall have right to transfer any excess EDUs to other Landowners for use within the District provided the express written consent of the Board of Directors of District is first obtained, which may be granted or withheld in its reasonable discretion. Within ninety (90) days following a request from any Landowner to transfer EDUs, the District Board of Directors shall provide its written approval or its disapproval along with the basis therefor. The Board may extend this ninety (90) period in its reasonable discretion. If District Board fails to respond within such ninety (90) day period, it shall not be a deemed District's approval of such transfer. Notwithstanding the foregoing, Landowners may transfer or sell any Additional EDUs for water service to any other owners of property within the boundaries of the District by providing written notice to the District of such sale or transfer of EDUs, provided however, that all amounts hereunder for such Additional EDUs have been paid in full in accordance with the terms of this Agreement. Alternatively, the Parties may amend this Agreement to allow any other property owner within the District to become a party to this Agreement and obtain such Additional EDUs in accordance with the terms of this Agreement and by the process set forth in Section 5.21 herein. Notwithstanding the foregoing or anything

herein to the contrary, no Landowner shall be permitted to transfer EDUs, or receive a transfer of EDUs, unless and until such Landowner has paid their Pro-Rata Share of all WTP Improvement costs hereunder.

1.3 Water Treatment Plant Expansion.

(A) WTP Improvements. Subject to the satisfaction of any and all conditions precedent in this Agreement and upon the full compliance with the provisions of this Agreement by Landowners, including the provision of funding by Landowners, District shall design, engineer, permit, and construct a new Water Treatment Plant ("**WTP Improvements**") with an initial Core Facilities capacity of at least 3.5 mgd, unless otherwise expressly directed by the District Board of Directors, which is estimated to be sufficient to serve the nine hundred (900) existing EDUs, fifty (50) Public EDUs, fifty (50) EDU's of borrowed capacity, fifteen (15) EDU's for the Escuela school site, and the Property in accordance with the terms set forth in this Agreement. The WTP Improvements will be sized to accommodate the existing 900 EDUs, the Property, the 50 Public EDUs, the fifty (50) EDU's of borrowed capacity, and the fifteen (15) EDU's for the Escuela school site. Notwithstanding the foregoing, the term "Landowners" and "Participating Landowner" as used in this Section 1.3 shall not include Lakeview or Riverview with respect to any liabilities or obligations for funding the WTP Improvements, as the funding obligation for the WTP Improvements attributable to Lakeview and Riverview are the responsibility of a previous owner of such properties pursuant to the Reimbursement and Shortfall Agreement dated January 15, 1991, as amended, between the District and Winncrest Homes, Inc. ("**Winncrest**") and FN Projects, Inc. ("**FN**") ("**Shortfall Agreement**"). Since it is anticipated that the funding obligation for the WTP Improvements for the Lakeview and Riverview Properties will be satisfied by an existing Letter of Credit (defined in Section 1.3 (J) below) held by the District, Lakeview and Riverview shall provide funds for the design and construction of the WTP Improvements through the District's enforcement of the existing contractual obligations under the Shortfall Agreement and draw on the Letter of Credit. Riverview and Lakeview shall each be considered a "Participating Landowner" under this Section 1.3 only for purposes of all rights hereunder including without limitation the rights to: (i) elect whether to be a Participating Landowner for purposes of providing advance funding for Reimbursing Landowners; (ii) meet and confer; (iii) re-elect on bid opening pursuant to Section 1.3(E); (iv) review and comment on bid packages; (v) attend meetings and receive reports; (vi) to obtain and have a vested right to capacity for all lots within the Riverview Property and Lakeview Property; and (vii) receive reimbursement pursuant to Sections 1.3 (B) (K) and (L) below to the extent Riverview and/or Lakeview provides advance funding hereunder in excess of the Riverview Property's and/or Lakeview Property's Pro-Rata Share. Notwithstanding the foregoing or anything to the contrary herein, Riverview and Lakeview shall have no obligation to provide a Pro-Rata Share of funding or security for the WTP Improvements, and shall not be considered a Landowner for purposes of the joint and several liability provision of Section 1.3(D). It is the intent of this Section 1.3 that Riverview and Lakeview shall have no obligation to pay a Pro-Rata Share for the WTP Improvements and District shall use its best efforts to draw on the Letter of Credit to satisfy such Pro-Rata Share obligation, and if District obtains funds from the Letter of Credit, Riverview and Lakeview shall be entitled to capacity for the Riverview and Lakeview Properties. In addition, Riverview and Lakeview shall have the right, but not the

obligation to elect to be a Participating Landowner for purposes of advance funding, and if Riverview and/or Lakeview makes such election, Riverview and/or Lakeview (as applicable) shall then become obligated for its Percentage Share (defined in Section 1.3(C) and 1.3(F) below) of WTP Design Advance Funding and/or WTP Advance Funding (as the case may be) and shall have any and all rights of a Participating Landowner.

Notwithstanding any other provision of this Agreement, if the District chooses to proceed with designing, engineering, permitting, and/or construction of any or all of **WTP Improvements** prior to the Landowners desire to do so, the District shall have the right to do so by designing, engineering, permitting, and/or constructing the **Core Facilities** for the **WTP Improvements** in advance of the Landowners, when the District so chooses, and at its sole discretion, by using its **Existing District WTP Funding** of $1,500,000, as identified in section 1.3(K), in addition to as much of the Letter of Credit as can be accessed by the District up to the full amount of the Letter of Credit, all subject to the District's right to reimbursement for any oversizing of the Core Facilities from any person or entity benefitting therefrom for future development. "Core Facilities" for purposes of this paragraph and this Agreement, shall mean 3.5 mgd capacity to serve the 900 EDU's of existing capacity, the 50 public EDU's, the 50 EDU's of borrowed capacity, 99 EDU's for Lakeview, 140 EDU's for Riverview, and the 15 EDU's for the Escuela school site, all for a total of approximately 1,254 EDU's. The District shall have the right, but not the obligation, to expand the Core Facilities if and when it so chooses, at its sole discretion, using whatever financing mechanism legally available to the District.

(B) Public EDUs. For the purposes of this Agreement, "**Public EDUs**" shall mean EDUs to be used for schools, fire stations, parks, or other public or community facilities, as assigned, transferred and/or authorized by District. The Public EDUs shall not be used for any private residential or commercial development project. Annually on or about July 1st of each year commencing on the first full year after completion of the WTP Improvements (as defined below), District shall provide Landowners with a written accounting of the number of Public EDUs that have been assigned or transferred in the preceding year, the name and address of the party or parties to whom the Public EDUs that were assigned or transferred, and the amount paid for each Public EDU. Concurrently with such written accounting, District shall reimburse to each Landowner its respective Pro-Rata Share of the amount paid to the District for the Public EDUs in the preceding year, or the Original Cost Per EDU, whichever is greater. "**Original Cost Per EDU**" is defined as the actual cost of the WTP Improvements paid by Landowners divided by seven hundred twenty (720) EDUs, adjusted annually in proportion to the annual increase in the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items and Major Group Figures, published by the United States Department of Labor, Bureau of Labor Statistics, or similar index used by the District, in its reasonable discretion.

(C) WTP Improvement Design/Election to be Participating Landowner. Upon a written request from District, each Landowner shall elect whether to become a Participating

Landowner for purposes of funding design costs for the WTP Improvements. District's written request shall include an estimate of WTP Improvement design costs that would be incurred by Participating Landowners in order for the WTP Improvements to be bid ready. Only those costs necessary for the design of the WTP Improvements (to be bid ready) shall be included in the design costs. Landowners shall make a written election whether to become a Participating Landowner for funding the design costs of the WTP Improvements within thirty (30) days following receipt of District's notice by providing written notice to all Parties hereunder. Those Landowners not electing to become Participating Landowners for purposes of design costs shall be Reimbursing Landowners with respect to such costs. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners then the Parties shall have no obligations to fund design costs under this Agreement with respect to the WTP Improvements, provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate potable water capacity to serve such Landowner's Property. At any time following an election by any Landowner(s) to become Participating Landowners for design, District shall make a written request for payment of the full estimated design costs from Participating Landowners, along with a written determination of each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share (defined below) of WTP Design Advance Funding (defined below). Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design of the WTP Improvements ("**WTP Design Advance Funding**"). Each Participating Landowner's "**Percentage Share**" of the WTP Design Advance Funding shall be equal to the percentage of funds contributed by such Participating Landowner to the total funds contributed by all Participating Landowners for the design costs of the WTP Improvements. Each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share shall be paid to District within forty-five (45) days following District's written request for funding. Notwithstanding any other provision of this Agreement, the District shall have the right, but not the obligation, to proceed with the design of the WTP Improvements, regardless of whether any Landowners elect to become Participating Landowners for design of the WTP Improvements.

(D) WTP Improvement Construction/Election to be Participating Landowner. Following completion of the design documents and prior to the advertisement for bids, District shall provide Landowners with the opportunity to review and comment on the request for bid package, including bid specifications and proposed contract requirements. At any time thereafter, District may request that each Landowner elect whether to become a Participating Landowner for purposes of construction of the WTP Improvements and Landowners shall make a written election whether to become a Participating Landowner for funding the construction of the WTP Improvements within thirty (30) days following receipt of District's notice by providing written notice to all Parties hereunder. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners for the construction of the WTP Improvements following District's written request, then the Parties shall have no obligation

to fund construction costs under this Agreement with respect to the WTP Improvements, provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate potable water capacity to serve such Landowner's Property. Notwithstanding any other provision of this Agreement, the District shall have the right, but not the obligation, to proceed with the construction of the Core Facilities WTP Improvements, regardless of whether any Landowners elect to become Participating Landowners for construction of the WTP Improvements.

(E) Construction Costs of WTP Improvements. Prior to the advertisement for bids, District shall provide Landowners with a pre-bid estimate ("**Pre-bid Estimate**"). Except as provided in Section 1.3(K), Participating Landowners agree to pay all actual costs of the WTP Improvements, and each Participating Landowner acknowledges and agrees that it is jointly and severally liable to the District for the construction costs of the WTP Improvements. Participating Landowners agree that the cost of the WTP Improvements shall include the costs of engineering, permitting, construction management, construction, plan check and inspection, temporary facilities needed during construction, change orders and District administrative costs. District administrative costs shall include (i) the costs of internal staff time and expenses, as determined on a periodic basis in accordance with generally accepted accounting practices, and (ii) legal fees of District Counsel. District and Landowners will work cooperatively in good faith to reasonably control the cost of the WTP Improvements. Notwithstanding the provisions of this paragraph and unless otherwise agreed to by the Parties, if the lowest responsive and responsible bid for the WTP Improvements exceeds the Pre-bid Estimate, in addition to annual construction cost increases as reported in the Engineering News Record, or similar publication, by more than ten percent (10%), the District and the Landowners shall meet and confer prior to the award of bid to determine a mutually acceptable course of action. If the District and Landowners unanimously agree on an alternative course of action for construction of the WTP Improvements or construction of Core Facilities WTP Improvements, the Parties may enter into an amendment to this Agreement with respect to their funding obligations for the WTP Improvements. If no Landowners elect to become Participating Landowners, within sixty (60) days from the opening of bids, then the Parties shall have no obligation to fund construction costs under this Agreement with respect to the WTP Improvements , provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate potable water capacity to serve such Landowner's Property. Notwithstanding any other provision of this Agreement, the District shall have the right, but not the obligation, to proceed with the construction of the Core Facilities WTP Improvements, regardless of whether any Landowners agree with the lowest responsive and responsible bid amount.

(F) Security/Advance Funding For WTP Improvement Construction Costs. Notwithstanding any other provision in this Agreement, Landowners understand and

acknowledge that District shall not advertise for bids for construction of the WTP Improvements until Participating Landowners have deposited cash or letters of credit, as more specifically described below, to cover the full Pre-bid Estimate of the WTP Improvements, minus the Letter of Credit amount for Riverview and Lakeview and the Existing District WTP Funding referenced in Section 1.3(K) below, with the District, which total amount is referred to herein as the "**Estimated WTP Improvement Cost**". At any time following an election by any Landowner(s) to become Participating Landowners for construction costs, District shall make a written request for Participating Landowners to deposit with the District, cash, or irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form reasonably acceptable to the District, the aggregate amount of the Estimated WTP Improvement Cost. Such request will include a written determination of each Participating Landowner's Pro-Rata Share of the Estimated WTP Improvement Cost and each Participating Landowner's Percentage Share (defined below) of WTP Advance Funding. Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of the WTP Improvements plus a Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the of the WTP Improvements and the 1.5 Million Dollar Future District WTP Funding ("**WTP Advance Funding**"). Each Participating Landowner's "**Percentage Share**" of the WTP Advance Funding shall be equal to the percentage of funds contributed by such Participating Landowner to the total funds to be contributed by all Participating Landowners for the Estimated WTP Improvement Cost. The cash or letter of credit in the amount of each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share shall be deposited with District within forty-five (45) days following District's written request therefor.

(G) Invoice for WTP Improvement Construction Costs. District shall, on a quarterly basis, invoice each Participating Landowner for its respective Pro-Rata Share of the Estimated WTP Improvement Cost and its Percentage Share of WTP Advance Funding for the next ninety (90) day period ("**WTP Quarterly Payment**"). District shall at the same time provide each Participating Landowner with supporting documentation for the estimated costs for the next ninety (90) day period, as well as supporting documentation for costs incurred during the preceding ninety (90) day period, however the claimed insufficiency of such documentation shall not be grounds for delay in submitting a WTP Quarterly Payment by a Participating Landowner. Supporting documentation shall include certification from the project engineer or project manager that the labor and materials for work identified in the preceding period has been performed or provided and the percentage of work completed, copies if invoices from the general contractor, together with evidence of payment for costs incurred during such billing period and lien releases for work performed. A WTP Quarterly Payment may be made through payment of funds to District or by written authorization from a Participating Landowner to draw on their cash deposit held by District. Subject to the provisions set forth in this Section 1.3, if District does not receive a WTP Quarterly Payment from a Participating Landowner within thirty-five (35) days from the registered express mailing of the quarterly invoice to such Participating Landowner, the District is expressly authorized by each Participating Landowner to draw against such Participating Landowner's cash deposits or irrevocable letter(s) of credit to cover that Participating Landowner's respective full Pro-Rata Share and Percentage Share of Advance Funding of the Estimated WTP Improvement Costs. The first two (2) times that the District does not receive a WTP Quarterly Payment in the thirty-five (35) day period set forth herein

from a Participating Landowner, such Participating Landowner shall receive a notice of non-receipt of a WTP Quarterly Payment ten (10) days prior to the District drawing against such Participating Landowner's cash deposits or irrevocable letter of credit. District agrees that it will not make any advance payment to any contractor, it shall only pay for work actually and satisfactorily performed by the contractor responsible for the WTP Improvements, and shall only pay contractors in the amount and at the time such payment is lawfully due.

(H) Actual WTP Improvement Costs. The actual cost of the WTP Improvements may exceed the Estimated WTP Improvement. Each Participating Landowner shall pay its respective Pro-Rata Share and Percentage Share of the WTP Advance Funding for the difference between the actual cost of the WTP Improvements and the Estimated WTP Improvement Cost (hereinafter referred to as the "**WTP Shortfall**") within thirty (30) days of receiving notice and reasonable supporting documentation from District that a WTP Shortfall exists and the amount of such WTP Shortfall ("**WTP Shortfall Notice**"). The Pro-Rata Share and Percentage Share of WTP Advance Funding of the WTP Shortfall shall be deposited in cash or irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form acceptable to the District. In the event that the cumulative amount of all WTP Shortfall Notices exceeds the Estimated WTP Improvement Cost by eight percent (8%), then the Parties shall meet and confer before the District issues any subsequent WTP Shortfall Notices. Additionally, the District and Landowners shall work cooperatively and in good faith to make all reasonable efforts to control the further costs of the WTP Improvements. In the event the Estimated WTP Improvement Cost exceeds the actual WTP Improvement Costs, or any funds are remaining following completion of the WTP Improvements, such excess funds shall be refunded to the Participating Landowners within sixty (60) days following completion of the WTP Improvements, in the same percentages as such Participating Landowners contributed to the WTP Improvement costs.

(I) Status Meetings. After commencement of construction of the WTP Improvements, District and Landowners agree to meet at least on a quarterly basis to review the status, progress and costs of the WTP Improvements. District shall also report quarterly on the amount of the ten percent (10%) contingency that has been expended, and shall further call a separate meeting with Landowners at such time as eighty percent (80%) of the ten percent (10%) contingency has been expended. District shall be responsible for scheduling such meetings and providing a report, with reasonable supporting documentation, on the status, progress and costs of the WTP Improvements.

(J) Letter of Credit/Satisfaction of Lakeview and Riverview Obligations for WTP Improvement Costs. Pursuant to the provisions of the Shortfall Agreement, a prior owner of the Lakeview and Riverview properties is required to pay for the design and construction of 1.5 mgd water supply facilities necessary to serve Lakeview and Riverview, the 50 EDU's of borrowed capacity, and the 15 EDU's for the Escuela school site, and has not satisfied its obligations. Such prior owner has provided District with security for such obligation in the form of Letter(s) of Credit, in the remaining amount of approximately Four Million One Hundred Thirty Six Thousand Ninety-Nine and 12/100's Dollars ($4,136,099.12) ("**Letter of Credit**"). District shall use its best efforts to apply the Letter of Credit (or equivalent funds paid by the parties to the Shortfall Agreement) to the costs of the WTP Improvements to satisfy the obligation of the

Lakeview and Riverview properties, but makes no warranty or representation that it will be successful in such efforts. If District is unsuccessful in obtaining funds from the Letter of Credit or equivalent funds, then District shall send written notice to Riverview and Lakeview of such unsuccessful effort (along with documentation substantiating such effort), and the Parties shall meet and confer in an effort to agree upon an acceptable course of action. If the Parties are unable to agree on an acceptable course of action, as evidenced by a written and executed amendment to this Agreement, within sixty (60) days from District notice of such unsuccessful effort, Riverview and Lakeview shall each have the right to elect either to: (i) elect to be a Participating Landowner for their Pro-Rata Share of WTP Improvement Costs or (ii) elect to be a Reimbursing Landowner for their Pro-Rata Share of WTP Improvement Costs. If Riverview or Lakeview (as applicable) fails to make such election within ten (10) days following a written request from District requesting such election (provided such ten (10) day period shall not commence until the minimum sixty (60) day negotiation period has expired), then it shall be deemed an election by Riverview or Lakeview (as applicable) to be a Reimbursing Landowner and this Agreement shall remain in full force and effect. The Parties may mutually agree in writing to an extension of the sixty (60) day time limit set forth above. In the event District obtains funds from the Letter of Credit (or equivalent funds), Lakeview and Riverview shall be deemed to have fully satisfied their obligation to provide their Pro-Rata Share of funding for the WTP Improvements and Lakeview and Riverview shall have a vested right to their share of EDUs for potable water set forth in Section 1.1 above. If and when District obtains funds from the Letter of Credit, District shall deposit such funds in an interest bearing account and shall expend such funds solely for the WTP Improvements. All funds used from the Letter of Credit attributable to the Riverview property shall be considered a Participating Owner contribution by Riverview for the Riverview property and all funds used from the Letter of Credit for the Lakeview property shall be considered a Participating Owner contribution by Lakeview for the Lakeview property. All funds used for the WTP Improvements from the Letter of Credit (or equivalent funds) shall be paid out of the District's account as if such funds were paid by Lakeview and Riverview as Participating Landowners using the same Pro-Rata Share calculations and timing required in this Section 1.3 for such payments. The Letter of Credit (or equivalent funds) shall not be used for any Percentage Share of WTP Design Advance Funding or WTP Advance Funding which shall be the obligation of Riverview if Riverview elects to become a Participating Landowner. Any such amounts paid by Riverview toward the WTP Improvement costs shall entitle Riverview to reimbursement for such excess contribution from Reimbursing Landowners in accordance with the provisions herein. Notwithstanding anything herein to the contrary, Riverview shall have no obligation to provide cash or letters of credit for the Riverview Pro-Rata Share of the WTP Improvements, and shall be deemed to have provided such payment upon the District obtaining funds from the Letter of Credit (or equivalent funds), but shall be required to provide such cash or security for its Percentage Share of WTP Design Advance Funding and/or WTP Advance Funding upon election to be a Participating Landowner.

(K) District Funding for Existing 900 EDUs. District shall commit funds previously collected by District from existing development for the rehabilitation and/or expansion of the water treatment plant toward the actual costs of the WTP Improvements in the amount of One Million Five Hundred Thousand Dollars ($1,500,000) ("**Existing District WTP Funding**"). From and after the Effective Date of this Agreement, District shall contribute additional funds up

to One Million Five Hundred Thousand Dollars ($1,500,000) from future reserve fund fees (through debt service pre-funding), to be collected in the future, at no less than current rates, and to the extent allowed by applicable law, toward the actual costs of the WTP Improvements ("**Future District WTP Funding**"), provided, however, that the District's total contribution to the funding of the WTP Improvements (including the initial $1,500,000 initial funding commitment) shall not exceed 55% of the total cost of the WTP Improvements or $3,000,000, whichever is less. The Future District WTP Funding shall be paid to Landowners as reimbursement for District's share of capacity. Existing District WTP Funding shall be invested and maintained by District in a separate capital facilities account and expended only for the WTP Improvements as provided herein. Following deposit of all cash or letters of credit by Participating Landowners as provided in Section 1.3(F), District shall commit all Existing District WTP Funding to the WTP Improvements and use such funds toward the design and construction costs incurred for the construction of the WTP Improvements on a pro-rata basis (District's pro-rata share shall be determined based on District's $1,500,000 contribution divided by the total Estimated WTP Improvement Cost). All Future District WTP Funding shall be paid to the Landowners on an annual basis (commencing one (1) year following the date the Notice of Completion for the WTP Improvements is filed) as reserve fees are collected by District until all Future District WTP Funding is paid in full. Each Future District WTP Funding annual reimbursement payment shall be paid only to Participating Landowners and Reimbursing Landowners that have paid in full all design and construction costs for the WTP Improvements for such Landowner's Property. Notwithstanding any other provision of this Agreement, the District may, in its sole discretion, pursue alternative funding mechanisms to ensure earlier funding of the Core Facilities, as identified in section 1.3(A).

(L) Reimbursement From Reimbursing Landowners. Each Reimbursing Landowner (for both design and construction costs as the case may be) shall be required to pay their Pro-Rata Share of the actual costs for the WTP Improvements incurred by the Participating Landowners subject to adjustment equal to any annual increases in the Engineering News-Record Construction Cost Index for San Francisco accruing from the date of completion of the WTP Improvements to the date of payment by such Reimbursing Landowner. Such reimbursement shall be paid by Reimbursing Landowners to District prior to recordation of each final subdivision map for the Reimbursing Landowner's Property. Each reimbursement payment from a Reimbursing Landowner shall be repaid by District to Participating Landowners in the same Percentage Shares that such WTP Design Advance Funding and/or WTP Advance Funding (as the case may be) was paid and shall be paid to Participating Landowners within thirty (30) days following receipt of such funds by District. District shall not provide its consent to final map approval until such Reimbursing Landowner has paid its Pro-Rata Share of actual costs for the WTP Improvements.

(M) District Obligation To Design and Construct. Provided Participating Landowners provide the security and funding required by this Agreement, District shall design, permit, engineer, construct or cause to be constructed, the WTP Improvements. Upon receipt of WTP Design Advance Funding, District shall use diligent, good faith efforts to prepare design documents for the WTP Improvements. Within thirty (30) days following receipt of all WTP Advance Funding from Participating Landowners as required by Section 1.3(F), District shall use

diligent good faith efforts to obtain all necessary permits and approvals for the WTP Improvements, and upon receipt of all permits and approvals, District shall cause the commencement of construction of the WTP Improvements. Following commencement of construction, District shall cause its contractors to diligently prosecute such construction to completion. District's obligations to commence and complete construction shall subject to commercially reasonable delay due to Force Majeure causes and failure to construct in the winter months in accordance with standard industry practice. In the event that, despite District's diligent, good faith efforts to obtain permits, District is unable to obtain such permits within a commercially reasonable time, all security and unexpended funds shall be returned to the Participating Landowners upon request therefor, less any amounts already reasonably expended for the WTP Improvements. District shall obtain from all contractors, including engineers, subcontractors and suppliers, all normal and customary guaranties and warranties. The WTP Improvements shall be constructed (a) in a good and workmanlike manner and (b) in accordance with applicable laws, regulations and codes. District covenants to make best efforts to keep the Landowners' Properties free from any liens, including mechanic's liens, which may arise in the construction of the WTP Improvements, unless such lien results from a breach of this Agreement by such Landowner. The Parties acknowledge that the Landowners' obligations hereunder relate solely to financing of the WTP Improvements, and Landowners shall have no responsibility or liability for design, engineering or construction defects related to or arising out of the construction of the WTP Improvements.

(N) Release of Unused Funds/Security. Within ninety (90) days following the completion of the WTP improvements, District agrees to release all letters of credit and release any unexpended portion of the Participating Landowner's cash deposits to the Parties that deposited the same, except to the extent there are any claims relating to the construction of the WTP Improvements. If there are any claims during such ninety (90) day period, a portion of the security equal to the amount of the claim may be retained by District until the final resolution of such claim.

1.4 Temporary Water and Sewer Service.

(A) District agrees to provide temporary water and sewer service for construction and use of model homes, for construction of commercial/retail space within the Landowners' projects and for fire flow, before the WTP Improvements are completed and in service. Notwithstanding any provisions to the contrary, no residential, commercial or retail units shall be occupied until the WTP Improvements are completed and in service, except for model homes which shall be used exclusively for sales activities.

(B) The District Board of Directors may, in its sole discretion and subject to any conditions it deems necessary, provide water service to residential production units and commercial/retail units through the use of a temporary filtration unit, or other District approved facilities, to be paid for by the Landowners requesting water service, but only if (1) it determines that District has adequate capacity to serve all existing customers and (2) the California Department of Health Services has approved of such service.

1.5 Water Rights.

(A) Landowners acknowledge that District's water rights are only protected through the year 2020, pursuant to the State Water Resources Control Board Order WR 2006-0017, adopted on November 15, 2006.

SECTION 2. Wastewater Treatment Plant Disposal Facilities.

2.1 Recycled Water.

(A) The Parties acknowledge that the existing facilities of District with respect to the disposal of recycled water are inadequate to serve the future residents, owners, and occupants of the Property.

2.2 Irrigation Easement.

(A) Certain Landowners and other parties not participating in this Agreement previously acquired and paid for an irrigation easement ("**Landowner Irrigation Easement**") from Van Vleck Ranch ("**VVR**") in accordance with the terms set forth in the Grant and Agreement Regarding Irrigation Easement, attached hereto as Exhibit J, and incorporated herein by reference ("**Irrigation Easement Agreement**"). The Landowner Irrigation Easement is approximately sixty (60) acres and is anticipated to be of sufficient size to dispose of the full amount of recycled water estimated to be generated by the Property when applied at agronomic rates and in accordance with the requirements of the Regional Water Quality Control Board ("**RWQCB**"). If and when requested by the District, the Landowners shall either (i) cause the Landowner Irrigation Easement to be conveyed to District or (ii) obtain and provide an alternative easement or other property interest approved by the District Board of Directors to provide for disposal of the full amount of recycled water estimated to be generated by the Property. If the Landowner Irrigation Easement is conveyed as required by the District, those Landowners that have not previously paid their Pro-Rata Share of the Landowner Irrigation Easement shall be considered a Reimbursing Landowner for purposes of this Section 2.2 and shall be required to pay their Pro-Rata Share to District prior to recordation of each final subdivision map for their Property. The amounts owed by each Landowner are based on each Landowner's Pro-Rata Share as determined by the District in consultation with the Landowners and Fund Manager. If the Landowners are not able to cause the Landowner Irrigation Easement to be provided to District using commercially reasonable efforts, and elect to provide an alternative easement or other property interest approved by District, the costs of such alternative easement or other property interest shall be the sole responsibility of Landowners, and each Landowner shall be required to pay a Pro-Rata Share of such alternative easement or other property interest costs as determined by the District in consultation with the Landowners and Fund Manager prior to Final Map, and the Landowners shall have no obligation hereunder to pay a Pro-Rata Share for the Landowner Irrigation Easement. District shall not provide its consent to final map approval until such Reimbursing Landowner has either (i) paid its Pro-Rata Share as required hereunder for the Landowner Irrigation Easement or (ii) provided an alternate easement or other property interest approved by District, and paid a Pro-Rata Share of such costs. If the Landowner Irrigation Easement is provided to District, District shall reimburse each Landowner

that paid for the Landowner Irrigation Easement in the same percentages that were contributed to the Landowner Irrigation Easement solely from funds received by Fund Manager from Reimbursing Landowners. All reimbursement funds received by District from a Reimbursing Landowner shall be paid to the Landowners that paid for the Landowner Irrigation Easement within thirty (30) days of receipt of such payment by District. Any reimbursement owed to other parties not participating in this Agreement that paid for the Landowner Irrigation Easement shall be held and retained by District unless and until a contractual obligation to pay such reimbursement amounts to such other parties is negotiated and entered into between District, Landowners and such other parties not participating in this Agreement or in accordance with the terms of any other contractual obligation for such reimbursement amount to be paid to other parties not participating in this Agreement.

(B) District has acquired an irrigation easement from the owners of the VVR ("**District Irrigation Easement**"), as set forth in the Grant and Agreement Regarding Irrigation Easement, attached to this Agreement as Exhibit I, in order to supplement District's recycled water irrigation capacity, and thereby insure the adequacy of storage and disposal facilities for recycled water generated by existing residents within the boundaries of District. Landowners shall not be required to advance or pay any costs associated with the acquisition of the District Irrigation Easement.

2.3 Irrigation Facilities Design, Permitting and Construction Costs/Election to be Participating Landowner.

(A) Upon a written request from District, along with an estimate of the permitting, administrative and design costs for the recycled water facilities, each Landowner shall elect whether to become a Participating Landowner for purposes of Section 2.3(C) (permitting, administrative and design costs). Landowners shall make a written election whether to become a Participating Landowner for funding the costs in Section 2.3(C) below within thirty (30) days following receipt of District's notice. Those Landowners not electing to become Participating Landowners for purposes of Section 2.3(C) below shall be Reimbursing Landowners with respect to such costs. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners for purposes of Section 2.3(C), then the Parties shall have no obligations to fund such costs under this Agreement, provided however that Landowners shall not have the right to receive a final map (and District shall not consent to final map approval) from District unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate recycled water facilities to serve such Landowner's Property. At any time following an election by any Landowner(s) to become Participating Landowners for design and permitting costs of the Landowner Irrigation Facilities and the District Irrigation Facilities (defined below), District shall make a written request for payment of the full estimated design/permitting costs in Section 2.3(C) below from Participating Landowners, along with a written determination of each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share (defined below) of the Landowner Irrigation Facilities and the District Irrigation Facilities. Each Participating Landowner agrees to pay its respective Pro-Rata Share of the costs of design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities plus a

Percentage Share of an advance funding amount equal to the total Reimbursing Landowners' Pro-Rata Share of the costs for the design and permitting of the Landowner Irrigation Facilities and the District Irrigation Facilities ("**Permitting/Design Advance Funding**"). Each Participating Landowner's "**Percentage Share**" of the Permitting/Design Advance Funding shall be equal to the percentage of funds contributed by such Participating Landowner to the total funds contributed by all Participating Landowners for the full estimated design/permitting costs in Section 2.3(C). Each Participating Landowner's Pro-Rata Share and each Participating Landowner's Percentage Share shall be paid to District within forty-five (45) days following District's written request for funding.

(B) At any time following completion of the design and District obtaining all permits for the Landowner Irrigation Facilities and District Irrigation Facilities, District may request that each Landowner elect whether to become a Participating Landowner for purposes of funding the construction of the Landowner Irrigation Facilities pursuant to Section 2.4 hereunder. Landowners shall make a written election whether to become a Participating Landowner for funding the costs required by Section 2.4 below within thirty (30) days following receipt of District's notice and prior to District's advertisement for bids. Those Landowners not electing to become Participating Landowners for purposes of Section 2.4 below shall be Reimbursing Landowners with respect to such costs. If a Landowner fails to respond to District's written request for an election within such 30 day period, such Landowner shall be deemed a Reimbursing Landowner. In the event no Landowners elect to become Participating Landowners for purposes of Section 2.4, then the Parties shall have no obligations to fund such construction costs under this Agreement, provided however that Landowners shall not have the right to receive a final map unless and until District determines in its sole discretion that such Landowner has satisfied the requirements of this Agreement and District has adequate recycled water facilities to serve such Landowner's Property.

(C) Participating Landowners for the design of the Landowner Irrigation Facilities agree to pay the full costs for obtaining necessary permits for the installation and operation of the Landowner Irrigation Facilities and the District Irrigation Facilities, and to cover District administrative costs associated with obtaining such necessary permits and for the estimated costs for the design of the Landowner Irrigation Facilities and the District Irrigation Facilities. Each Reimbursing Landowner shall be required to pay their Pro-Rata Share of such costs prior to recordation of a final map for such Reimbursing Landowner's Property.

(D) Each Reimbursing Landowner shall be required to pay their Pro-Rata Share of the actual costs required by Section 2.3(C) which shall be subject to adjustment equal to any annual increases in the Engineering News-Record Construction Cost Index for San Francisco accruing from the date of completion of all design and permitting to the date of payment by such Reimbursing Landowner. Such reimbursement payment shall be required by District and paid to District prior to recordation of each final subdivision map for such Reimbursing Landowner's Property. Each reimbursement payment from a Reimbursing Landowner shall be repaid by District to Participating Landowners within thirty (30) days following District's receipt of such funds from a Reimbursing Landowner and in the same Percentage Shares that such costs were paid. District shall not provide its consent to final map approval until such Reimbursing

Landowner has paid its Pro-Rata Share in the amounts set forth herein. Notwithstanding anything herein to the contrary, or any termination of this Agreement, the obligation for a Reimbursing Landowner to reimburse Participating Landowners for all costs incurred hereunder shall remain in full force and effect even upon termination of this Agreement, until such time as such Reimbursing Landowner has repaid all amounts required hereunder.

2.4 Irrigation Facilities.

(A) The Parties agree that the costs of engineering, construction management, construction, plan check and inspection, change orders and District administrative costs related to the recycled water irrigation facilities to be installed on the Landowner Irrigation Easement and necessary to serve the Property ("**Landowner Irrigation Facilities**"), including forty percent (40%) of the Shared Transmission Facilities Costs, as defined below, is currently estimated to be One Million Seven Hundred and Fifty Thousand Dollars ($1,750,000.00) ("**Landowner Irrigation Facilities Costs.**") The costs of the recycled water irrigation facilities to be installed on the District Irrigation Easement to serve the existing residents of the District ("**District Irrigation Facilities**"), if such facilities are ultimately constructed by District, is currently estimated to be Two Million One Hundred Thousand Dollars ($2,100,000.00) ("**District Irrigation Facilities Costs**"), which includes sixty percent (60%) of the Shared Transmission Facilities Costs. The above estimates are preliminary only and will be revised as further information becomes available, or upon receipt of a final engineer's estimate. The District shall annually review the District EDU standard as the recycled water specifications and availability are determined. The facilities necessary to convey the recycled water from the District wastewater treatment plant to the Landowner Irrigation Easement and the District Irrigation Easement are referred to in this Agreement as the "**Shared Transmission Facilities**" and the cost of the Shared Transmission Facilities is referred to in this Agreement as the "**Shared Transmission Facilities Costs.**"

(B) In the event that the District determines to proceed with the construction of the District Irrigation Facilities in advance of the Participating Landowners' determination to proceed with the construction of the Landowner Irrigation Facilities, District shall pay for the costs of such construction. In the event that the District determines to proceed with the construction of the District Irrigation Facilities concurrently with the construction of the Landowner Irrigation Facilities, the Participating Landowners shall advance the full amount of the Shared Transmission Facilities Costs, subject to District reimbursement of its sixty percent (60%) share of the Shared Transmission Facilities Costs, within three (3) years from completion of construction, with interest at the Local Agency Investment Fund ("**LAIF**") rate. In the event that District determines not to construct the District Irrigation Facilities concurrently with, or in advance of, the construction of the Landowner Irrigation Facilities, District shall nonetheless be required to reimburse Participating Landowners for the sixty percent (60%) of the actual Shared Transmission Facilities Costs, in accordance with the terms set forth above. In the event that District has not fully reimbursed Participating Landowners for such advanced costs at the time of issuance of a building permit, then all or the remaining portion of the outstanding balance shall become a credit against any Bundled Fees owed to District, on a dollar for dollar basis, by each Participating Landowner, on a pro rata basis, until such time as such advance costs have been fully credited or reimbursed by District. To the extent such credits do not fully reimburse any

Participating Landowner, such Participating Landowners shall be entitled to any Bundled Fees or charges collected by District from other development until all Participating Landowners are fully reimbursed.

(C) Participating Landowners agree to pay all actual Landowner Irrigation Facilities Costs and each Participating Landowner acknowledges and agrees that it is jointly and severally liable to the District for such costs, provided however, District shall first use its best efforts to apply any security provided by a defaulting Participating Landowner prior to implementing the joint and several liability provisions of this Section. In the event District sells any excess capacity in the Landowner Irrigation Facilities (to future development property other than the Properties), District shall reimburse the Landowners from such funds based on the Pro-Rata Shares herein within thirty (30) days following receipt of such funds from other benefitting properties.

(D) Notwithstanding any other provision in this Agreement, Landowners understand and acknowledge that District shall not advertise for bids for construction of the Landowner Irrigation Facilities or the District Irrigation Facilities, until Participating Landowners have deposited in accordance with this Section 2.4(D) the full estimated amount of the Landowner Irrigation Facilities Costs and the Shared Transmission Facilities Costs, with District, which amount is referred to herein as the "**Estimated Irrigation Facilities Costs**". At any time following an election by one or more Landowners to be Participating Landowners pursuant to Section 2.3(B) above, each Participating Landowner shall deposit its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of an advance funding amount equal to the Reimbursing Landowner's Pro-Rata Share of the Estimated Irrigation Facilities Costs ("**Irrigation Advance Funding**") in cash or by an irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form reasonably acceptable to the District within forty-five (45) days following such request from District.

(E) The District shall on a quarterly basis invoice each Participating Landowner for its respective Pro-Rata Share of the Estimated Irrigation Facilities Costs plus its Percentage Share of Irrigation Advance Funding for the next ninety (90) day period ("**Irrigation Facilities Quarterly Payment**"), in accordance with the process set forth in Section 1.3, inserting "Irrigation Facilities" in place of "WTP Improvements".

(F) The actual cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities may exceed the Estimated Irrigation Facilities Costs. Each Participating Landowner shall pay (i) its respective Pro-Rata Share of the difference between the actual cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities (as such costs are adjusted from time to time) and the Estimated Irrigation Facilities Costs, plus (ii) its Percentage Share of Irrigation Advance Funding for the difference between the actual cost of the Landowner Irrigation Facilities and the Shared Transmission Facilities (as such costs are adjusted from time to time) and the Estimated Irrigation Facilities Costs (hereinafter collectively referred to as the "**Irrigation Facilities Shortfall**") within thirty (30) days of receiving notice, and reasonable supporting documentation, from District that an Irrigation Facilities Shortfall exists and the amount of such Irrigation Facilities Shortfall ("**Irrigation Facilities Shortfall Notice**"). Such

Irrigation Facilities Shortfall shall be paid in cash or irrevocable letter(s) of credit from one or more nationally-chartered banks in favor of District and in a form acceptable to the District. In the event that the cumulative amount of all Irrigation Facilities Shortfall Notices exceeds the Estimated Irrigation Facilities Costs by eight percent (8%), then the Parties shall meet and confer before the District issues any subsequent Irrigation Facilities Shortfall Notice. Additionally, the District and Landowners shall work cooperatively and in good faith to make all reasonable efforts to control the further costs of the Landowner Irrigation Facilities and the Shared Transmission Facilities. In the event the Estimated Irrigation Facilities Cost exceeds the actual Irrigation Facilities Costs, or any funds are remaining following completion of the Landowner Irrigation Facilities and the Shared Transmission Facilities, such excess funds shall be refunded to the Participating Landowners within sixty (60) days following completion of the Landowner Irrigation Facilities and the Shared Transmission Facilities, in the same percentages as such Participating Landowners contributed to the Irrigation Facilities construction costs.

(G) After commencement of construction of the Landowner Irrigation Facilities, District and Landowners agree to meet at least on a quarterly basis to review the status, progress and costs of such facilities. District shall also report quarterly on the amount of the ten percent (10%) contingency that has been expended, and shall further call a separate meeting with Landowners at such time as eighty percent (80%) of the ten percent (10%) contingency has been expended. District shall be responsible for scheduling such meetings and providing a report, with reasonable supporting documentation, on the status, progress and costs of such facilities.

(H) Each Reimbursing Landowner shall be required to pay their Pro-Rata Share of the actual costs for the Landowner Irrigation Facilities incurred by the Participating Landowners pursuant to this Section 2.4 subject to adjustment equal to any annual increases in the Engineering News-Record Construction Cost Index for San Francisco accruing from the date of completion of all design and permitting to the date of payment by such Reimbursing Landowner. The portion of the Irrigation Advance Funding attributable to the District's 60% portion of the Shared Transmission Facilities shall be reimbursed to Participating Landowner's directly by District pursuant to Section 2.4(B) above. Such reimbursement shall be paid to District prior to recordation of a final map for the Reimbursing Landowner's Property. Each reimbursement payment from a Reimbursing Landowner shall be repaid by District to Participating Landowners in the same Percentage Shares that such Irrigation Advance Funding was paid and shall be paid to Participating Landowners within thirty (30) days following receipt of such funds by District. District shall not provide consent to final map approval until such Reimbursing Landowner has paid its Pro-Rata Share of actual Landowner Irrigation Facilities Costs.

(I) District Obligation To Design and Construct. Provided Participating Landowners provide the security and funding required by this Agreement for the Irrigation Facilities, District shall design, permit, engineer, construct or cause to be constructed, the Irrigation Facilities. Upon receipt of Permitting/Design Advance Funding, District shall use diligent, good faith efforts to prepare design documents for the Irrigation Facilities and obtain all necessary permits and approvals for the Irrigation Facilities. Upon receipt of all permits and approvals, and receipt of all Irrigation Advance Funding, District shall cause the commencement of construction of the Irrigation Facilities. Following commencement of construction, District shall cause its

contractors to diligently prosecute such construction to completion. District's obligations to commence and complete construction shall subject to commercially reasonable delay due to Force Majeure causes and failure to construct in the winter months in accordance with standard industry practice. In the event that, despite District's diligent, good faith efforts to obtain permits, District is unable to obtain such permits within a commercially reasonable time, all security and unexpended funds shall be returned to the Participating Landowners upon request therefore, less any amounts already reasonably expended for the WTP Improvements. District shall obtain from all contractors, including engineers, subcontractors and suppliers, all normal and customary guaranties and warranties. The Irrigation Facilities shall be constructed (a) in a good and workmanlike manner and (b) in accordance with applicable laws, regulations and codes. District covenants to make best efforts to keep the Landowners' Properties free from any liens, including mechanic's liens, which may arise in the construction of the Irrigation Facilities, unless such lien results from a breach of this Agreement by such Landowner. The Parties acknowledge that the Landowners' obligations hereunder relate solely to financing of the Irrigation Facilities, and Landowners shall have no responsibility or liability for design, engineering or construction defects related to or arising out of the construction of the Irrigation Facilities.

(J) Release of Unused Funds/Security. Within ninety (90) days following the completion of the Landowner Irrigation Facilities Costs and the Shared Transmission Facilities Costs, District agrees to release all letters of credit and release any unexpended portion of the Participating Landowner's cash deposits to the Parties that deposited the same, except to the extent there are any claims relating to the Construction of the Landowner Irrigation Facilities Costs or the Shared Transmission Facilities Costs. If there are any claims during such ninety (90) day period, a portion of the security equal to the amount of the claim may be retained by District until the final resolution of such claim.

2.5 Irrigation Facilities Maintenance Costs.

(A) Within thirty (30) days of completion of the Landowner Irrigation Facilities, each Participating Landowner agrees to deposit with District a one-time payment of Two Hundred Twenty Five Dollars ($225.00) for each EDU within each Participating Landowner's respective Property and for each EDU in the Reimbursing Landowners' Properties (for a total payment of One Hundred Fifty Thousand Seven Hundred Fifty Dollars ($150,750.00) from all Participating Landowners) to pay the estimated cost of maintaining such facilities from completion through estimated build-out of the Property ("**Irrigation Facilities Maintenance Cost**"). Each Reimbursing Landowner shall be required to pay Two Hundred Twenty Five Dollars ($225.00) for each EDU within their respective Property for the Irrigation Facilities Maintenance Cost to District prior to final map approval. District shall reimburse such costs to Participating Landowners within thirty (30) days following receipt thereof.

2.6 Recycled Water Facilities.

(A) Subject to the provisions set forth below in this Section 2.6, Landowners agree to install recycled water irrigation facilities, including the distribution system within such Landowner's Property, service lines to the recycled water meter

"setter" and the service extension to the point of connection to the recycled water irrigation system, within new residential and commercial developments on the Property, so that the District can increase the beneficial use of recycled water, and thereby reduce the demand for potable water supply within the Property.

> Recycled water irrigation facilities shall be installed for landscape irrigation within the boundaries of the Landowner's Property that may include parks, schools, residential front and rear yard landscaping, and landscaped common areas. The actual areas within the Property that will be irrigated with recycled water shall be determined by the District on a project-by-project basis, subject to health and safety regulations, and after discussions with the effected Landowner. District shall make a determination of the requirements for the installation of recycled water irrigation facilities in new residential or commercial development and provide notice to the applicable Landowner at any time prior to installation of water facility lines in the Landowner's development project. Such notice shall include the following information:
>
> (1) Identification of the areas where recycled water irrigation facilities are to be installed; and
>
> (2) The specifications for such recycled water irrigation facilities, including applicable regulations of the Department of Health Services, including Title 22, and the provisions of the Master Reclamation Permit issued by the RWQCB.

(B) If District fails to produce Board adopted recycled water specifications within thirty (30) days following a Landowner's initial submittal of grading plans or Improvement Plans, District shall not require such Landowner to fund or install recycled facilities on such project.

2.7 Provision of Service.

(A) As consideration for the terms and conditions set forth herein, as of the Effective Date, District agrees to provide all Landowners (except any defaulting Landowners hereunder) a conditional will serve letter upon request of such Landowner which provides that upon compliance with this Agreement, including payment in full for all amounts due hereunder from such Landowner (including all amounts due from a Reimbursing Landowner), such Landowner will be entitled to a final will serve letter. District agrees to provide water service and wastewater service to the Property, subject to and contingent upon the satisfactory performance of all of the terms and conditions of this Agreement by Landowners and of other legal obligations of Landowners as set forth in duly enacted or adopted ordinances and regulations of District, and without limitation, subject to the WTP Improvements and the Landowner Irrigation Facilities being fully operational and in service. Water service is further contingent upon issuance of the appropriate permit(s) from the Department of Health Services. Additionally, wastewater service is further contingent upon issuance of the appropriate permit(s) from the RWQCB and the County of Sacramento for use of the recycled irrigation facilities on the Landowner Irrigation Easement.

(B) Notwithstanding the provisions of Section 2.7(A) above, in the event that one or more of the Landowners have not satisfactorily performed all of their respective legal obligations, whether pursuant to the terms and conditions of this Agreement or in duly enacted and adopted ordinances and regulations of District, District shall not withhold water service or wastewater service to the remaining Landowners and their respective projects, provided that all other contingencies to water service and/or wastewater service have been satisfied by such Landowner.

SECTION 3. Financing and Fees.

3.1 Mello-Roos Financing.

(A) The Parties agree that the ultimate financing mechanism for the WTP Improvements and the Landowner Irrigation Facilities (collectively referred to herein in this Section 3 as "**Improvements**") may be a Community Facilities District (hereafter referred to as "**CFD #2**"), the boundaries of which shall be coincident with the boundaries of the projects of the Parties electing, in each Party's sole and absolute discretion, to participate in CFD #2 (each a "**CFD Participating Landowner**"), and which shall be subject to the requirements and limitations of Sections 53311 *et seq.* of the Government Code of the State of California. District will use its best efforts to form CFD #2 and act as lead agency. Nothing in this Section 3.1 shall obligate a Landowner to participate in CFD #2 or obligate District to make a finding nor to take any discretionary action regarding the formation of a Community Facilities District or the levy of a tax. Such decisions shall be made in accordance with all statutory requirements and procedures, and District ordinances and policies, and subject to the evidence and findings at the time that such a proposal is formally presented to the District's Board of Directors.

3.2 Fund Control.

(A) All funds and securities deposited by the Parties with the District shall be administered by a project fund manager retained as a consultant ("**Fund Manager**"). The Parties have elected to have Economic Planning Systems (2150 River Plaza Dr., suite 400, Sacramento, phone 916-649-8010) to be the Fund Manager. The costs of the Fund Manager shall be included in the administration costs included in this Agreement (as provided in Section 3.6 below). If EPS is unable or unwilling to provide such services, or in the event a majority of the Landowners decide to change the Fund Manager, the Fund Manager may be changed to any other qualified person or firm selected by a majority of the owners, with the written consent of the District Manager. The Parties acknowledge that all responsibilities and obligations for District to make financial calculations and determinations on funding amounts hereunder shall be undertaken by the Fund Manager in accordance with the provisions herein, all subject to the ultimate control and discretion of the District.. The Fund Manager shall be responsible for all determinations to be made by District hereunder regarding funding and accounting pursuant to this Agreement, including but not limited to accounting for all funds paid or advanced by Participating Landowners, determining the Pro-Rata Shares, determining the Percentage Shares for advance funding for each improvement cost, determining the costs to be paid by each Landowner pursuant to Section 3.6 below, determining reimbursement to Landowners for reimbursement from Future District WTP Funding, determining reimbursement for Advance Funding, determining Excess EDU reimbursement, determining reimbursement for Public EDUs, and

determining amount of all other financial calculations and reimbursement or refunds due pursuant to the terms herein. All amounts to be paid hereunder shall be paid to and held in an account(s) established District, except for CFD funds and security provided hereunder which shall be held by District separately from such account. District shall not provide consent to approval of any final map (or any other final development approval for those Properties not obtaining a final map) and shall not provide any sewer or water service, for any of the Properties hereunder, unless and until the Fund Manager has sent written confirmation of payment in full of all amounts due hereunder. Landowners agree that District shall be entitled to conclusively rely on the determinations of the Fund Manager. Landowners hereby fully release District and shall fully defend, indemnify, save and hold harmless District, its governing body, officers, agents and employees from any claims, actions, or costs (collectively, "**Claims**") brought by Landowners hereunder arising from or related to the determinations or calculations of Fund Manager hereunder, except Claims arising from the willful misconduct or fraud of District or material breach of this Agreement by District. Any such indemnity costs hereunder shall be paid in the same Pro-Rata Shares set forth herein. The Fund Manager may be changed at any time with ten (10) days written notice of the change signed by all Landowners.

3.3 Audit.

(A) District shall keep itemized records of the expenses incurred that are related to the design and construction of the WTP Improvements and Irrigation Facilities, and all accounting of the Fund Manager, and all such records shall be retained for a minimum of three (3) years following completion of each improvement and shall be made available to the Parties for review during regular business hours, upon at least 72 hours advance written notice.

3.4 Bond Proceeds/Special Taxes - Construction Fund.

(A) Pursuant to California Government Code Section 53314.9, the District agrees that upon the formation of CFD #2, the levy of a special tax upon the properties within the boundaries of CFD #2, and the receipt of bond proceeds pursuant to Section 3.1 above and/or the receipt of revenues from the collection of pay-as-you-go special taxes, the District shall repay the CFD Participating Landowners from the net amount of such bond proceeds and special tax proceeds available for the amount that each such CFD Participating Landowner advanced to the District and/or paid for the construction of Improvements, pursuant to this Agreement for the construction of the Improvements, as provided for in this Agreement, and to the extent allowed pursuant to those documents relating to the issuance of bonds and other applicable law. The District's agreement to repay the CFD Participating Landowners as provided in this Section 3.4 shall be included in both the resolution of intention to establish CFD #2 to be adopted pursuant to Section 53321 of the California Government Code and in the resolution of formation to establish CFD #2 to be adopted pursuant to Section 53325.1 of the California Government Code. This Section 3.4(A) is not intended to limit or preclude the inclusion of funding for facilities other than the Improvements in CFD #2, provided that any such additional facilities are approved by the CFD Participating Landowners.

(B) Upon the sale of bonds and receipt of the net bond proceeds by District, each CFD Participating Landowner may reduce the security provided pursuant to Sections 1.3 and 2.4 of

this Agreement by the respective amount of bond proceeds attributable to such Landowner's respective project, as reasonably determined by District. This provision is not intended to relieve each Participating Landowner from its shortfall obligations pursuant to Sections 1.3 and 2.4 of this Agreement.

(C) Notwithstanding any provision to the contrary, unless District and the successor-in-interest and assignee of Winncrest and FN enter into an amendment to the Shortfall Agreement deleting the requirement applicable to bond proceeds, the net bond proceeds of CFD #2 shall first be used to pay successors- in-interest and assignees of Winncrest and FN the full amount of the Reimbursement Fee (defined in Section 3.7(C) below) applicable to that portion of the Property within the CFD #2 boundaries as required by the Shortfall Agreement.

3.5 No Reimbursement.

(A) Except as otherwise provided in this Agreement (including without limitation Section 1.2(B), Section 1.3(B), and Section 1.3(K) above), Landowners agree that the improvements which are to be paid for by Landowners will only serve buildings and residents attributable to the lots within and development of the Property. Except as otherwise provided in this Agreement (including without limitation Section 1.2(B), 1.3(B), and 1.3(K) above), Landowners understand and agree that Landowners will not be reimbursed for the costs of such Improvements, except as otherwise expressly provided herein.

3.6 Agreement Processing Costs.

(A) Prior to the execution of this Agreement, certain Landowners have paid certain consultant costs incurred by the District in connection with the negotiation of this Agreement, including legal fees, in the approximate amount of One Hundred Thousand Dollars ($100,000.00), pursuant to the Developer Deposit Agreement entered into by and between the District and Riverview including, without limitation, past due legal fees due to District incurred by other Landowners. Each Landowner agrees to pay its respective Pro-Rata Share of legal fees advanced under the Developer Deposit Agreement on the earlier of: (i) the first election to become a Participating Landowner for any portion of the design or construction hereunder or (ii) at the time a Reimbursing Landowner makes a reimbursement payment and prior to the first final map for such Reimbursing Landowner's Property. Such amounts shall be reimbursed to Riverview upon receipt by District. In addition, Landowners shall pay any future consultant costs incurred by the District in connection with the processing and adoption of this Agreement, including legal fees, administration costs for the Fund Manager and CEQA consultant costs, which costs shall be included with the applicable Estimated WTP Improvement Cost and Estimated Irrigation Facilities Costs (and each Landowner shall be responsible as either a Participating Landowner or Reimbursing Landowner for their Pro-Rata share of such costs as applicable for each improvement). In addition to all other legal and equitable remedies provided herein for failure to pay such costs when due, the provisions of Section 4.4 below shall apply for failure to pay amounts due under this Section 4.4.

3.7 Fees For Other Services and Facilities.

(A) Landowners agree to pay a bundled fee in the amount of Seven Thousand Seven Hundred Seventy-one Dollars ($7,771) per EDU ("**Bundled Fee**") to District for all development on the Property to account for their reduced Security Impact Fee, as shown in Exhibit M.. The Bundled Fee shall be paid in full at the time of issuance of a building permit for residential units, and shall be paid in full at the time of issuance of a certificate of occupancy for commercial buildings. The Bundled Fee shall be adjusted annually in proportion to the annual increase in the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items and Major Group Figures, published by the United States Department of Labor, Bureau of Labor Statistics, or similar index used by the District, in its reasonable discretion. The Bundled Fee includes a Water Augmentation Fee in the amount of Four Thousand Five Hundred Seventy-one Dollars ($4,571) ("**Water Augmentation Fee**"). Landowners shall be entitled to a fee credit in the amount of Two Thousand Dollars ($2,000) per EDU against the Water Augmentation Fee when such Landowner installs the in-tract reclaimed water system for the Property. In addition, should the District reduce the amount of the Water Augmentation Fee after the execution of this Agreement, Landowners shall be entitled to pay the reduced Water Augmentation Fee after the effective date of such reduction. Landowners shall not be entitled to reimbursement for the amount of any fees paid prior to the effective date of any reduction in the Water Augmentation Fee.

(B) All other fees included in the Bundled Fee shall be subject to any increases adopted by the District Board of Directors, if such increases are adopted in accordance with the Mitigation Fee Act (Government Code Section 66000, et seq.) and applied uniformly to all new development. Landowner's participation in implementing this Agreement and compliance with the terms and conditions herein, including without limitation payment of the Bundled Fee and Water Augmentation Fee, is intended to constitute complete satisfaction of the requirements of District in order to obtain will serve letters and water and sewer service for the Projects for the number of EDUs allocated to such Projects herein and shall be deemed full mitigation of the impact upon the District from the development of the Property. Upon completion of the facilities described herein, Landowners will have provided sufficient capacity for the EDUs set forth in Section 1.1 above to serve the Property.

(C) The amount of Five Thousand Nine Hundred Dollars ($5,900) per EDU will be paid to District, to satisfy the obligations of each Landowner's Property as a "Benefitting Property" pursuant to the Shortfall Agreement. Any Landowner's Property shall be deemed to have paid all amounts due pursuant to Section 7 of the Shortfall Agreement upon payment of such $5,900 per EDU. District shall collect such amounts upon the recordation of the first Final Map for each project, or if no Final Map is required, upon the recordation of the Parcel Map (or if no map is required for any project prior to any certificate of occupancy or provision of service to such Property). Such amount represents the amount to be reimbursed to successor-in-interests and assignees of Winncrest and FN for infrastructure previously funded by Winncrest and FN pursuant to the Shortfall Agreement ("**Reimbursement Fee**"). The Reimbursement Fee shall be paid for the benefit of the successor-in -interest and assignee of Winncrest and FN as and to the extent required by the Shortfall Agreement as determined by District in their sole discretion. Any amounts not reimbursed to the successor-in -interest and assignee of Winncrest and FN by District may be retained by District and used by District pursuant to the terms of the Shortfall

Agreement. The Reimbursement Fee is a fixed amount and shall not be subject to any increases, adjustments or interest. Compliance with the terms and conditions herein and payment of the Reimbursement Fee by a Landowner shall be full and final satisfaction of any and all payment obligations to District and to successor-in –interest and assignees of Winncrest and FN for a Benefitting Property pursuant to the Shortfall Agreement. District represents, warrants and covenants that the successors-in-interest and assignees to Winncrest and FN have expressly consented to this provision, as evidenced by the Letter of Acknowledgement and Consent attached hereto as Exhibit K which shall supersede and amend the obligation for the Properties to pay any greater amount pursuant to the existing Shortfall Agreement. Notwithstanding the foregoing, the Reimbursement Fee shall not be applicable to the Riverview or Lakeview Properties, as those properties are not subject to reimbursement obligation pursuant to the Shortfall Agreement.

(D) All costs and fees in this Section 3.7 are identified in Exhibit M attached hereto.

SECTION 4. Default by Landowner; Remedies of Other Landowners.

4.1 Delinquent Landowners.

(A) Any Participating Landowner who fails, beyond any applicable notice and cure periods set forth in this Agreement, to contribute its Percentage Share of Advance Funding and its Pro-Rata Share for the costs of the WTP Improvements, the Landowner Irrigation Facilities, or other facilities, as required hereunder, or who fails to pay any other costs required hereunder including, without limitation, all agreement processing costs set forth in Section 3.6 above, and such Landowner has not provided adequate security upon which District may draw, or such security is inaccessible to District for any reason whatsoever, shall be referred to as a "**Delinquent Landowner**". Participating Landowners who have timely paid their Percentage Share of Advance Funding and Pro-Rata Shares of the above referenced costs as required under this Agreement, or have provided adequate security upon which District may draw, shall be referred to as "**Current Landowners**". In addition, any Reimbursing Landowner who fails to pay any and all amounts due hereunder as and when required by this Agreement (as set forth in Recital G and Section 3.6 and 3.7 herein) shall be considered in material default hereunder.

4.2 Indemnification Obligations.

(A) Each Delinquent Landowner shall indemnify, defend, protect and hold the Current Landowners and Reimbursing Landowners, individually and collectively, harmless from any loss, cost, or expense, including, without limitation, reasonable attorneys' fees and costs and late fees or penalties incurred or accruing under this Agreement and resulting from the Delinquent Landowner's failure to make any Pro-Rata Share contribution, Advance Funding payment or other payment of funds required under this Agreement.

4.3 Obligation to Advance Delinquent Amounts.

(A) All Current Landowners shall be required, within thirty (30) days following receipt of written notice that a Landowner has become a Delinquent Landowner, to advance the Delinquent Landowner's Pro-Rata Share of any delinquent payments due under this Agreement, with such advances being made in proportion to the Current Landowners' respective number of EDUs allocated under this Agreement as compared to the aggregate number of EDUs allocated to the Current Landowners under this Agreement, or as may otherwise be agreed to by the Current Landowners. If an otherwise Current Landowner fails to pay its share of a Delinquent Landowner's Pro-Rata Share as required under this Section 4.3, such Current Landowner shall immediately become a Delinquent Landowner, and the remaining Current Landowners shall be obligated hereunder to fund such Delinquent Landowner's share of any other Delinquent Landowner's Pro-Rata Share as provided hereunder. If the Current Landowners, or any of them, advance a Delinquent Landowner's Pro-Rata Share due under this Agreement, such Current Landowners shall thereafter be referred to as **"Advancing Landowners"**, and such Advancing Landowners shall be entitled to recover from the Delinquent Landowner the amount advanced on behalf of the Delinquent Landowner, together with any and all costs associated with such Advancing Landowners' obtaining the necessary funds for such advance (including, without limitation, any loan fees or expenses and any legal fees reasonably incurred to obtain such funds), together with interest on the amount advanced by such Advancing Landowners at the rate of twelve percent (12%) per annum or the maximum rate allowable by law on delinquent financial obligations, whichever is less.

(B) The payments necessary to bring a Delinquent Landowner's Pro-Rata Share current shall include the costs and interest payments calculated on the number of days the subject Pro-Rata Share payment is delinquent, up to and including the date the payments are received by the District or Advancing Landowners. Thereafter, any and all amounts paid by said Delinquent Landowner to cure such default, or any amounts received by Current Landowners through reimbursements or credits that would otherwise have been payable to such Delinquent Landowner, as provided herein, including all amounts for interest, shall be paid to the Advancing Landowners who advanced such amounts for the Delinquent Landowner, in proportion to the amounts so advanced by the Advancing Landowners. As additional security, the Delinquent Landowner grants the Current Landowners a security interest in the Delinquent Landowner's right to receive any reimbursement under this Agreement to secure the Delinquent Landowner obligations under this Section 4 and further agrees to execute a UCC-1 financing statement as the Current Landowners may reasonably request. The Delinquent Landowner shall execute any financing statement provided by the Current Landowners and deliver those documents to the Current Landowners within five (5) days of the receipt of those documents.

(C) The Landowners acknowledge and agree that no other Landowner shall have any right to enforce this Agreement against a Landowner's real property (except as otherwise expressly provided herein) and no Landowner, shall have any right to record a contractual lien against such Landowner's Property provided that nothing in this Section 4.3 or elsewhere in this Agreement shall prohibit or preclude a Landowner from recording a judgment lien generally against a Delinquent Landowner's or defaulting Reimbursing Landowner's real property interests in Sacramento County (including such Delinquent Landowner's or defaulting Reimbursing Landowner's interest in the Property), as permitted by law.

4.4 No Service to Delinquent Landowner/No Service to Defaulting Reimbursing Landowner.

(A) The Parties agree that, in the event that a Landowner becomes a Delinquent Landowner under this Agreement or in the event a Reimbursing Landowner fails to pay all amounts due hereunder when required by this Agreement or is otherwise in material default of its obligations hereunder and District and/or the Fund Manager receives notice of such delinquency or default, then until such Delinquent Landowner shall have fully cured such delinquency, including, without limitation, reimbursing the Advancing Landowners for all costs and interest incurred or accrued in connection with the Advancing Landowners advancing of the Delinquent Landowner's Pro-Rata Share, or until a Reimbursing Landowner has fully paid all amounts due hereunder when required by this Agreement or has cured such other material default, including without limitation reimbursing all Participating Landowners as required hereunder, District shall not provide, and the Delinquent Landowner or the defaulting Reimbursing Landowner shall not request or be entitled to, a final map, a final will serve, any other final approval, or any water or disposal services to the Delinquent Landowner (or defaulting Reimbursing Landowner as the case may be) and/or its portion of the Property. District shall be entitled to rely on the written determinations of Fund Manager regarding the amount due from such Delinquent Landowner or Reimbursing Landowner and the date that such Delinquent Landowner or Reimbursing Landowner has been paid current. District shall not to approve any final map or final will serve for any Property unless and until District receives a written statement from the Fund Manager showing all amounts due hereunder for such Property paid in full. This provision shall not require District to interrupt or disconnect existing services.

SECTION 5. Miscellaneous Provisions.

5.1 Covenant to Grant Easements.

(A) Each Landowner agrees to convey to District, upon demand at any time following approval of a final subdivision map for the Property containing such easement or right of way, any easements or rights of way reasonably required to accommodate the facilities and improvements required by District to serve the Property, without compensation or subject to any conditions.

5.2 Authority of District.

(A) Landowners and District agree that nothing in this Agreement is intended to limit or restrict the exercise of the normal and customary powers of District to act in accordance with its obligations to protect the public health and safety of the residents, owners, and occupants of property within the District. District retains the right and obligation to adopt ordinances and regulations addressing the needs of District provided that all such ordinances and regulations are uniformly applicable to similarly situated property within the boundaries of District.

5.3 Binding Agreement; Runs With Land.

(A) This Agreement shall constitute a contract under the laws of the State of California between Landowners and District, and an equitable servitude of each Landowner (and Landowner's successors and assigns) as to the lands described and shown on Exhibits A-1, A-2, B-1, B-2, C-1 C-2, F-1, F-2, G-1 and G-2 and such servitude shall obligate each Landowner (and Landowner's successors and assigns), as to such lands, for the benefit of District and other lands within the District. A memorandum of this Agreement shall be recorded in the Official Records of the County of Sacramento, California. This Agreement is, and shall be, a covenant and shall run with and bind District and the owners of the lands described in this Agreement, subject to the termination provisions set forth in Section 5.5 below. Notwithstanding the foregoing, the right to reimbursement hereunder is personal to each Landowner and such right to reimbursement shall not run with the land and shall remain with such Landowner unless expressly assigned as part of an executed assignment and assumption agreement.

5.4 Term.

(A) The term of this Agreement shall be for a period of thirty (30) years from the date of execution by the District. In the event of an earlier termination pursuant to the provisions hereof, or due to the failure to obtain necessary permits or approvals for any of the facilities, the District shall return to Landowners any funds provided to District pursuant to this Agreement, which have not been expended or committed under contract, in the same Pro-Rata Shares as such funds were contributed, within sixty (60) days following such termination. Notwithstanding any earlier termination of this Agreement or anything herein to the contrary, all provisions herein for Reimbursing Landowners to provide reimbursement to Participating Landowners for costs incurred by such Participating Landowners prior to termination of this Agreement shall survive such earlier termination and shall remain in full force and effect even upon termination of this Agreement prior to the 30 year term.

5.5 Termination.

(A) Each Landowner (and Landowner's successors and assigns) may terminate this Agreement as to a specific lot or parcel at an earlier date than that set forth in Section 5.4, provided that all of the obligations with respect to the construction and financing of facilities and infrastructure, and the payment of fees and all reimbursement due hereunder from such Landowner has been fully satisfied. Such termination shall be evidenced by a Notice of Termination, executed by the respective Landowner and District, to be recorded in the Official Records of the County of Sacramento, California by such Landowner as to the lot or parcel so terminated. District shall provide such Notice of Termination within thirty (30) days following a request therefore from a Landowner (provided the Fund Manager has provided written confirmation that all amounts due from such Landowner have been paid in full). This Agreement shall automatically terminate and be of no further force or effect as to any single family residence or any other building and the lot or parcel on which it is located, when such residence or building has been approved by the County for occupancy.

5.6 Notices.

(A) All notices, requests, demands and other communication given or required to be given hereunder shall be in writing and (i) personally delivered, (ii) sent by United States registered or certified mail, postage prepaid, return receipt requested, (iii) sent by nationally recognized courier service such as Federal Express, or (vi) sent by facsimile or e-mail, provided that any notice sent by facsimile or e-mail shall also be sent by one of the other methods provided above. All notices, requests, demands or other communications shall be addressed to the Parties as follows:

To District:
Rancho Murieta Community Services District
15160 Jackson Road
Rancho Murieta, CA 95683
Attention: General Manager

With copy to:
Kronick, Moskovitz, Tiedemann & Girard
400 Capitol Mall, 27th Floor
Sacramento, CA 95814
Attention: Jonathan P. Hobbs, General Counsel

Notices required to be given to Landowners shall be addressed as follows:

To Residences East:
CSGF Rancho Murieta LLC
555 California Street, #3450
San Francisco, CA 94104
Attention: Jim Galovan

To Residences West:
BBC Murieta Land, LLC
853 North Elston
Chicago, IL 60642
Attention: Robert Weil

To Retreats:
Murieta Retreats, LLC.
11249 Gold Country Blvd., Suite 190
Gold River, CA 95670
Attention: Gerry Kamilos

To Riverview:
PCCP CSGF RB PORTFOLIO, LLC
555 California Street, Suite 3450

	San Francisco CA 94104 Attention: Jim Galovan
With a copy to:	Hock Construction Management, Inc. 10630 Mather Blvd. Sacramento, CA 95655 Attention: Les Hock
To Lakeview:	Elk Grove Bilby Partners, LP 900 Emmett Ave., Ste 200 Belmont, CA 94002
To Rancho Murieta 205 LLC:	Rancho Murieta 205 LLC (Successors in Interest to Winncrest/FN) 10630 Mather Blvd. Sacramento, CA 95655 Attention: Lori Rispoli
To Fund Manager:	Economic Planning Systems 2150 River Plaza Dr. Ste 400 Sacramento, CA 95833 Attention: Jamie Gomes

(B) Delivery of any notice or other communication hereunder shall be deemed made on the date of actual delivery thereof to the address of the addressee, if personally delivered, and on the date indicated in the return receipt or courier's records as the date of delivery or as the date of first attempted delivery, if sent by mail or courier service. Notice may also be given by facsimile or e-mail (provided another method in subsection (i)-(iii) above is also used) which shall be deemed delivered when received by the facsimile machine or e-mail of the receiving party if received before 5:00 p.m. (Pacific Time) on a business day, or if received after 5:00 p.m. (Pacific Time) or on a day other than a business day (*i.e.*, a Saturday, Sunday, or legal holiday), then such notice shall be deemed delivered on the following business day. The transmittal confirmation receipt produced by the facsimile machine or e-mail server of the sending party shall be prima facie evidence of such receipt (provided another method is used in addition to such fax or e-mail). Any party may change its address, facsimile number or e-mail for purposes of this Section by giving notice to the other Parties and the Fund Manager as herein provided.

(C) Any Party may change its address by giving notice in writing to the other Parties.

5.7 Force Majeure.

(A) Performance by any Party related to construction of improvements shall not be deemed to be in default during any period where delays or defaults are due to war, acts of terrorism, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God,

or enactment of conflicting state or federal laws or regulations, except that payment of any amounts due hereunder shall not be excused for Force Majeure events.

5.8 Entire Agreement.

(A) This is an integrated Agreement, and contains all of the terms, consideration, understanding and promises of the Parties. It is intended to be, and shall be, read as a whole. All recitals and exhibits are incorporated herein. This Agreement and the Exhibits hereto contain the entire agreement between the Parties with respect to the subject matter hereof. Except as otherwise specified in this Agreement, all prior correspondence, memoranda, agreements, warranties or representations are superseded in total by this Agreement and the Exhibits hereto.

5.9 Legal Action.

(A) In addition to any other rights or remedies, any Party may institute legal action to cure, correct or remedy any default, to enforce any covenant or agreement herein, or to enjoin any threatened or attempted violation.

5.10 Attorneys' Fees.

(A) In the event of any litigation (including nonjudicial arbitration) arising out of this Agreement, the prevailing Party (or Parties) in such action, in addition to any other relief which may be granted, shall be entitled to recover its reasonable attorneys' fees and costs. Such attorneys' fees and costs shall include fees and costs on any appeal, and all other reasonable costs incurred in investigating such action, taking depositions and discovery, retaining expert witnesses, and all other necessary and related costs with respect to such litigation or arbitration. All such fees and costs shall be deemed to have accrued on commencement of the action and shall be enforceable whether or not the action is prosecuted to judgment.

5.11 Applicable Law.

(A) This Agreement shall be construed and enforced in accordance with the laws of the State of California.

5.12 Indemnity.

(A) Each Landowner hereby agrees to and shall defend, indemnify and hold District, its Board, officers, agents, and employees harmless from any liability for damage, litigation or claims: (i) relating to the approval of this Agreement by District, and (ii) hereby agrees to and shall defend, indemnify and hold District, its Board, officers, agents, and employees harmless from any liability for damages for personal injury, or bodily injury including death, as well as from claims for property damage (collectively "**Claims**") to the extent such Claims arise from

the operations or performance of such Landowner or the operations or performance of such Landowner's contractors, subcontractors, agents, or employees under this Agreement, whether such operations or performance be by the indemnifying Landowner, or by any of the indemnifying Landowner's contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for indemnifying Landowner or any of the indemnifying Landowner's contractors or subcontractors, unless such damage or claim arises from the negligence or willful misconduct of District. A Landowner shall not be required to indemnify the District for damages or claims caused by the negligence or willful misconduct of the District, or its Board, officers, agents contractors, subcontractors or employees. The indemnity obligations under 5.12(i) above shall be joint and several. The indemnity obligations under 5.12(ii) above shall be several.

5.13 Waiver of Rights and Claims

(A) In consideration of the mutual promises and covenants set forth in this Agreement, each Landowner (including successors in interest and assigns) hereby waives and releases any present or future rights or claims Landowner may have or possess with respect to the Property under Government Code section 66000 et. seq. with respect to the District's establishment, receipt and use of those fees and reimbursement amounts specifically required by this Agreement including without limitation the Bundled Fee and required to be paid to District under this Agreement. This provision is not intended to prevent Landowners from objecting to or challenging any proposed increase in the Bundled Fee, or portions thereof, other than indexed annual adjustments, or objecting to or challenging any proposed new fees and this Section 5.13 shall not be a waiver of any rights or remedies Landowners may have against District for a breach of this Agreement by District.

5.14 Joint and Several Liability Procedures.

(A) Whenever in this Agreement, the Landowners are jointly and severally liable to the District, District agrees to adhere to the following procedure prior to enforcing such liability against any Party:

(B) In the event that a Participating Landowner is required to pay a Pro-Rata Share or make any other monetary payment or contribution pursuant to this Agreement, and after notice and request to make such payment or contribution by District, has failed to do so, District shall first seek to satisfy the obligation of such Participating Landowner by drawing upon any security deposited or provided by such Landowner pursuant to Section 1.3 and/or Section 2.4 above.

(C) Should a Participating Landowner fail to make a required payment or contribution, and there is inadequate security provided by such Participating Landowner upon which District may draw, or such security is inaccessible to District for any reason whatsoever, then such Participating Landowner shall be designated a Delinquent Landowner, as such term is defined in Section 4.1 above, and District shall request in writing that the remaining Participating

Landowners collectively make the payment or contribution of the Delinquent Landowner within thirty (30) days of such request by the District.

(D) If the remaining Participating Landowners do not collectively make the payment or contribution of the Delinquent Landowner within the time specified in Section 5.14(B) above, then each Participating Landowner shall be jointly and severally liable for the payment or contribution of the Delinquent Landowner, and District may demand and take any lawful action, without further delay or condition, to require and obtain full payment from any or all of the Participating Landowners, including the Delinquent Landowner, as District deems necessary in its sole discretion.

5.15 Dispute Resolution Regarding Allocation of Pro-Rata Shares, Percentage Shares, Payment

(A) In the event issues, claims, controversies or disputes arise concerning matters regarding the calculation or determination of costs hereunder, including without limitation estimated costs, the allocation of Pro-Rata Shares, Percentage Shares, amounts due under invoices, reimbursement amounts, shortfall calculations, the actual improvement costs, approval of change orders, and timing of construction, as a condition precedent to arbitration, all such disputes, shall first be resolved according to this Section 5.15.

(B) Should the parties be unable to resolve any dispute described in section 5.15(A) informally, the parties shall endeavor to resolve any such dispute by mediation before a mutually agreeable mediator, with a preference given to a mediator with experience in construction and development matters. Any controversy or claim described in section 5.15(A) that remain unresolved after 60 days of initiation of mediation proceedings shall be finally resolved by binding arbitration. The arbitration shall be conducted and administered by JAMS in accordance with the JAMS rules and procedures. All arbitration proceedings shall be held in Sacramento County before a single neutral arbitrator agreeable to the parties, with a preference given to an arbitrator with experience in construction and development matters. The parties shall operate in good faith in an attempt to conclude the arbitration proceedings within 60 days of the initiation of the arbitration. The arbitrator shall have no power to vary or modify any of the provisions of this Agreement. The arbitration award shall be in writing and may be reduced to judgment consistent with the California Code of Civil Procedure. The Parties shall have the right to conduct discovery consistent with the California Code of Civil Procedure section 1283.05.

5.16 No Joint Venture.

(A) It is specifically understood and agreed by and among the Parties hereto that the subject project is a private development. No partnership, joint venture or other association of any kind is formed by this Agreement.

5.17 Cooperation.

(A) In the event of any legal action instituted by a third party or other governmental entity or official challenging the validity of any provision of this Agreement, the Parties hereby agree to cooperate in defending said action.

5.18 Third Parties.

(A) This Agreement is made and entered into for the sole protection and benefit of the Parties. No other person shall have any right of action based upon any provision in this Agreement.

5.19 Time of the Essence.

(A) The Parties agree that time is of the essence for each Agreement provision of which time is an element.

5.20 Assignment.

(A) Subject to the provisions of Section 1.2 above, each Landowner shall have the right to assign this Agreement, or any portion thereof, in connection with any sale, transfer or conveyance of the Property, or any portion thereof, and upon the express written assignment by a Landowner and assumption by the assignee of this Agreement in the form attached hereto as Exhibit L, and the conveyance of Landowner's interest in the Property related thereto, and upon provision of a copy of the executed assignment and assumption agreement to the District, such Landowner shall be released from any future liability or obligation hereunder, related to the portion of the Property so conveyed and the assignee shall be deemed the "Landowner," with all rights and obligations related thereto, with respect to such conveyed property. Notwithstanding the foregoing, no Participating Landowner shall be relieved of any liability or obligations hereunder unless and until the proposed assignee provides adequate replacement security, as determined by District, to adequately secure the remaining obligations under this Agreement.

5.21 Amendments.

(A) This Agreement may be amended only in writing by mutual consent of the Parties or their successors in interest. Notwithstanding the foregoing, in the event there is additional excess capacity in the WTP Improvements and/or the Irrigation Facilities (in addition to the capacity for the Properties, the existing EDUs and the public EDUs), the Landowners shall have the right to amend this Agreement to allow any other property owner within the District to become a party to this Agreement in order to obtain capacity in the WTP Improvements and/or the Irrigation Facilities by complying with the terms and conditions herein, provided the consent of the District Board of Directors is obtained, which consent shall not be unreasonably withheld,

delayed or conditioned. Such amendment will allocate any excess capacity to such property owner and provide for the additional property owner to become a party hereunder, and reallocate the Pro-Rata Shares hereunder based on the additional property.

5.22 Severability

(A) The provisions of this Agreement are intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason whatsoever, any invalidation by judgment or court order shall in no way affect any of the other provisions hereof or the application thereof to any other person and the remainder of the Agreement shall remain in full force and effect, unless enforcement of this Agreement as so invalidated would be unreasonable or grossly inequitable under all the circumstances or would frustrate the purposes of this Agreement. Such invalidation shall not limit or restrict the obligations of Landowners or District with respect to obligations previously incurred in connection with an actual formation of CFD #2 or with the prior issuance of bonds thereby.

5.23 Exhibits.

(A) The following exhibits are attached hereto and are incorporated herein by this reference:

A-1 Legal Description of the Retreats

A-2 Diagram of the subdivision for the Retreats

B-1 Legal Description of the Residences of Murieta Hills – East

B-2 Diagram of the subdivision for the Residences of Murieta Hills – East

C-1 Legal Description of the Residences of Murieta Hills – West

C-2 Diagram of the subdivision for the Residences of Murieta Hills – West

D-1 [Intentionally Omitted]

D-2 [Intentionally Omitted]

E-1 [Intentionally Omitted]

E-2 [Intentionally Omitted]

F-1 Legal Description of Riverview

F-2 Diagram of the subdivision for Riverview

G-1 Legal Description of Lakeview

G-2 Diagram of the subdivision for Lakeview

H Estimated Fair Share of Eligible Facility Costs

I Grant and Agreement Irrigation Easement, District

J Grant and Agreement Irrigation Easement, Landowners

K Letter of Acknowledgment and Consent

L Form of Assignment and Assumption

M RMCSD Bundled Fee Summary

[Signatures page follows]

IN WITNESS WHEREOF, the Parties hereto execute this Agreement:

_____, 2013

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

APPROVED BY THE BOARD OF DIRECTORS AT ITS MEETING ON THE ___ DAY OF _____, 2013

By: _____
Gerald E. Pasek,
President, Board of Directors

"DISTRICT"

Approved as to form:

By: _____
Jonathan Hobbs,
District Counsel

_____, 2013

CSGF RANCHO MURIETA, LLC, a Delaware limited liability company

By: PCCP CSGF RB PORTFOLIO, LLC a Delaware limited liability company, its Member

By: _____
Printed Name: _____
Authorized Signatory

"Residences East"

_____, 2013

BBC MURIETA LAND LLC,
a California limited liability company

By: BBC LONGVIEW, LLC, an Illinois limited liability company, its Manager

By: LINCOLNSHIRE ASSOCIATES II, LTD., a Texas limited partnership, its Manager

By: DDC 2009 IRREVOCABLE TRUST, its General Partner

By: _____
David D. Colburn, Trustee

"Residences West"

_____, 2013

MURIETA RETREATS, LLC,
a California limited liability company,
Member

By: The Robert J. Cassano and Sandra L. Cassano Revocable Living Trust, its Manager Member

By:_____
Name: Robert J. Cassano
Title: Co-Trustee

"RETREATS"

_____, 2013

PCCP CSGF RB PORTFOLIO, LLC a Delaware limited liability company

By: _____

Title: _____

" RIVERVIEW"

_____, 2013

ELK GROVE BILBY PARTNERS, L.P.,
a California limited partnership

By: VPI 2004, Inc., a California corporation,
its General Partner

By: _____

Title: _____

" LAKEVIEW"

ACKNOWLEDGMENTS

(FORM OF ACKNOWLEDGMENT)

State of California)
)
County of _____)

On _____, 20__, before me, _____, (here insert name and title of the officer), personally appeared _____, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A-1

Legal Description of the Retreats

EXHIBIT A-2

Diagram of the subdivision for the Retreats

EXHIBIT B-1

Legal Description of the Residences of Murieta Hills - East

EXHIBIT B-2

Diagram of the subdivision for the Residences of Murieta Hills - East

EXHIBIT C-1

Legal Description of the Residences of Murieta Hills – West

EXHIBIT C-2

Diagram of the subdivision for the Residences of Murieta Hills – West

EXHIBIT –D-1

[Intentionally Omitted]

EXHIBIT D-2

[Intentionally Omitted]

EXHIBIT –E-1

[Intentionally Omitted]

EXHIBIT E-2

[Intentionally Omitted]

EXHIBIT F-1

Legal Description of Riverview

EXHIBIT F-2

Diagram of the subdivision for Riverview

EXHIBIT G-1

Legal Description of Lakeview

EXHIBIT G-2

Diagram of the subdivision for Lakeview

EXHIBIT H

Estimated Fair Share of Eligible Facility Costs
(for both water and sewer)

EXHIBIT I

Grant and Agreement Irrigation Easement, District

EXHIBIT J

Grant and Agreement Irrigation Easement, Landowners

EXHIBIT K

Letter of Acknowledgment and Consent

EXHIBIT L

Form of Assignment and Assumption

EXHIBIT M

RMCSD Bundled Fee Summary

EXHIBIT N

Memorandum of Financing and Services Agreement

Exhibit N

Recording requested by,
and when recorded return to:

General Manager
Rancho Murieta Community
Services District
15160 Jackson Road
Rancho Murieta, CA 95683

MEMORANDUM OF FINANCING AND SERVICES AGREEMENT

THIS MEMORANDUM OF FINANCING AND SERVICES AGREEMENT ("**Memorandum**") is executed as of _____ ___, 2013, by and among the Rancho Murieta Community Services District ("**District**"), a community services district organized under the laws of the State of California, CSGF Rancho Murieta, LLC (**"Residences East"**), a Delaware limited liability company; BBC Murieta Land, LLC ("**Residences West**"), a California limited liability company; Murieta Retreats, LLC ("**Retreats**"), a California limited liability company; Elk Grove Bilby Partners, LP ("**Lakeview**") a California limited partnership; and PCCP CSGF RB PORTFOLIO, LLC ("**Riverview**"), a Delaware limited liability company Residences East, Residences West, Retreats, Riverview, and Lakeview are sometimes individually referred to herein as a "**Landowner**" and sometimes collectively referenced herein as "**Landowners.**"

1. The Landowners entered into that certain Financing and Services Agreement dated as of June __, 2013 (the "**Financing and Services Agreement**") related to certain real property located within the boundaries of the District, County of Sacramento, State of California, more particularly described on Exhibits A through G, inclusive, attached hereto (**"Properties"**), which is incorporated herein by reference as if fully set forth herein. The Financing and Services Agreement was approved by the District's Board of Directors on _____, 2013. All capitalized terms not defined herein shall have the meanings ascribed to them set forth in the Financing and Services Agreement.

2. In order to obtain will serve letters from the District for the Properties, the Landowners have voluntarily entered into a Financing and Services Agreement which provides for certain funding for the reconstruction and expansion of a water treatment plant and recycled water disposal facilities, and the payment of certain other fees and reimbursements. The Financing and Services Agreement, among other things, specifically provides for: (i) advance funding for design and construction of certain water and sewer facilities by the Landowners who are then ready to proceed with development of their Property (**"Participating Landowners"**); (ii) reimbursement from certain of the Landowners for their proportionate share of such costs

incurred by the District and/or Participating Landowners prior to approval of each final subdivision map for their Property ("**Reimbursing Landowners**") as more particularly set forth therein; and (iii) funding of certain processing costs and certain other fees and reimbursements as set forth therein. The Financing and Services Agreement provides that District shall not provide District's consent to approval of a final map for any Property, and will not provide any water or sewer service to any Property, unless and until the Fund Manager (as defined in the Financing and Services Agreement) has sent written confirmation of payment in full of all amounts due from such Property pursuant to the terms of the Financing and Services Agreement. For any Properties not requiring a final map, any provisions therein for District to withhold consent to a final map shall mean District shall withhold consent to any other final development approval and/or water and sewer service to such Property unless and until the Fund Manager provides the written confirmation of payment in full of all amounts due from such Property pursuant to the Financing and Services Agreement. In the event any amounts due under the Financing and Services Agreement are not paid to District when due, in addition to all other rights and remedies of the District as provided in the Financing and Services Agreement, District may withhold water and sewer service from such Property.

3. The rights and obligations established under the Financing and Services Agreement constitute covenants that run with the land, in accordance with Section 1468 of the California Civil Code, and shall be binding upon those persons or entities having any right, title, or interest in and to the Properties respectively, and their respective heirs, successors and assigns.

4. The parties desire to make the existence of the Financing and Services Agreement a matter of public record and have, therefore, executed this Memorandum and caused it to be recorded in the Official Records of Sacramento County, California. However, in the event of any inconsistency between the terms of the Financing and Services Agreement and the terms of this Memorandum, the terms of the Financing and Services Agreement shall control and govern the rights and duties of the Parties.

5. This Memorandum may be executed in one or more counterparts, each of which shall, for all purposes, be deemed an original and all such counterparts, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have signed this Memorandum as of the date first above written.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

By: _____
Gerald E. Pasek,
President, Board of Directors

"DISTRICT"

_____, 2013

BBC MURIETA LAND LLC,
a California limited liability company

By: BBC LONGVIEW, LLC, an Illinois limited liability company, its Manager

By: LINCOLNSHIRE ASSOCIATES II, LTD., a Texas limited partnership, its Manager

By: DDC 2009 IRREVOCABLE TRUST, its General Partner

By: _____
David D. Colburn, Trustee

"Residences West"

_____, 2013

MURIETA RETREATS, LLC,
a California limited liability company,
Member

By: The Robert J. Cassano and Sandra L. Cassano Revocable Living Trust, its Manager Member

By:_____
Name: Robert J. Cassano
Title: Co-Trustee

"RETREATS"

_____, 2013

PCCP CSGF RB PORTFOLIO, LLC a Delaware limited liability company

By: _____

Title: _____

" RIVERVIEW"

_____, 2013

ELK GROVE BILBY PARTNERS, L.P., a California limited partnership

By: VPI 2004, Inc., a California corporation, its General Partner

By: _____

Title: _____

" LAKEVIEW"

EXHIBITS A-G TO MEMORANDUM OF AGREEMENT

LEGAL DESCRIPTION OF PROPERTIES

EXHIBIT A-1

Legal Description of the Retreats

Exhibit A-1

Title No. 08-48400155-C-RV
Locate No. CACTI7706-7706-4484-0048400155

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE unincorporated area of the COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE :

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA IN SECTION 34, TOWNSHIP 8 NORTH, RANGE 8 EAST, MOUNT DIABLO MERIDIAN, BEING A PORTION OF PARCEL 10 AS SHOWN ON THAT PARTICULAR PARCEL MAP FILED IN BOOK 117 OF PARCEL MAPS AT PAGE 15, SACRAMENTO COUNTY RECORDS , AND A PORTION OF PARCEL 6 OF THAT PARTICULAR PARCEL MAP FILED IN BOOK 12 OF PARCEL MAPS, AT PAGE 47 SAID COUNTY RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: :

BEGINNING AT THE NORTHWESTERLY CORNER OF SAID PARCEL 10, THENCE, FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY BOUNDARY LINE OF SAID PARCEL 10 THE FOLLOWING 3 COURSES:

1. SOUTH 86°54'59" EAST 128.01 FEET; THENCE,

2. TO THE LEFT, ALONG THE ARC OF AN 845.00 FEET RADIUS, TANGENT, CURVE BEING CONCAVE TO THE NORTH, HAVING A CENTRAL ANGLE OF 37°22'47", AND ARC LENGTH OF 551.28 FEET; THENCE ,

3. TO THE RIGHT, ALONG THE ARC OF A 25.00 FEET RADIUS, TANGENT, CURVE BEING CONCAVE TO THE SOUTH HAVING A CENTRAL ANGLE OF 87°06'07", AND AN ARC LENGTH OF 38.01 FEET; THENCE LEAVING SAID NORTHERLY BOUNDARY ALONG THE EASTERLY BOUNDARY OF SAID PARCEL 10 TO THE FOLLOWING 4 COURSES:

1. SOUTH 37°11'39" EAST 22.70 FEET, THENCE,

2. TO THE RIGHT, ALONG THE ARC OF A 261.00 FEET RADIUS, TANGENT, CURVE, HAVING A CENTRAL ANGLE OF 61°13'29" AND ARC LENGTH OF 278.90 FEET; THENCE,

3. SOUTH 24°01'50" WEST 399.71 FEET; THENCE,

4. TO THE LEFT ALONG THE ARC OF A 329.00 FEET RADIUS, TANGENT, CURVE CONCAVE TO THE EAST, HAVING A CENTRAL ANGLE OF 100°27'45", AND AN ARC LENGTH OF 576.87 FEET; THENCE, LEAVING SAID EASTERLY LINE ALONG THE MOST SOUTHERLY LINE OF SAID PARCEL 10 THE FOLLOWING 8 COURSES:

1. SOUTH 13°34'05" WEST 55.00 FEET; THENCE,
2. SOUTH 29°50'17" EAST 136.00 FEET; THENCE,
3. SOUTH 71°18'38" WEST 36.31 FEET; THENCE ,
4. SOUTH 63°50'54" WEST 187.82 FEET; THENCE,
5. SOUTH 65°50'42" WEST 282.07 FEET; THENCE,
6. SOUTH 79°40'32" WEST 154.22 FEET; THENCE,
7. SOUTH 70°01'52" WEST 112.67 FEET; THENCE,
8. SOUTH 81°19'26" WEST 121.46 FEET; THENCE,

LEAVING SAID SOUTHERLY LINE ALONG THE FOLLOWING 3 COURSES:

1. NORTH 24°03'09" WEST 159.59 FEET TO A POINT ON THE LINE COMMON TO SAID PARCEL 6 AND SAID PARCEL 10; THENCE,
2. LEAVING SAID COMMON LINE, CONTINUING NORTH 24°03'09" WEST 32.50 FEET; THENCE
3. NORTH 49°20'16" EAST 147.67 TO A POINT ON SAID COMMON LINE, THENCE

ALONG SAID COMMON LINE THE FOLLOWING 13 COURSES:

1. NORTH 67°59'08" EAST 117.99 FEET; THENCE,
2. NORTH 60°31'38" EAST 155.96 FEET; THENCE,

3. NORTH 52°04'29" EAST 176.57 FEET; THENCE,
4. NORTH 19°10'45" EAST 92.02 FEET; THENCE,
5. NORTH 64°15'05" EAST 123.20 FEET; THENCE,
6. TO THE RIGHT, ALONG THE ARC OF A 380.00 FEET RADIUS, NON-TANGENT, CURVE BEING CONCAVE TO THE EAST, HAVING A RADIAL BEARING OF SOUTH 64°15'05" WEST, A CENTRAL ANGLE OF 49°46'59" AND AN ARC LENGTH OF 330.17 FEET; THENCE,
7. NORTH 24°02'04" EAST 171.86 FEET; THENCE,
8. NORTH 85°10'01" WEST 65.36 FEET; THENCE,
9. SOUTH 66°43'30" WEST 53.09 FEET; THENCE,
10. SOUTH 32°25'23" WEST 451.52 FEET; THENCE,
11. SOUTH 44°46'29" WEST 230.18 FEET; THENCE,
12. SOUTH 50°40'45" WEST 154.24 FEET; THENCE,
13. SOUTH 64°23'20" WEST 120.65 FEET, THENCE,

LEAVING SAID COMMON LINE ALONG THE FOLLOWING 2 COURSES:

1. NORTH 82°02'29" WEST 81.36 FEET; THENCE,
2. SOUTH 58°18'56" WEST 205.24 FEET TO A POINT ON SAID COMMON LINE; THENCE,

ALONG SAID COMMON LINE THE FOLLOWING 6 COURSES:

1. NORTH 51°03'49" WEST 82.50 FEET; THENCE,
2. NORTH 05°33'11" EAST 339.19 FEET; THENCE,
3. NORTH 24°00'11" WEST 170.24 FEET; THENCE,
4. NORTH 34°37'45" WEST 224.50 FEET; THENCE,
5. NORTH 22°03'18" EAST 209.13 FEET; THENCE,
6. NORTH 32°53'06" EAST 224.26 FEET TO THE MOST NORTHERLY CORNER OF SAID PARCEL 6; THENCE ,

CONTINUING ALONG THE WESTERLY LINE OF SAID PARCEL 10, NORTH 32°53'06" EAST 11.53 FEET TO THE POINT OF BEGINNING, AS DESCRIBED IN THE LOT LINE ADJUSTMENT, RESOLUTION NO. 01-BLS-0741 RECORDED MAY 21, 2003, IN BOOK 20030521, PAGE 2358.

ASSESSOR'S PARCEL NUMBER: 073-0790-044-0000

PARCEL TWO :

PARCEL 2, AS SHOWN ON THAT CERTAIN PARCEL MAP FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON April 29, 1999, IN BOOK 154 OF PARCEL MAPS, AT PAGE 3.

ASSESSOR'S PARCEL NUMBER: 073-0190-099-0000

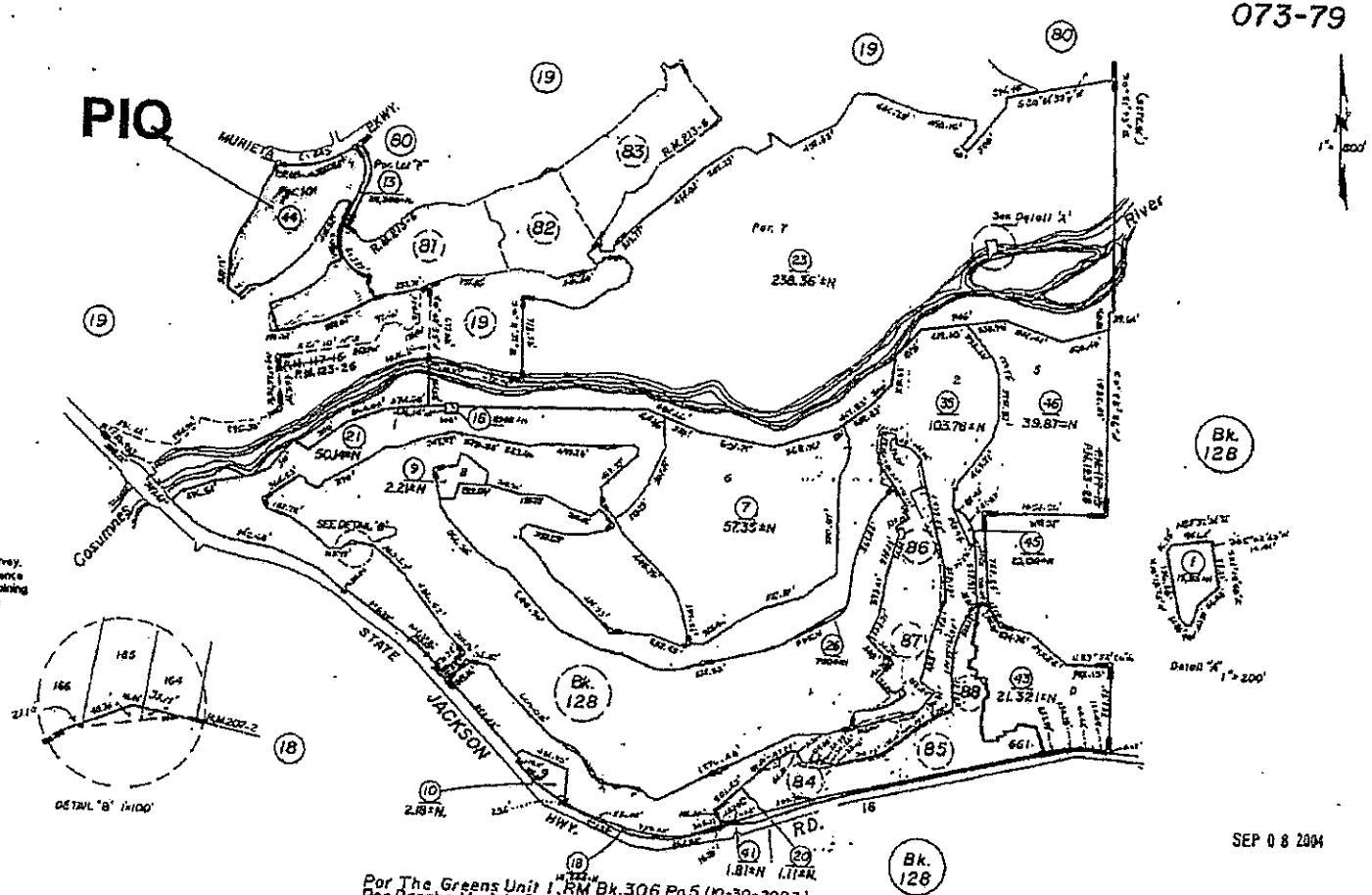
PARCEL THREE :

NON-EXCLUSIVE PERPETUAL EASEMENTS FOR VEHICULAR, BICYCLE AND PEDESTRIAN INGRESS AND EGRESS AS CONTAINED IN THAT CERTAIN DOCUMENT ENTITLED "GRANT OF EASEMENTS AGREEMENT", RECORDED September 24, 2004, IN BOOK 20040924 PAGE 1250, OFFICIAL RECORDS.

POR. T.7N. & T.8N., R. 8E., M.D.B.& M.

073-79

PIQ

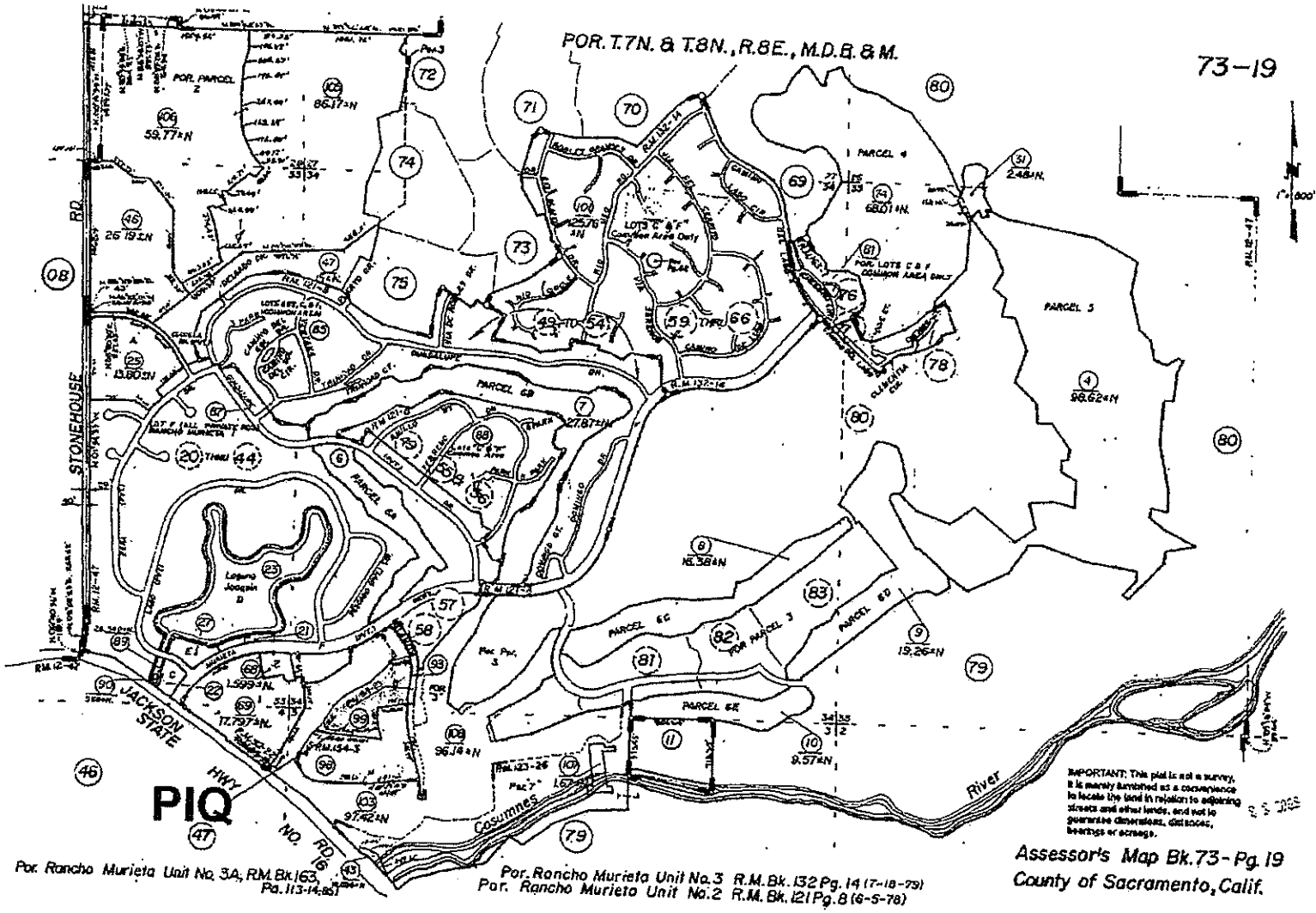


IMPORTANT: This plat is not a survey. It is merely furnished as a convenience to locate the land in relation to adjoining streets and other lands, and not to guarantee dimensions, distances, bearings or acreage.

SEP 0 8 2004

Por The Greens Unit 1, R.M. Bk. 306 Pg 5 (10-30-2002)
Por. Rancho Murieta South Unit 2B, R.M. Bk. 207, Pg. 2 (7-11-90)
Por. Rancho Murieta Unit No. 6, R.M. Bk. 213, Pg. 6 (1-9-91)

Assessor's Map Bk. 073, Pg. 79
County of Sacramento, Calif.



Por. Rancho Murieta Unit No. 3A, RM. Bk. 163, Pg. 113-14-85

Por. Rancho Murieta Unit No. 3 R.M. Bk. 132 Pg. 14 (7-18-79)
Por. Rancho Murieta Unit No. 2 R.M. Bk. 121 Pg. 8 (6-5-78)

Assessor's Map Bk. 73 - Pg. 19
County of Sacramento, Calif.

EXHIBIT A-2

Diagram of the subdivision for the Retreats

EXHIBIT A-2

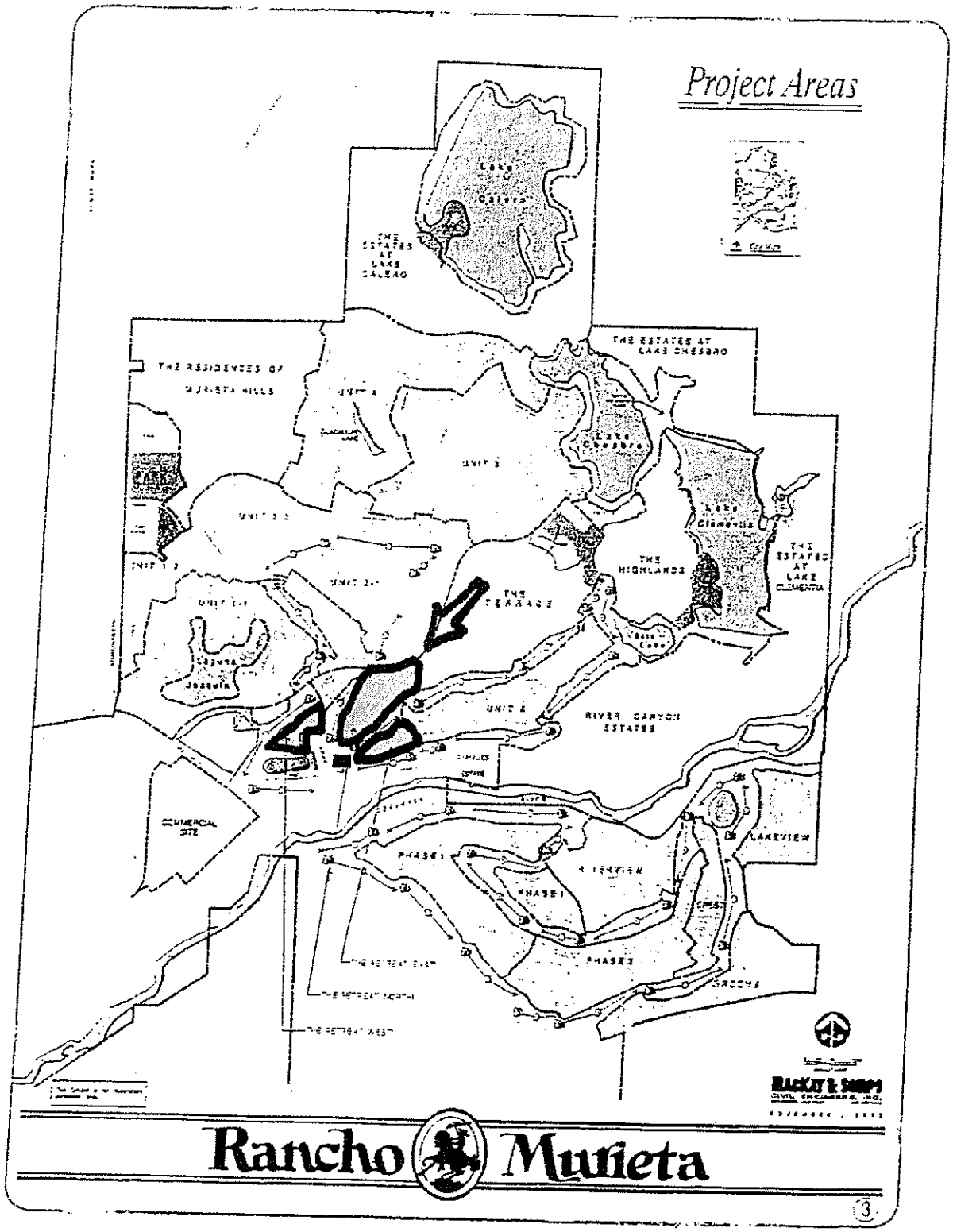

Project Areas
THE ESTATES AT LAKE CHESBRO
THE RESIDENCES OF MURIETA HILLS
THE ESTATES AT LAKE CLEMENTIA
THE HIGHLANDS
THE TERRACE
RIVER CANYON ESTATES
LAKEVIEW
COMMERCIAL SITE
PHASE I
PHASE II
PHASE III
Rancho Murieta
3

EXHIBIT B-1

Legal Description of the Residences of Murieta Hills - East

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Sacramento, State of California, described as follows:

PARCEL ONE:

PARCEL TEN AS DESCRIBED IN BOOK 20010905 AT PAGE 245 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY ALSO BEING A PORTION OF PARCEL 3 AS SHOWN AND DESCRIBED IN THAT CERTAIN "PARCEL MAP OF RANCHO MURIETA" RECORDED IN BOOK 12 OF PARCEL MAPS AT PAGE 47 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY, STATE OF CALIFORNIA, TOGETHER WITH A PORTION OF PARCEL ELEVEN ALSO DESCRIBED IN BOOK 20010905 AT PAGE 245, OFFICIAL RECORDS OF SACRAMENTO COUNTY, AND DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE SOUTH LINE OF THE NORTH HALF OF THE SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 8 NORTH, RANGE 8 EAST, MOUNT DIABLO MERIDIAN, THENCE, NORTH 89°36'16" EAST, A DISTANCE OF 1559.56 FEET ALONG SAID SOUTH LINE TO THE POINT OF BEGINNING OF THE PARCEL TO BE DESCRIBED;

THENCE, FROM THE POINT OF BEGINNING, NORTH 89°36'16" EAST, A DISTANCE OF 516.32 FEET ALONG SAID SOUTH LINE;

THENCE, NORTH 89°37'01" EAST, A DISTANCE OF 1021.73 FEET TO A POINT ON THE WESTERLY BOUNDARY LINE OF RANCHO MURIETA UNIT NO. 4 AS RECORDED IN BOOK 142 OF MAPS AT PAGE 9 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;

THENCE, SOUTH 25°46'45" WEST, A DISTANCE OF 183.71 FEET ALONG SAID LINE;

THENCE, SOUTH 54°23'16" EAST, A DISTANCE OF 127.38 FEET ALONG SAID LINE;

THENCE, SOUTH 09°13'14" WEST, A DISTANCE OF 531.50 FEET ALONG SAID LINE;

THENCE, SOUTH 87°25'09" WEST, A DISTANCE OF 56.39 FEET ALONG SAID LINE;

THENCE, SOUTH 64°22'02" WEST, A DISTANCE OF 172.38 FEET ALONG SAID LINE;

THENCE, SOUTH 08°58'59" EAST, A DISTANCE OF 303.89 FEET ALONG SAID LINE;

THENCE, SOUTH 22°24'47" WEST, A DISTANCE OF 354.65 FEET ALONG SAID LINE;

THENCE, SOUTH 05°00'46" WEST, A DISTANCE OF 290.35 FEET ALONG SAID LINE;

THENCE, SOUTH 76°44'27" EAST, A DISTANCE OF 160.04 FEET ALONG LINE TO THE ARC OF A NON-TANGENT CURVE ON THE WESTERLY RIGHT-OF-WAY LINE OF PUERTO DRIVE HAVING A RADIAL BEARING OF NORTH 87°15'47" WEST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 37.54 FEET TO THE SOUTHERLY LINE OF SAID PARCEL 2, SAID CURVE HAS A CENTRAL ANGLE OF 01°21'38" AND RADIUS OF 1581.00 FEET;

THENCE, SOUTH 50°45'21" WEST, A DISTANCE OF 468.11 FEET ALONG SAID SOUTHERLY LINE;

THENCE, SOUTH 87°02'57" WEST, A DISTANCE OF 971.31 FEET ALONG SAID SOUTHERLY LINE;

THENCE, SOUTH 49°45'01" WEST, A DISTANCE OF 635.49 FEET ALONG SAID SOUTHERLY LINE TO THE INTERSECTION WITH THE EASTERLY LINE OF A PARCEL LAND DESCRIBED IN BOOK 800430 AT PAGE 561 AS RECORDED IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;

THENCE, NORTH 27°56'32" WEST, A DISTANCE OF 150.83 FEET ALONG SAID LINE;

THENCE, NORTH 59°20'09" EAST, A DISTANCE OF 447.25 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIAL BEARING OF NORTH 59°20'09" EAST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 135.24 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 28°23'01" AND A RADIUS OF 273.00 FEET;

THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 379.47 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 26°17'26" AND A RADIUS OF 827.00 FEET;

THENCE, NORTH 61°25'44" EAST, A DISTANCE OF 46.00 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIUS BEARING OF NORTH 61°25'44" EAST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 30.53 FEET, SAID CURVE HAS A CENTRAL ANGLE 87°27'53" AND A RADIUS OF 20.00 FEET;

THENCE, NORTH 63°57'51" EAST, A DISTANCE OF 21.34 FEET;

THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 82.85 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 17°36'53" AND A RADIUS OF 269.50 FEET;

THENCE, NORTH 21°54'13" WEST, A DISTANCE OF 138.65 FEET;

THENCE, NORTH 79°24'23" EAST, A DISTANCE 77.49 FEET;

THENCE, NORTH 50°37'32" EAST, A DISTANCE OF 219.71 FEET;

THENCE, NORTH 42°10'28" EAST, A DISTANCE OF 35.00 FEET TO THE ARC OF NON-TANGENT CURVE HAVING A RADIAL BEARING OF NORTH 42°10'28" EAST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 45.38 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 14°24'19" AND RADIUS OF 180.50 FEET;

THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 29.76 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 85°15'33" AND RADIUS OF 20.00 FEET;

THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 92.46 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 12°37'44" AND RADIUS OF 419.50 FEET;

THENCE, NORTH 37°19'46" WEST, A DISTANCE OF 93.41 FEET;

THENCE, NORTH 37°36'32" WEST, A DISTANCE OF 89.77 FEET;

THENCE, NORTH 25°20'31" WEST, A DISTANCE OF 172.34 FEET;

THENCE, NORTH 11°54'26" WEST, A DISTANCE OF 162.29 FEET;

THENCE, NORTH 00°10'10" EAST, A DISTANCE OF 267.49 FEET;

THENCE, NORTH 02°52'00" EAST, A DISTANCE OF 193.69 FEET TO THE ARC OF A NON-

TANGENT CURVE HAVING A RADIAL BEARING OF SOUTH 14°06'29" WEST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 5.57 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 00°39'49" AND RADIUS OF 481.00 FEET;

THENCE, NORTH 13°26'40" EAST, A DISTANCE OF 205.27 FEET;

THENCE, NORTH 00°23'44" WEST, A DISTANCE OF 196.47 FEET TO THE POINT OF BEGINNING;

AS ALSO DESCRIBED AS NEW PARCEL B IN THAT CERTAIN LOT LINE ADJUSTMENT RECORDED JULY 12, 2004, IN BOOK 20040712 PAGE 162, OFFICIAL RECORDS.

PARCEL TWO:

REAL PROPERTY RIGHTS, INCLUDING NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS, AS CONTAINED IN THE SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED SEPTEMBER 26, 1996, IN BOOK 19960926, ,PAGE 1353 AND RE-RECORDED FEBRUARY 10, 1998, IN BOOK 19980210, PAGE 0773, AS AMENDED BY THE FIRST AMENDMENT OF SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED FEBRUARY 13, 1998, IN BOOK 19980213, PAGE 0883 AND CONFIRMED IN THAT CERTAIN "MUTUAL BENEFIT AGREEMENT" RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1249, OFFICIAL RECORDS.

PARCEL THREE:

NONEXCLUSIVE PERPETUAL EASEMENTS FOR VEHICULAR, BICYCLE AND PEDESTRIAN INGRESS AND EGRESS AS CONTAINED IN THAT CERTAIN DOCUMENT ENTITLED "GRANT OF EASEMENTS AGREEMENT", RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1250, OFFICIAL RECORDS.

APN: 073-0190-047-0000 AND 073-0190-105-0000

EXHIBIT B-2

Diagram of the subdivision for the Residences of Murieta Hills - East

EXHIBIT B-2

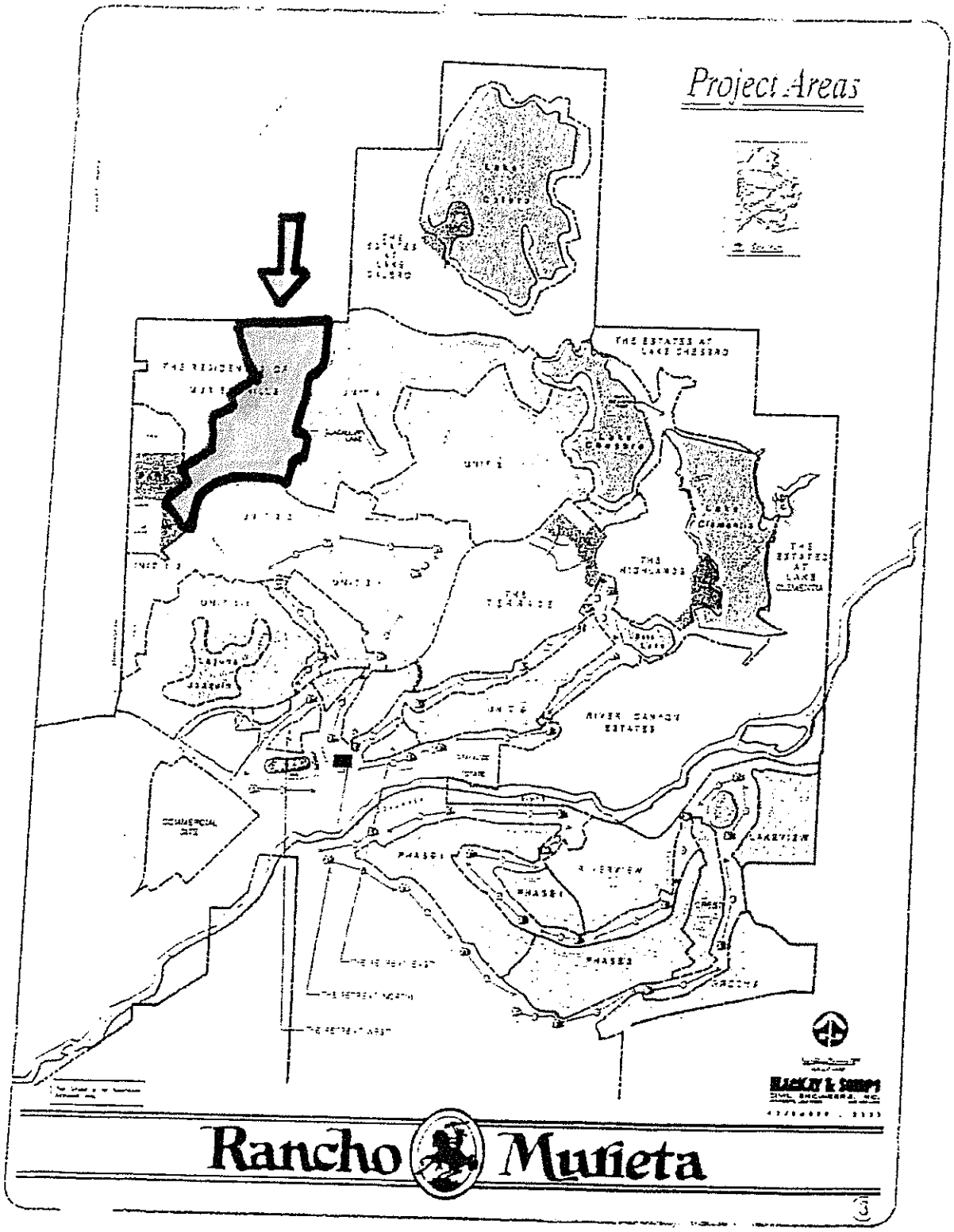

Project Areas
THE ESTATES AT LAKE CHESBRO
THE HIGHLANDS
THE ESTATES AT LAKE CLEMENTIA
RIVER CANYON ESTATES
COMMERCIAL SITE
LAKEVIEW
PHASE I
PHASE II
PHASE III
Rancho Murieta

EXHIBIT C-1

Legal Description of the Residences of Murieta Hills – West

Exhibit C-1

PARCEL ONE:
PARCEL ELEVEN AS DESCRIBED IN BOOK 20010905 AT PAGE 245 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY ALSO BEING A PORTION OF PARCEL 2 AS SHOWN AND DESCRIBED IN THAT CERTAIN "PARCEL MAP OF RANCHO MURIETA" RECORDED IN BOOK 12 OF PARCEL MAPS AT PAGE 47 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY, STATE OF CALIFORNIA, EXCEPTING THEREFROM THE FOLLOWING DESCRIBED PARCEL:

COMMENCING AT THE INTERSECTION OF THE SOUTH LINE OF THE NORTH HALF OF THE SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 8 NORTH, RANGE 8 EAST, MOUNT DIABLO MERIDIAN, THENCE NORTH 89° 36'16" EAST, A DISTANCE OF 1559.56 FEET ALONG SAID SOUTH LINE TO THE POINT OF BEGINNING OF THE PARCEL TO BE DESCRIBED;THENCE, FROM THE POINT OF BEGINNING, NORTH 89°36'16" EAST, A DISTANCE OF 516.32 FEET ALONG SAID SOUTH LINE;THENCE, NORTH 89°37'01" EAST, A DISTANCE OF 1021.73 FEET TO A POINT ON THE WESTERLY BOUNDARY LINE OF RANCHO MURIETA UNIT NO. 4 AS RECORDED IN BOOK 142 OF MAPS AT PAGE 9 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;THENCE, SOUTH 25° 46'45" WEST, A DISTANCE OF 183.71 FEET ALONG SAID LINE;THENCE, SOUTH 54°23'16" EAST, A DISTANCE OF 127.38 FEET ALONG SAID LINE;THENCE, SOUTH 09°13'14" WEST, A DISTANCE OF 531.50 FEET ALONG SAID LINE;THENCE, SOUTH 87°25'09" WEST, A DISTANCE OF 56.39 FEET ALONG SAID LINE;THENCE, SOUTH 64°22'02" WEST, A DISTANCE OF 172.38 FEET ALONG SAID LINE;THENCE, SOUTH 08°58'59" EAST, A DISTANCE OF 303.89 FEET ALONG SAID LINE;THENCE, SOUTH 22°24'47" WEST, A DISTANCE OF 354.65 FEET ALONG SAID LINE;THENCE, SOUTH 05°00'46" WEST, A DISTANCE OF 290.35 FEET ALONG SAID LINE;THENCE, SOUTH 76°44'27" EAST, A DISTANCE OF 160.04 FEET ALONG SAID LINE TO THE ARC OF A NON-TANGENT CURVE ON THE WESTERLY RIGHT-OF-WAY LINE OF PUERTO DRIVE HAVING A RADIAL BEARING OF NORTH 87°15'47" WEST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 37.54 FEET TO THE SOUTHERLY LINE OF SAID PARCEL 2, SAID CURVE HAS A CENTRAL ANGLE OF 01°21'38" AND A RADIUS OF 1581.00 FEET;THENCE, SOUTH 50°45'21" WEST, A DISTANCE OF 468.11 FEET ALONG SAID SOUTHERLY LINE;THENCE, SOUTH 87°02'57" WEST, A DISTANCE OF 971.31 FEET ALONG SAID SOUTHERLY LINE;THENCE, SOUTH 49°45'01" WEST, A DISTANCE OF 635.49 FEET ALONG SAID SOUTHERLY LINE TO THE INTERSECTION WITH THE EASTERLY LINE OF A PARCEL LAND DESCRIBED IN BOOK 800430 AT PAGE 561 AS RECORDED IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;THENCE, NORTH 27° 56'32" WEST, A DISTANCE OF 150.83 FEET ALONG SAID LINE;THENCE, NORTH 59°20'09" EAST, A DISTANCE OF 447.25 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING RADIAL BEARING OF NORTH 59°20'09" EAST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 135.24 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 28°23'01" AND A RADIUS OF 273.00 FEET;THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 379.47 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 26°17'26" AND A RADIUS OF 827.00 FEET;THENCE, NORTH 61° 25'44" EAST, A DISTANCE OF 46.00 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIUS BEARING OF NORTH 61°25'44" EAST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 30.53 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 87°27'53" AND A RADIUS OF 20.00 FEET;THENCE, NORTH 63°57'51" EAST, A DISTANCE OF 21.34 FEET;THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 82.85 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 17°36'53" AND A RADIUS OF 269.50 FEET;THENCE, NORTH 21°54'13" WEST, A DISTANCE OF 138.65 FEET;THENCE, NORTH 79°24'23" EAST, A DISTANCE OF 77.49 FEET;THENCE, NORTH 50°37'32" EAST, A DISTANCE OF 219.71 FEET;THENCE, NORTH 42°10'28" EAST, A DISTANCE OF 35.00 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIAL BEARING OF NORTH 42° 10'28" EAST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 45.38 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 14° 24'19" AND RADIUS OF 180.50 FEET;THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 29.76 FEET, SAID CURVE HAS A

CENTRAL ANGLE OF 85°15'33" AND RADIUS OF 20.00 FEET;THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 92.46 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 12°37'44" AND RADIUS OF 419.50 FEET;THENCE, NORTH 37°19'46" WEST, A DISTANCE OF 93.41 FEET;THENCE, NORTH 37°36'32" WEST, A DISTANCE OF 89.77 FEET;THENCE, NORTH 25°20'31" WEST, A DISTANCE OF 172.34 FEET;THENCE, NORTH 11°54'26" WEST, A DISTANCE OF 162.29 FEET;THENCE, NORTH 00°10'10" EAST, A DISTANCE OF 267.49 FEET;THENCE, NORTH 02°52'00" EAST, A DISTANCE OF 193.69 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIAL BEARING OF SOUTH 14°06'29" WEST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 5.57 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 00°39'49" AND RADIUS OF 481.00 FEET;THENCE, NORTH 13°26'40" EAST, A DISTANCE OF 205.27 FEET;THENCE, NORTH 00°23'44" WEST, A DISTANCE OF 196.47 FEET TO THE POINT OF BEGINNING;AS ALSO DESCRIBED AS NEW PARCEL A IN THAT CERTAIN LOT LINE ADJUSTMENT RECORDED JULY 12, 2004, IN BOOK 20040712 PAGE 162 OFFICIAL RECORDS.

PARCEL TWO:
REAL PROPERTY RIGHTS, INCLUDING NON-EXCLUSIVE EASEMENTS FOR INGRESS, EGRESS AND ACCESS, AS CONTAINED IN THE SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED SEPTEMBER 26, 1996, INSTRUMENT NO. 199609261353 AND RERECORDED FEBRUARY 10, 1998, INSTRUMENT NO. 199802100773, AS AMENDED BY THE FIRST AMENDMENT OF SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED FEBRUARY 13, 1998, INSTRUMENT NO. 199802130883 AND CONFIRMED IN THAT CERTAIN "MUTUAL BENEFIT AGREEMENT" RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1249, OFFICIAL RECORDS.

PARCEL THREE:
NONEXCLUSIVE PERPETUAL EASEMENTS FOR VEHICULAR, BICYCLE AND PEDESTRIAN INGRESS AND EGRESS AS CONTAINED IN THAT CERTAIN DOCUMENT ENTITLED "GRANT OF EASEMENTS AGREEMENT", RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1250, OFFICIAL RECORDS.

EXHIBIT C-2

Diagram of the subdivision for the Residences of Murieta Hills – West

EXHIBIT C-2

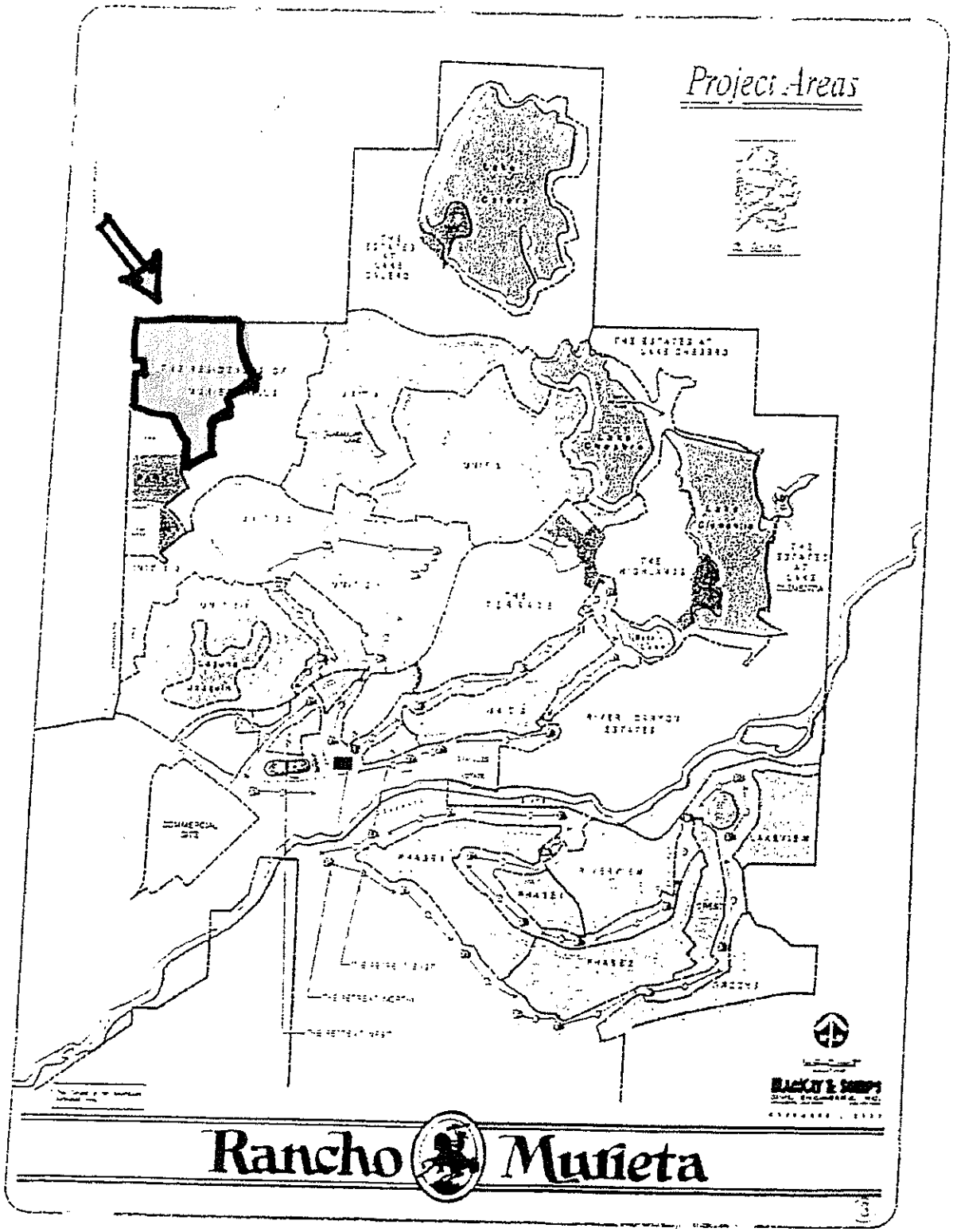


EXHIBIT –D-1

[Intentionally Omitted]

EXHIBIT D-2

[Intentionally Omitted]

EXHIBIT –E-1

[Intentionally Omitted]

EXHIBIT E-2

[Intentionally Omitted]

EXHIBIT F-1

Legal Description of Riverview

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL ONE:

THAT REAL PROPERTY SITUATE IN THE UNINCORPORATED AREA, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL 6, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "BEING A DIVISION OF PARCEL 7 AND INCLUDING A PORTION OF PARCEL 3 PER BOOK 12 OF PARCEL MAPS, PAGE 47, SACRAMENTO COUNTY RECORDS", FILED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON FEBRUARY 28, 1990 IN BOOK 117 OF PARCEL MAPS, AT PAGE 15.

PARCEL TWO:

A NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS OF VEHICULAR AND PEDESTRIAN TRAFFIC, WHICH EASEMENT SHALL BE APPURTENANT TO THAT CERTAIN PARCEL MAP RECORDED FEBRUARY 28, 1990, IN BOOK 117 OF PARCEL MAPS, PAGE NO. 15, OVER AND ACROSS THE LAND OF THE GRANTOR BETWEEN SAID PARCEL MAP AND A PUBLIC ROAD, STREET, OR HIGHWAY. THE FINAL ALIGNMENT OF SAID EASEMENT SHALL BE CONSISTENT WITH THE DEDICATION OF PUBLIC AND/OR PRIVATE ROADS ON ANY FINAL PARCEL OR SUBDIVISION MAP APPROVED BY THE COUNTY OF SACRAMENTO AND RECORDED AFTER THE DATE THIS EASEMENT DEED IS RECORDED. IF THE PARCEL OR SUBDIVISION MAP CREATING THE PUBLIC AND/OR PRIVATE ROADS IS NOT RECORDED WITHIN A REASONABLE TIME, THE EASEMENTS SHALL BE SPECIFICALLY LOCATED AS SET FORTH ON THE ROAD CIRCULATION PLAN PREPARED BY THE GRANTOR AND FILED OR TO BE FILED WITH THE COUNTY OF SACRAMENTO. THE GRANTOR AND GRANTEE, OR THEIR SUCCESSORS, SHALL JOINT IN EXECUTING ANY DOCUMENTS NECESSARY TO SPECIFICALLY DESCRIBED THE LOCATION OF THE EASEMENTS.

APN: 073-0790-007

EXHIBIT F-2

Diagram of the subdivision for Riverview

EXHIBIT F-2

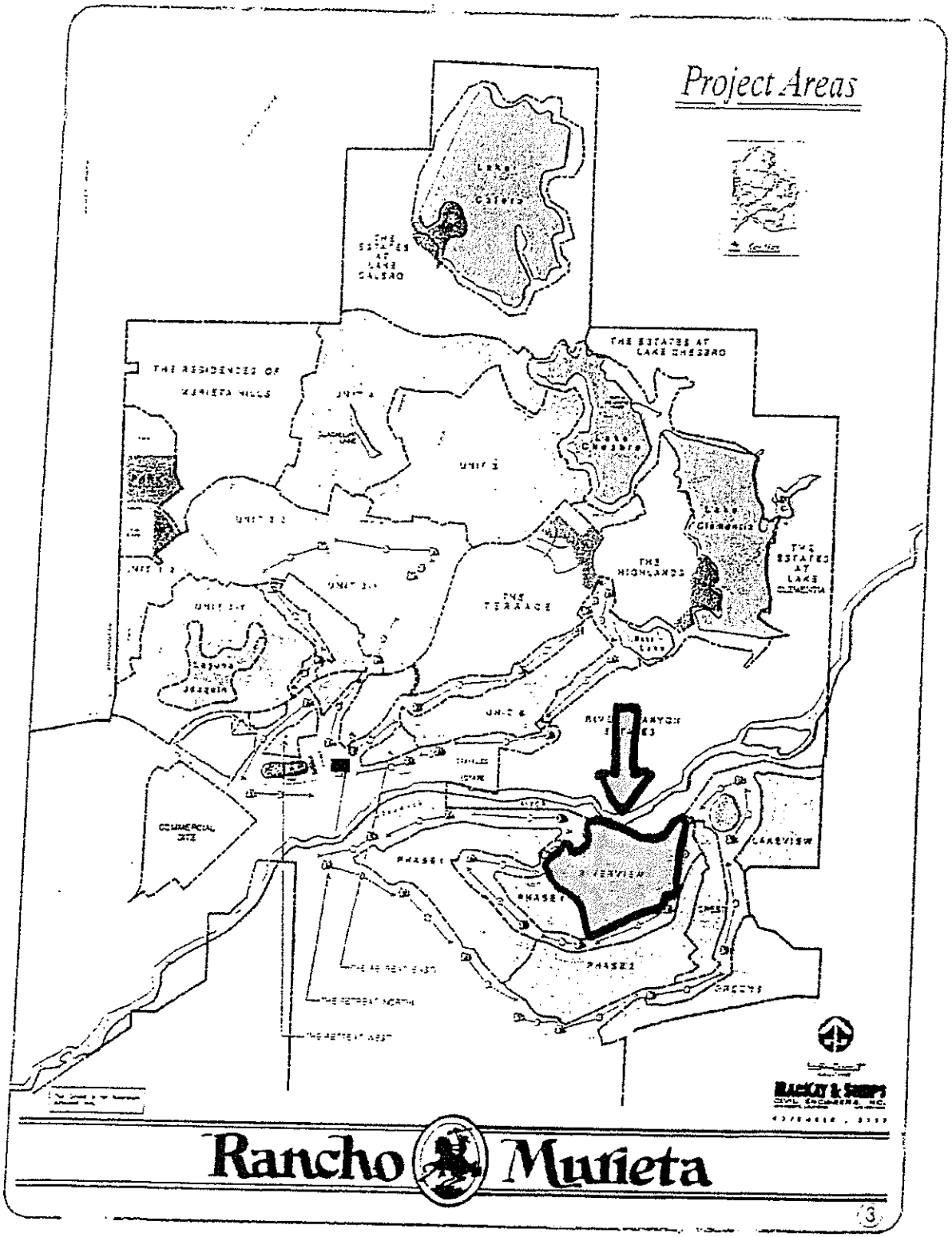

Project Areas
THE RESIDENCES OF MURIETA HILLS
THE ESTATES AT LAKE CALEBO
THE ESTATES AT LAKE CHESBRO
THE HIGHLANDS
THE ESTATES AT LAKE CLEMENTIA
THE TERRACE
COMMERCIAL SITE
LAKEVIEW
PHASE 1
PHASE 2
PHASE 3
CREEKS
Rancho Murieta
3

EXHIBIT G-1

Legal Description of Lakeview

EXHIBIT "A"
LEGAL DESCRIPTION

Parcel 5 as shown on that certain Parcel Map entitled "Being a division of Parcel 7 and including a portion of Parcel 3 per Book 12 of Parcel Maps, Page 47, Sacramento County Records", filed in the office of the County Recorder of Sacramento County, California on February 28, 1990 in Book 117 of Parcel Maps, at Page 15 as modified by the Amended Parcel Map filed April 3, 1991 in Book 123 of Parcel Maps at Page 26.

EXCEPTING THEREFROM:

Commencing at the most southwesterly corner of Parcel 5 as shown in said Book 123 of Parcel Maps at Page 26, also being a common line with Parcel 2 as shown in said Book 123 of Parcel Maps at Page 26 and on the westerly line of a road easement as described in Book 20011025 at Page 1161 in the Official records of the County of Sacramento;

Thence, North 02°54'50" West, a distance of 522.90 feet along said common line between Parcel 2 and Parcel 5 and the westerly line of said road easement to the Point of Beginning of the easement to be described;

Thence, from the Point of Beginning, South 85°31'02" West, a distance of 43.50 feet along said common line between Parcel 2 and Parcel 5;

Thence, North 25°07'21" West, a distance of 348.94 feet along said common line between Parcel 2 and Parcel 5 to a point on the westerly line of said road easement;

Thence, South 60°01'20" east, a distance of 88.05 feet along said the westerly line of said road easement to a point of curvature of a tangent curve;

Thence, on the arc of a curve to the right a distance of 221.27 feet along the westerly line of said road easement, said curve has central angle of 57°06'30" and a radius of 222.00 feet;

Thence, South 02°54'50" East, a distance of 87.64 feet along the westerly line of said road easement to the Point of Beginning.

Apn: 073-0790-046

EXHIBIT G-2

Diagram of the subdivision for Lakeview

EXHIBIT G-2

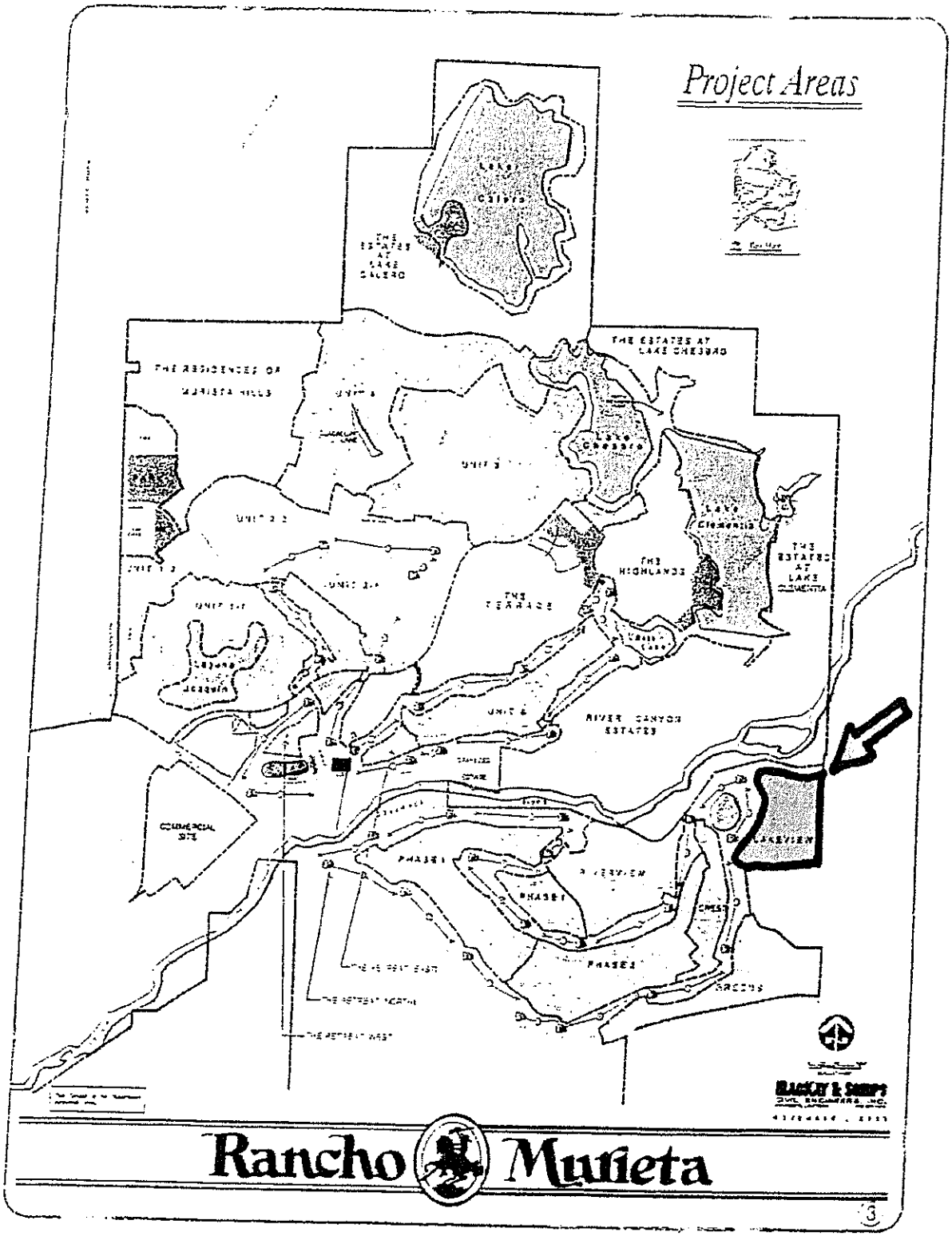

Project Areas
THE ESTATES AT LAKE CALERO
THE RESIDENCES OF MURIETA HILLS
THE ESTATES AT LAKE CHESBRO
UNIT 3
UNIT 3-2
UNIT 3-3
UNIT 3-4
UNIT 3-5
THE TERRACE
THE HIGHLANDS
THE ESTATES AT LAKE CLEMENTIA
UNIT 4
RIVER CANYON ESTATES
COMMERCIAL SITE
PHASE 1
PHASE 2
PHASE 3
LAKEVIEW
THE RETREAT NORTH
THE RETREAT WEST
Rancho Murieta
3

EXHIBIT H

EDU Calculations
(for both water and sewer)

Rancho Murieta CSD

Financing and Services Agreement

Exhibit H: Estimated Fair Share of Eligible Facility Costs - Illustrative purposes only

All 670 projects included

	EDU (lots)	gpd >12,000 sf lots 750	gpd <12,000 sf lots 650	gpd 1/2 Plex lots 400	Estimated Capacity gpd	Water (1) Pro rata Share (based on gpd)	Sewer (1) Pro rata Share (based on EDU)
New Development:							
Riverview (PCCP)	140	40	100	0	95,000	21.93%	20.90%
Residences of Murieta Hills East (PCCP)	99	49	50	0	69,250	15.99%	14.78%
Residences of Murieta Hills West (BBC)	99	49	50	0	69,250	15.99%	14.78%
Lakeview (Village)	99	49	50	0	69,250	15.99%	14.78%
Murieta Retreats (CK Homes)	84	0	0	84	33,600	7.76%	12.54%
Murieta Gardens (Regency) - MDR	99	0	99	0	64,350	14.85%	14.78%
Murieta Gardens (Regency) - Comc'l	50	0	50	0	32,500	7.50%	7.46%
Total:	670				433,200	100.00%	100.00%

Item	Facility Description	Estimated Cost (2)	Riverview	Residences East	Residences West	Lakeview		Retreats	Gardens MDR	Gardens Comc'l	Total
1	Estimated Water Treatment Plant Design & Constr	$6,500,000									
	District WTP Initial Funding	($1,500,000)									
	Estimated Prop Owner Shared Cost:	$5,000,000	$1,096,491	$799,284	$799,284	$799,284		$387,812	$742,729	$375,115	$5,000,000
	Future District WTP Reimbursement per Project	($1,500,000)	($328,947)	($239,785)	($239,785)	($239,785)		($116,343)	($222,819)	($112,535)	($1,500,000)
	Estimated Net Prop Owner Funding per Project:		$767,544	$559,499	$559,499	$559,499		$271,468	$519,910	$262,581	$3,500,000
2	Irrigation Easement Acquisition (3)	$3,097,218	$647,180	$457,649	$457,649	$457,649		$388,308	$457,649	$231,136	$3,097,218
3	Landowner Irrigation Facilities	$1,750,000	$365,672	$258,582	$258,582	$258,582		$219,403	$258,582	$130,597	$1,750,000
4	District Irrigation Facilities	$2,100,000	$438,806	$310,299	$310,299	$310,299		$263,284	$310,299	$156,716	$2,100,000
	Future District Irrigation Reimbursement per Project		($438,806)	($310,299)	($310,299)	($310,299)		($263,284)	($310,299)	($156,716)	($2,100,000)
	(If Advance funded by Property Owner(s))										
	Estimated Prop OwnerObligation (gross):	$11,947,218	$2,548,149	$1,825,814	$1,825,814	$1,825,814	#	$1,258,806	$1,769,258	$893,565	$11,947,218
	Estimated Prop Owner Obligation (Net):	**$8,347,218**	**$1,780,395**	**$1,275,730**	**$1,275,730**	**$1,275,730**	#	**$879,179**	**$1,236,141**	**$624,313**	$8,347,218
	Estimated District Obligation:	**$5,100,000**									
	EstimatedTotal Facility Cost:	**$13,447,218**									

Footnotes:

1. Draft Fair Share Allocation: CSD (Fund Manager) to verify lot size and useage as well as final project lot count.

2. Estimated costs are subject change based on final project costs and verified by Fund Manager.

3. Irriagation Easement Acquitision costs and pro rata share shown for illustrative purposes and may my included final amounts owed and or paid based on separate landwoner agreement which is outside the scope of this agreement.

EXHIBIT I

Grant and Agreement Irrigation Easement, District

EXHIBIT I

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

RANCHO MURIETA COMMUNITY
SERVICES DISTRICT
15160 Jackson Highway
Rancho Murieta, CA 95683
Attention: General Manager

EXEMPT FROM RECORDING FEES
PER GOVERNMENT CODE
SECTION 27383

THIS SPACE FOR RECORDER'S USE ONLY

GRANT AND AGREEMENT REGARDING IRRIGATION EASEMENT

THIS GRANT AND AGREEMENT REGARDING IRRIGATION EASEMENT (hereinafter "**Agreement**") is made as of November 16, 2007, by **VAN VLECK RANCHING AND RESOURCES, INC**, a California corporation ("**Grantor**") in favor of the **RANCHO MURIETA COMMUNITY SERVICES DISTRICT**, a special district of the State of California ("**Grantee**").

RECITALS

A. Grantor is the fee owner of that certain real property located in the unincorporated area of Sacramento County, State of California, as depicted on **Exhibit A** attached hereto and made a part hereof (the "**Property**").

B. Grantee operates a tertiary wastewater reclamation plant ("**WWRP**") in the vicinity of Grantor's Property and pursuant to Waste Discharge Requirements Order No. 5-01-124 ("**WDR**") issued by the California Regional Water Quality Control Board ("**RWQCB**") is currently permitted to provide recycled water to the Rancho Murieta Country Club for golf course irrigation.

C. Grantee desires to acquire, and Grantor desires to grant, a permanent easement over a portion of the Property consisting of forty-six (46) acres, more or less, for purposes of irrigating with Recycled Water, as more particularly set forth below, which permanent easement is terminable as set forth in Section 2 below. The easement granted herein pertains to that portion of the Property identified as Parcels 7i and 8i on **Exhibit A**, and which is described on **Exhibit B** attached hereto (the "**Easement Area**"). The Easement Area is currently used by Grantor as irrigated pastureland for the grazing of livestock.

D. Grantee intends to file an application with the RWQCB to amend its WDR or obtain a new WDR to allow for the provision of Recycled Water for irrigation of the Easement Area.

GRANT OF EASEMENT

1. **GRANT OF EASEMENT; PURPOSE OF EASEMENT.** In consideration of the matters recited above and the mutual covenants, terms, conditions, and restrictions contained herein,

Grantor hereby voluntarily grants and conveys to Grantee: (a) a permanent, nonexclusive easement to convey the Recycled Water to and over the Easement Area, and to irrigate the Easement Area and every part thereof with the Recycled Water, and (b) a permanent, nonexclusive easement to install, construct, reconstruct, inspect, maintain, use, repair, service, remove, relocate and/or replace irrigation lines, pipelines, valves, meters, discharge equipment, irrigation equipment and/or other supporting or associated fixtures, equipment and appurtenances (collectively, the "**Irrigation Equipment**") over, along, across and to the Easement Area and (c) a permanent, nonexclusive right-of-way to enter upon and access at any time all areas of the Easement Area (whether by vehicular or pedestrian means) to accomplish the purposes of (a) and (b) above (collectively, the "**Easement**"). The Easement granted herein may be used by Grantee and its employees, agents, representatives and contractors.

2. **TERM OF EASEMENT**. The Easement granted herein shall commence upon the execution of this Agreement by both parties and its subsequent recordation in the Official Records of Sacramento County, California, and such easement shall continue in perpetuity unless terminated, in whole or in part, (a) by the mutual written consent of the parties, (b) upon Grantee's failure to use such rights for a period of twenty-four (24) or more consecutive calendar months, or (c) as set forth below in Section 14. Upon any termination of this Agreement for any one or more of the reasons set forth immediately above, the Grantee agrees to execute, acknowledge and deliver to Grantor a recordable written termination statement in form and substance satisfactory to Grantor promptly following the Grantor's delivery to Grantee of a written request therefore. For purposes of subpart (b), above, the twenty-four (24) month period shall not commence until after Grantee has activated the initial operation of the Irrigation Equipment necessary to deposit its Recycled Water upon the Easement Area.

3. **PURPOSE**: The purpose of the Easement granted hereby is, among other things, to provide Grantee with the means to irrigate the Easement Area with Recycled Water in accordance with authorizations or permits issued by the RWQCB, the County of Sacramento, and other governmental regulators.

4. **DUTIES OF GRANTOR**: To accomplish the purpose of this Agreement, the following duties are conveyed upon Grantor:

(a) Grantor shall comply with all applicable federal and state laws and regulations, and orders of public authority, and with all of the requirements, terms, and conditions of the applicable permits to be held by Grantee (and copied to Grantor), including any Waste Discharge Requirements Order issued by the RWQCB and amendments thereto, any other permits issued by the County of Sacramento and the RWQCB, and any California Environmental Quality Act ("**CEQA**") mitigation measures (collectively herein, "**Applicable Laws**").

(b) Following written notice of Applicable Laws delivered by Grantee to Grantor, the Grantor shall enjoin or prevent any activity on or use of the Easement Area that would violate any of the requirements, terms, and conditions of the Applicable Laws.

(c) Except as set forth in Section 5(c) below, Grantor shall pay before delinquency any taxes, assessments, fees, and charges of whatever description that may be levied on or assessed against the Easement Area by any competent authority.

(d) Grantor, at Grantor's sole cost and expense and for the entire term of this Agreement, shall maintain the Easement Area in a condition consistent with the condition of the Easement Area existing on the date of the mutual execution and delivery of this Agreement.

(e) Grantor shall immediately notify Grantee of, and be solely responsible for reimbursing Grantee for, any damage to the Irrigation Equipment caused by or resulting from the acts or omissions of Grantor, its agents, employees or contractors.

5. **DUTIES OF GRANTEE:**

(a) Grantee shall (i) promptly deliver to Grantor written notice of any Applicable Laws, and (ii) comply with all of the requirements, terms, and conditions of the Applicable Laws relating to Grantee's use of the Easement hereby granted. Without limiting the foregoing, the rate, timing and manner of delivery and/or application of the Recycled Water on the Easement Area shall conform with the conditions of the WDR and any amendments thereto or other authorization or permit issued by the RWQCB. Grantee agrees to provide at least ten (10) calendar days notice to Grantor (which notice to Grantor may be verbal or in writing) prior to any irrigation of the Easement Area with Recycled Water.

(b) Grantee shall at its sole cost and expense construct, control and operate the Irrigation Equipment on the Easement Area, and maintain the Irrigation Equipment in good working order and condition consistent with the manner Grantee maintains similar irrigation facilities. In the event Grantee, in exercise of its rights granted herein, is required to excavate a portion of the area within the Easement Area for maintenance, repair or replacement of the Irrigation Equipment serviced by Grantee, Grantee agrees to restore, or cause the restoration of, such portion to its base condition. Grantee shall keep Grantor's property free and clear of any liens or encumbrances relating to or arising in connection with the use of the Easement Area by reason of the Easement.

(c) Grantee shall pay before delinquency the portion of any taxes, assessments, fees, and charges of whatever description that may be levied on or assessed against the Easement Area by any competent authority to the extent resulting directly from Grantee's exercise of its rights pursuant to this Agreement.

6. **COMPLIANCE WITH THE LAW.** Grantor represents and warrants to Grantee that Grantor has not used the Easement Area or any portion thereof for the production, disposal or storage of any Hazardous Materials (as defined below), and Grantor has not received notice of any such prior use or any proceeding or inquiry by a governmental authority with respect to the presence of Hazardous Materials on the Easement Area. Grantor will not, at any time from and after the date hereof, use all or any portion of the Easement Area in violation of any governmental laws, ordinances, regulations or orders, including those relating to environmental conditions on, under or about the Easement Area, including but not limited to soil and groundwater conditions and Hazardous Materials. Grantor shall defend, indemnify and hold Grantee harmless from and against any and all losses, costs (including reasonable attorneys' fees), liabilities and claims arising from any violations of existence of Hazardous Materials that are now or hereinafter become located in, on or under the Easement Area, and shall assume full responsibility and cost to remedy such violations and/or the existence of Hazardous Materials if not caused by Grantee. "**Hazardous Materials**" shall include, but are not limited to, substances requiring investigation, removal or remediation under any federal, state or local statute, regulation, ordinance or policy including any and all pollutants, wastes, flammables, explosives, radioactive materials, hazardous or toxic materials, hazardous or toxic wastes, hazardous or toxic substance or contaminant and all other materials governed by the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, (42 U.S.C. 9601 § *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), the California Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 *et seq.*), and the California Hazardous Substances Account Act (Cal. Health & Safety Code § 25300 *et seq.*). Hazardous Materials shall include, but not be limited to, asbestos, asbestos-containing materials, petroleum, petroleum products, polychlorinated biphenyl ("**PCB**") or PCB-containing materials.

7. **LIMITATION ON USE.** Grantee acknowledges that the Easement granted herein is nonexclusive. Grantee agrees that Grantor may use the Easement Area for the grazing of livestock and the cutting of grass for the production of hay for feeding livestock. Grantee further agrees that Grantor shall have the right to grant other easements on the Easement Area, including but not limited to Swainson's Hawk easements, provided that such other easements granted by Grantor do not interfere with Grantee's Easement and the rights granted pursuant to this Agreement.

8. **INSURANCE.** Grantee shall obtain and maintain in full force and effect at all times while the Easement exists public liability and property damage insurance having limits of liability of at least $1 million per occurrence and $2 million in the aggregate. Such insurance shall be issued by an insurer licensed to do business in the State of California, with a rating not less than A-VII by A&M Bests' Insurance Rating Guide, or Grantee's insurance pool if reasonably acceptable to Grantor. Grantee shall name Grantor as an additional insured and shall cause to be issued proper certificates of insurance and endorsements required to be maintained hereunder and provide copies thereof to Grantor.

9. **REPRESENTATIONS AND WARRANTIES OF THE PARTIES.**

9.1 Grantor. Grantor represents and warrants as follows:

(a) Authority. Grantor is the sole fee owner of the Property, and has the full right, power, and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) No Breach. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions or restrictions, reciprocal easement agreement, or other agreement or instrument to which Grantor or Grantor's Property may be bound.

(c) No Senior Interest. There are no holders of any mortgages, deeds of trust or other security interests with respect to the Property, or the portion thereof covered by this Agreement, whose rights are senior to the rights granted hereunder to Grantee. Any subsequent holder who comes into possession of the Property, or any portion thereof, pursuant to a foreclosure, deed of trust, or deed in lieu of foreclosure, shall take the Property, or portion thereof, subject to the rights granted hereunder to Grantee. There is a deed of trust on the neighboring sixty acres (1i through 4i, as identified on **Exhibit A**) that is held by Grantor as security on the purchase of said neighboring property by Rancho Murieta 670, LLC.

9.2 Grantee. Grantee represents and warrants as follows:

(a) Authority. Grantee has the full right, power, and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) No Breach. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions or restrictions, reciprocal easement agreement, or other agreement or instrument to which the Grantee may be bound.

10. **INDEMNITY.**

10.1 Indemnity by Grantor. Grantor shall indemnify, defend and hold Grantee, its officers, directors, shareholders, and employees harmless from and against any and all claims, demands, actions, damages, liability, loss and expenses (including reasonable attorneys' fees and costs of investigation with respect to any claim, demand or action) in connection with or arising from the activities

conducted by Grantor, its employees, contractors or agents pursuant to this Agreement, or from any breach or default on the part of Grantor in the performance of any covenant or agreement contained herein required to be kept or performed by Grantor, except to the extent caused by the acts of Grantee, its employees, contractors or agents.

10.2 Indemnity by Grantee. Grantee shall indemnify, defend and hold Grantor, its officers, directors, shareholders, and employees harmless from and against any and all claims, demands, actions, damages, liability, loss and expenses (including reasonable attorneys' fees and costs of investigation with respect to any claim, demand or action) in connection with or arising from the activities conducted by Grantee, its employees, contractors or agents pursuant to this Agreement, or from any breach or default on the part of Grantee in the performance of any covenant or agreement contained herein required to be kept or performed by Grantee, except to the extent caused by the acts of Grantor, its employees, contractors or agents.

10.3 Comparative Negligence. It is the intent of the parties that where negligence or responsibility for injury or damages are determined to have been shared, principles of comparative negligence will be followed and each party shall bear the proportionate share of any loss, damage, expense and liability attributable to that party's negligence.

11. **RELOCATION OF EASEMENT AREA.** The parties acknowledge and agree that Grantor shall have the right to relocate all or a portion of the Easement Area to an area then owned by Grantor in fee. The areas currently owned by Grantor in fee and identified on **Exhibit A** attached hereto as "Relocation Areas" are currently potential areas for the relocation of all or a portion of the Easement Area. The parties acknowledge and agree that any relocation of all or a portion of the Easement Area as set forth in this Section 11 is subject to all of the following conditions being satisfied by the effective date of any such relocation:

(a) Grantor shall be required to give Grantee a minimum of one hundred and eighty (180) days prior written notice of Grantor's intent to relocate all or a portion of the Easement Area to a substitute area owned in fee by Grantor (the "**Substitute Easement Area**");

(b) Any relocation of all or a portion of the Easement Area to a Substitute Easement Area shall be subject to the prior written consent of Grantee, which consent shall not be unreasonably withheld by Grantee. Grantor acknowledges and agrees that it shall be deemed "reasonable" for Grantee to withhold its consent to any relocation of all or a portion of the Easement Area if Grantee determines (in its sole and absolute discretion) that such relocation would adversely affect Grantee's ability to irrigate the Substitute Easement Area in accordance with Applicable Laws or increase the costs incurred by Grantee to irrigate the Substitute Easement Area in accordance with Applicable Laws;

(c) Grantee shall have secured an amendment to its WDR or other required authorization or permits from RWQCB, the County of Sacramento or other regulatory agencies to allow for the provision of Recycled Water for irrigation of the Substitute Easement Area;

(d) In no event shall the Substitute Easement Area be less than twenty-five (25) contiguous acres.

(e) The Substitute Easement Area must be able to receive the same amount of Recycled Water for irrigation in accordance with Applicable Laws as the Easement Area being substituted in accordance with the rules and regulations of the RWQCB, the Grantee, the County of Sacramento, and other regulatory agencies having jurisdiction over such matters, as well as the Applicable Laws.

(f) Grantor shall be solely responsible for and shall advance the estimated costs, fees and expenses as reasonably requested by Grantee and/or promptly reimburse Grantee for any and all costs, fees and expenses arising out of or relating to Grantee's efforts to secure an amendment to its WDR or other required authorization or permits from RWQCB, the County of Sacramento or other regulatory agencies to allow for the provision of Recycled Water for irrigation of the Substitute Easement Area (regardless of whether or not Grantee is ultimately successful in obtaining such an amendment to its WDR, or other authorizations or permits); and

(g) Grantor acknowledges that Grantee will expend considerable sums in the installation of Irrigation Equipment. In addition to Grantor's other obligations, Grantor shall be solely responsible for and shall advance the estimated costs, fees and expenses as reasonably requested by Grantee and/or promptly reimburse Grantee for any and all costs, fees and expenses arising out of or relating to the removal, relocation, installation and/or upgrading of any Irrigation Equipment from the original Easement Area to the Substitute Easement Area.

12. **NOTICES**: Any notice, demand, request, consent, approval, or communication that the parties desire or is required to give to the others shall be in writing and either serviced personally or sent by first-class mail, postage prepaid, addressed as follows:

To Grantor:
VAN VLECK RANCHING AND RESOURCES, INC.
7879 Van Vleck Road
Rancho Murieta, CA 95683
Attention: Jerry Spencer, Ranch Manager
Telephone: 916-351-0348
Facsimile: 209-744-1532

To Grantee:
RANCHO MURIETA COMMUNITY SERVICES DISTRICT
15160 Jackson Highway
Rancho Murieta, CA 95683
Attention: General Manager
Telephone: 916-354-3700
Facsimile: 916-314-3530

or to such other address or the attention of such other officers as from time to time shall be designated by written notice to the other.

13. **RECORDATION**. Grantee shall promptly record this Agreement in the Official Records of Sacramento County, California, and may re-record it at any time as may be required to preserve its rights in this Agreement.

14. **TERMINATION OF AGREEMENT**. Either Grantor or Grantee may terminate this Agreement upon sixty (60) days prior written notice to the other party in the event the irrigation of the Easement Area with Recycled Water is declared unlawful by a legislative act of the State of California.

15. **ASSIGNMENT**. Except as otherwise agreed in writing by the parties hereto, no party may assign its rights and obligations hereunder without the prior written consent of the other parties, which consent shall not be unreasonably withheld unless otherwise agreed in writing.

16. **GENERAL PROVISIONS**:

A. Controlling Law. The interpretation and performance of this Agreement shall be governed by the laws of the State of California.

B. Construction. Any general rule of construction to the contrary notwithstanding, this Agreement shall be construed in favor of the grant to effectuate the purpose of this Agreement. If any provision in this instrument is found to be ambiguous, an interpretation consistent with the purposes of this Agreement that would render the provisions valid shall be favored over any interpretation that renders it invalid.

C. Burden on Land. The Easement granted in this Agreement shall be a burden on the Property, which burden shall run with the land and shall be binding on any future owners and encumbrances of the Property or any part thereof and their successors and assigns.

D. Severability. If any provision of this Agreement, or the application thereof to any person or circumstances, is found to be invalid, the remainder of the provisions of this Agreement, or the application of such provision to persons or circumstances other than those to which it is found to be invalid, as the case may be, shall not be affected thereby.

E. Entire Agreement. This instrument sets forth the entire agreement of the parties and supersedes all previous discussions, negotiations, understandings or agreements between them concerning the subject matter contained herein.

F. Successors. The covenants, terms, conditions, and restrictions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective personal representatives, heirs, successors, and assignees and shall be a burden upon the Grantor's Property.

G. Captions. The captions in this instrument have been inserted solely for convenience of reference and are not part of this instrument and shall have no effect on construction or interpretation.

H. Counterparts. The parties may execute this instrument in two or more counterparts, which shall, in the aggregate, be signed by both parties; each counterpart shall be deemed an original instrument as against any party who has signed it. In the event of any disparity between the counterparts produced, the recorded counterpart shall be controlling.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto, acting by and through their respective duly authorized representitives, have executed this Agreement on the day and year first above written.

GRANTOR:

VAN VLECK RANCHING AND RESOURCES, INC.,
a California corporation

By: _____
Stanley O. Van Vleck,
President

GRANTEE:

RANCHO MURIETA COMMUNITY
SERVICES DISTRICT,
a special district of the State of California

By: _____
Wayne Kuntz
President, Board of Directors

EXHIBIT A

DEPICTION OF PROPERTY

VAN VLECK RANCHING AND RESOURCES, INC., FY 2004

EQIP CONSERVATION PLAN MAP

PORTIONS OF APNS 128-0080-06-000 AND
128-0100-029-000

Van Vleck Ranching and Resources Inc. FY-2004 EQIP Conservation Plan Map

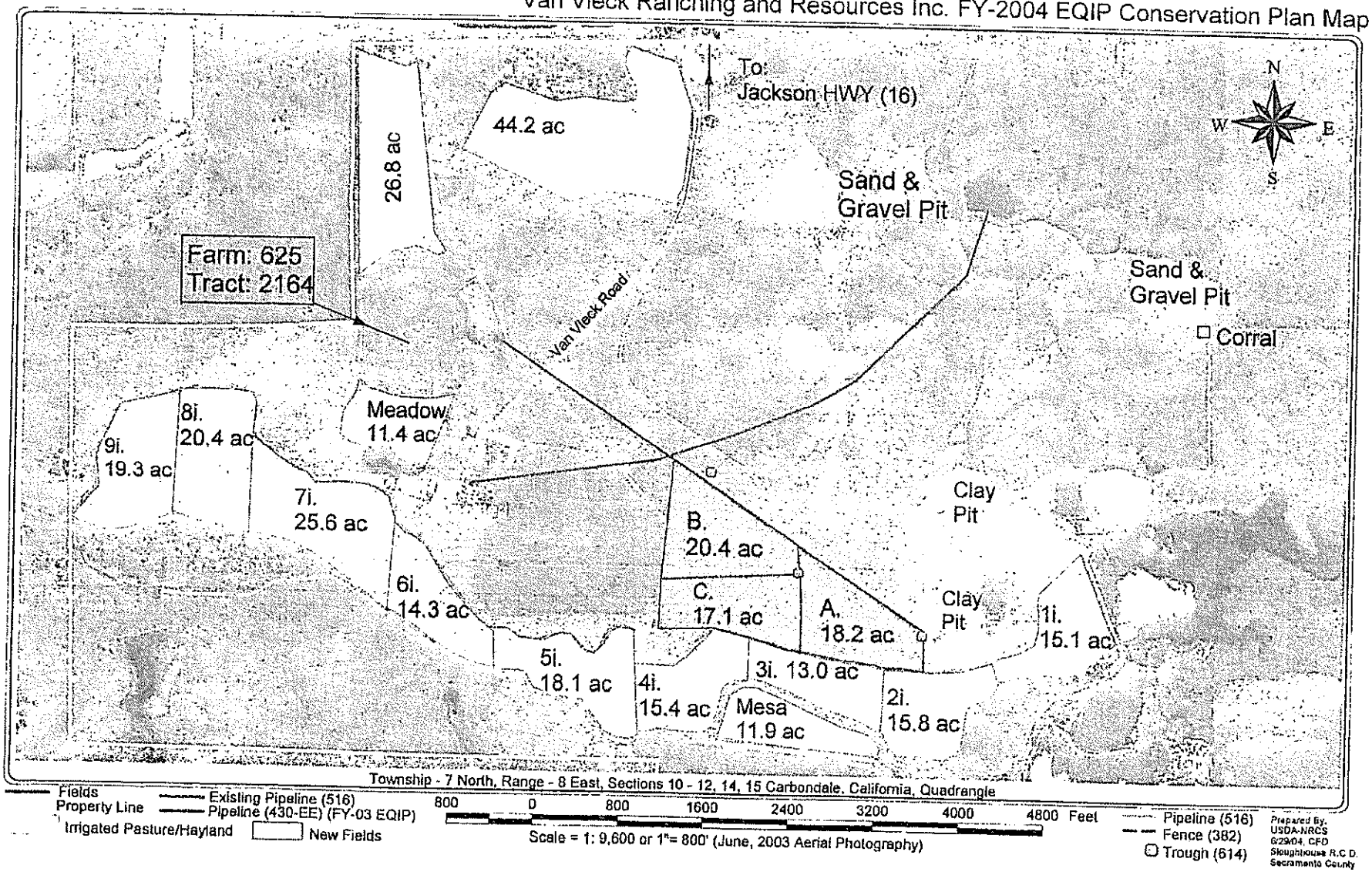


EXHIBIT B

LEGAL DESCRIPTION O F EASEMENT AREA

THAT CERTAIN REAL PROPERTY LOCATED IN THE UNINCORPORATED AREA OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, DESCRIBED AS:

AREAS 7.i AND 8.i AS SHOWN ON THE VAN VLECK RANCHING AND RESOURCES, INC. – FY 2004 EQIP CONSERVATION PLAN MAP ATTACHED HERETO AS EXHIBIT A.

PORTIONS OF APNS 128-008-067-0000 AND 128-0100-029-0000

STATE OF CALIFORNIA

State of California)
County of Sacramento)

On November 20, 2007 before me, Stacy Elaine Harjer (here insert name and title of the officer), personally appeared Stanley O. VanVleck

who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Stacy Elaine Harjer (Seal)

STACY ELAINE HARJER
COMM. # 1698779
NOTARY PUBLIC-CALIFORNIA
SACRAMENTO COUNTY
My Commission Expires
October 13, 2010

State of California)
County of Sacramento)

On [illegible] before me, [illegible] (here insert name and title of the officer), personally appeared [illegible],

who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [illegible] (Seal)

SUZANNE LINDENFELD
Commission # 1775625
Notary Public - California
Sacramento County
My Comm. Expires Oct 23, 2011

1028637v1

This is to certify that the interest in real property conveyed in this Grant and Agreement regarding Irrigation Easement, dated November 27, 2007, from Van Vleck Ranching and Resources, Inc., a California corporation, to Rancho Murieta Community Services District was accepted by the Board of Directors of the Rancho Murieta Community Services District on November 27, 2007, a unanimous vote of all five members.

Rancho Murieta Community Services District

11/28/07

Edward R. Crouse, General Manager

EXHIBIT I

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

RANCHO MURIETA COMMUNITY
SERVICES DISTRICT
15160 Jackson Highway
Rancho Murieta, CA 95683
Attention: General Manager

EXEMPT FROM RECORDING FEES
PER GOVERNMENT CODE
SECTION 27383

THIS SPACE FOR RECORDER'S USE ONLY

GRANT AND AGREEMENT REGARDING IRRIGATION EASEMENT

THIS GRANT AND AGREEMENT REGARDING IRRIGATION EASEMENT (hereinafter "**Agreement**") is made as of January 7, 2008, by **VAN VLECK RANCHING AND RESOURCES, INC**, a California corporation ("**Grantor**") in favor of the **RANCHO MURIETA COMMUNITY SERVICES DISTRICT**, a special district of the State of California ("**Grantee**").

RECITALS

A. Grantor is the fee owner of that certain real property located in the unincorporated area of Sacramento County, State of California, as more particularly described on **Exhibit A** attached hereto and made a part hereof (the "**Property**").

B. Grantee operates a tertiary wastewater reclamation plant ("**WWRP**") in the vicinity of Grantor's Property and pursuant to Waste Discharge Requirements Order No. 5-01-124 ("**WDR**") issued by the California Regional Water Quality Control Board ("**RWQCB**") is currently permitted to provide recycled water to the Rancho Murieta Country Club for golf course irrigation.

C. Grantee desires to acquire, and Grantor desires to grant, a permanent easement over a portion of the Property consisting of fifty one (51) acres, more or less, for purposes of irrigating with Recycled Water, as more particularly set forth below, which permanent easement is terminable as set forth in Section 2 below. The easement granted herein pertains to that portion of the Property which is shown on **Exhibit B** attached hereto and described on **Exhibit C** attached hereto (the "**Easement Area**"). The Easement Area is currently used by Grantor as irrigated pastureland for the grazing of livestock.

D. Grantee intends to file an application with the RWQCB to amend its WDR or obtain a new WDR to allow for the provision of Recycled Water for irrigation of the Easement Area.

GRANT OF EASEMENT

1. **GRANT OF EASEMENT; PURPOSE OF EASEMENT.** In consideration of the matters recited above and the mutual covenants, terms, conditions, and restrictions contained herein, Grantor hereby voluntarily grants and conveys to Grantee: (a) a permanent, nonexclusive easement to

convey the Recycled Water to and over the Easement Area, and to irrigate the Easement Area and every part thereof with the Recycled Water , and (b) a permanent, nonexclusive easement to install, construct, reconstruct, inspect, maintain, use, repair, service, remove, relocate and/or replace irrigation lines, pipelines, valves, meters, discharge equipment, irrigation equipment and/or other supporting or associated fixtures, equipment and appurtenances (collectively, the "**Irrigation Equipment**") over, along, across and to the Easement Area and (c) a permanent, nonexclusive right-of-way to enter upon and access at any time all areas of the Easement Area (whether by vehicular or pedestrian means) to accomplish the purposes of (a) and (b) above (collectively, the "**Easement**"). The Easement granted herein may be used by Grantee and its employees, agents, representatives and contractors.

2. **TERM OF EASEMENT.** The Easement granted herein shall commence upon the execution of this Agreement by both parties and its subsequent recordation in the Official Records of Sacramento County, California, and such easement shall continue in perpetuity unless terminated, in whole or in part, (a) by the mutual written consent of the parties, (b) upon Grantee's failure to use such rights for a period of twenty-four (24) or more consecutive calendar months, or (c) as set forth below in Section 14. Upon any termination of this Agreement for any one or more of the reasons set forth immediately above, the Grantee agrees to execute, acknowledge and deliver to Grantor a recordable written termination statement in form and substance satisfactory to Grantor promptly following the Grantor's delivery to Grantee of a written request therefore. For purposes of subpart (b), above, the twenty-four (24) month period shall not commence until after Grantee has activated the initial operation of the Irrigation Equipment necessary to deposit its Recycled Water upon the Easement Area.

3. **PURPOSE:** The purpose of the Easement granted hereby is, among other things, to provide Grantee with the means to irrigate the Easement Area with Recycled Water in accordance with authorizations or permits issued by the RWQCB, the County of Sacramento, and other governmental regulators.

4. **DUTIES OF GRANTOR:** To accomplish the purpose of this Agreement, the following duties are conveyed upon Grantor:

(a) Grantor shall comply with all applicable federal and state laws and regulations, and orders of public authority, and with all of the requirements, terms, and conditions of the applicable permits to be held by Granteen(and copied to Grantor), including any Waste Discharge Requirements Order issued by the RWQCB and amendments thereto, any other permits issued by the County of Sacramento and the RWQCB, and any California Environmental Quality Act ("**CEQA**") mitigation measures (collectively herein, "**Applicable Laws**").

(b) Following written notice of Applicable Laws delivered by Grantee to Grantor, the Grantor shall enjoin or prevent any activity on or use of the Easement Area that would violate any of the requirements, terms, and conditions of the Applicable Laws.

(c) Except as set forth in Section 5(c) below, Grantor shall pay before delinquency any taxes, assessments, fees, and charges of whatever description that may be levied on or assessed against the Easement Area by any competent authority.

(d) Grantor, at Grantor's sole cost and expense and for the entire term of this Agreement, shall maintain the Easement Area in a condition consistent with the condition of the Easement Area existing on the date of the mutual execution and delivery of this Agreement.

(e) Grantor shall immediately notify Grantee of, and be solely responsible for reimbursing Grantee for, any damage to the Irrigation Equipment caused by or resulting from the acts or omissions of Grantor, its agents, employees or contractors.

5. **DUTIES OF GRANTEE:**

(a) Grantee shall (i) promptly deliver to Grantor written notice of any Applicable Laws, and (ii) comply with all of the requirements, terms, and conditions of the Applicable Laws relating to Grantee's use of the Easement hereby granted. Without limiting the foregoing, the rate, timing and manner of delivery and/or application of the Recycled Water on the Easement Area shall conform with the conditions of the WDR and any amendments thereto or other authorization or permit issued by the RWQCB. Grantee agrees to provide at least ten (10) calendar days notice to Grantor (which notice to Grantor may be verbal or in writing) prior to any irrigation of the Easement Area with Recycled Water.

(b) Grantee shall at its sole cost and expense construct, control and operate the Irrigation Equipment on the Easement Area, and maintain the Irrigation Equipment in good working order and condition consistent with the manner Grantee maintains similar irrigation facilities. In the event Grantee, in exercise of its rights granted herein, is required to excavate a portion of the area within the Easement Area for maintenance, repair or replacement of the Irrigation Equipment serviced by Grantee, Grantee agrees to restore, or cause the restoration of, such portion to its base condition. Grantee shall keep Grantor's property free and clear of any liens or encumbrances relating to or arising in connection with the use of the Easement Area by reason of the Easement.

(c) Grantee shall pay before delinquency the portion of any taxes, assessments, fees, and charges of whatever description that may be levied on or assessed against the Easement Area by any competent authority to the extent resulting directly from Grantee's exercise of its rights pursuant to this Agreement.

6. **COMPLIANCE WITH THE LAW.** Grantor represents and warrants to Grantee that Grantor has not used the Easement Area or any portion thereof for the production, disposal or storage of any Hazardous Materials (as defined below), and Grantor has not received notice of any such prior use or any proceeding or inquiry by a governmental authority with respect to the presence of Hazardous Materials on the Easement Area. Grantor will not, at any time from and after the date hereof, use all or any portion of the Easement Area in violation of any governmental laws, ordinances, regulations or orders, including those relating to environmental conditions on, under or about the Easement Area, including but not limited to soil and groundwater conditions and Hazardous Materials. Grantor shall defend, indemnify and hold Grantee harmless from and against any and all losses, costs (including reasonable attorneys' fees), liabilities and claims arising from any violations of existence of Hazardous Materials that are now or hereinafter become located in, on or under the Easement Area, and shall assume full responsibility and cost to remedy such violations and/or the existence of Hazardous Materials if not caused by Grantee. "**Hazardous Materials**" shall include, but are not limited to, substances requiring investigation, removal or remediation under any federal, state or local statute, regulation, ordinance or policy including any and all pollutants, wastes, flammables, explosives, radioactive materials, hazardous or toxic materials, hazardous or toxic wastes, hazardous or toxic substance or contaminant and all other materials governed by the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, (42 U.S.C. 9601 § et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the California Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq., and the California Hazardous Substances Account Act (Cal. Health & Safety Code § 25300 et seq.). Hazardous Materials shall include, but not be limited to, asbestos, asbestos-containing materials, petroleum, petroleum products, polychlorinated biphenyl ("PCB") or PCB-containing materials.

7. **LIMITATION ON USE.** Grantee acknowledges that the Easement granted herein is nonexclusive. Grantee agrees that Grantor may use the Easement Area for the grazing of livestock and the cutting of grass for the production of hay for feeding livestock. Grantee further agrees that Grantor shall have the right to grant other easements on the Easement Area, including but not limited to Swainson's Hawk easements, provided that such other easements granted by Grantor do not interfere with Grantee's Easement and the rights granted pursuant to this Agreement.

8. **INSURANCE.** Grantee shall obtain and maintain in full force and effect at all times while the Easement exists public liability and property damage insurance having limits of liability of at least $1 million per occurrence and $2 million in the aggregate. Such insurance shall be issued by an insurer licensed to do business in the State of California, with a rating not less than A-VII by A&M Bests' Insurance Rating Guide, or Grantee's insurance pool if reasonably acceptable to Grantor. Grantee shall name Grantor as an additional insured and shall cause to be issued proper certificates of insurance and endorsements required to be maintained hereunder and provide copies thereof to Grantor.

9. **REPRESENTATIONS AND WARRANTIES OF THE PARTIES.**

9.1 Grantor. Grantor represents and warrants as follows:

(a) Authority. Grantor is the sole fee owner of the Property, and has the full right, power, and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) No Breach. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions or restrictions, reciprocal easement agreement, or other agreement or instrument to which Grantor or Grantor's Property may be bound.

(c) No Senior Interest. There are no holders of any mortgages, deeds of trust or other security interests with respect to the Property, or the portion thereof covered by this Agreement, whose rights are senior to the rights granted hereunder to Grantee. Any subsequent holder who comes into possession of the Property, or any portion thereof, pursuant to a foreclosure, deed of trust, or deed in lieu of foreclosure, shall take the Property, or portion thereof, subject to the rights granted hereunder to Grantee. There is a deed of trust on the neighboring sixty acres (1i through 4i, on Exhibit A) that his held by Grantor as security on the purchase of said neighboring property by Rancho Murieta 670, LLC.

9.2 Grantee. Grantee represents and warrants as follows:

(a) Authority. Grantee has the full right, power, and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) No Breach. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions or restrictions, reciprocal easement agreement, or other agreement or instrument to which the Grantee may be bound.

10. **INDEMNITY.**

10.1 Indemnity by Grantor. Grantor shall indemnify, defend and hold Grantee, its officers, directors, shareholders, and employees harmless from and against any and all claims, demands, actions, damages, liability, loss and expenses (including reasonable attorneys' fees and costs of investigation with respect to any claim, demand or action) in connection with or arising from the activities conducted by Grantor, its employees, contractors or agents pursuant to this Agreement, or from any

breach or default on the part of Grantor in the performance of any covenant or agreement contained herein required to be kept or performed by Grantor, except to the extent caused by the acts of Grantee, its employees, contractors or agents.

10.2 Indemnity by Grantee. Grantee shall indemnify, defend and hold Grantor, its officers, directors, shareholders, and employees harmless from and against any and all claims, demands, actions, damages, liability, loss and expenses (including reasonable attorneys' fees and costs of investigation with respect to any claim, demand or action) in connection with or arising from the activities conducted by Grantee, its employees, contractors or agents pursuant to this Agreement, or from any breach or default on the part of Grantee in the performance of any covenant or agreement contained herein required to be kept or performed by Grantee, except to the extent caused by the acts of Grantor, its employees, contractors or agents.

10.3 Comparative Negligence. It is the intent of the parties that where negligence or responsibility for injury or damages are determined to have been shared, principles of comparative negligence will be followed and each party shall bear the proportionate share of any loss, damage, expense and liability attributable to that party's negligence.

11. **RELOCATION OF EASEMENT AREA.** The parties acknowledge and agree that Grantor shall have the right to relocate all or a portion of the Easement Area to an area then owned by Grantor in fee. The areas currently owned by Grantor in fee and identified on **Exhibit D** attached hereto are currently potential areas for the relocation of all or a portion of the Easement Area. The parties acknowledge and agree that any relocation of all or a portion of the Easement Area as set forth in this Section 11 is subject to all of the following conditions being satisfied by the effective date of any such relocation:

(a) Grantor shall be required to give Grantee a minimum of one hundred and eighty (180) days prior written notice of Grantor's intent to relocate all or a portion of the Easement Area to a substitute area owned in fee by Grantor (the "**Substitute Easement Area**");

(b) Any relocation of all or a portion of the Easement Area to a Substitute Easement Area shall be subject to the prior written consent of Grantee, which consent shall not be unreasonably withheld by Grantee. Grantor acknowledges and agrees that it shall be deemed "reasonable" for Grantee to withhold its consent to any relocation of all or a portion of the Easement Area if Grantee determines (in its sole and absolute discretion) that such relocation would adversely affect Grantee's ability to irrigate the Substitute Easement Area in accordance with Applicable Laws or increase the costs incurred by Grantee to irrigate the Substitute Easement Area in accordance with Applicable Laws;

(c) Grantee shall have secured an amendment to its WDR or other required authorization or permits from RWQCB, the County of Sacramento or other regulatory agencies to allow for the provision of Recycled Water for irrigation of the Substitute Easement Area;

(d) In no event shall the Substitute Easement Area be less than twenty-five (25) contiguous acres.

(e) The Substitute Easement Area must be able to receive the same amount of Recycled Water for irrigation in accordance with Applicable Laws as the Easement Area being substituted in accordance with the rules and regulations of the RWQCB, the Grantee, the County of Sacramento, and other regulatory agencies having jurisdiction over such matters, as well as the Applicable Laws.

(f) Grantor shall be solely responsible for and shall advance the estimated costs, fees and expenses as reasonably requested by Grantee and/or promptly reimburse Grantee for any and all costs, fees and expenses arising out of or relating to Grantee's efforts to secure an amendment to its WDR or other required authorization or permits from RWQCB, the County of Sacramento or other regulatory agencies to allow for the provision of Recycled Water for irrigation of the Substitute Easement Area (regardless of whether or not Grantee is ultimately successful in obtaining such an amendment to its WDR, or other authorizations or permits); and

(g) Grantor acknowledges that Grantee will expend considerable sums in the installation of Irrigation Equipment. In addition to Grantor's other obligations, Grantor shall be solely responsible for and shall advance the estimated costs, fees and expenses as reasonably requested by Grantee and/or promptly reimburse Grantee for any and all costs, fees and expenses arising out of or relating to the removal, relocation, installation and/or upgrading of any Irrigation Equipment from the original Easement Area to the Substitute Easement Area.

12. NOTICES: Any notice, demand, request, consent, approval, or communication that the parties desire or is required to give to the others shall be in writing and either serviced personally or sent by first-class mail, postage prepaid, addressed as follows:

To Grantor:
VAN VLECK RANCHING AND RESOURCES, INC.
7879 Van Vleck Road
Rancho Murieta, CA 95683
Attention: Jerry Spencer, Ranch Manager
Telephone: 916-351-0348
Facsimile: 209-744-1532

To Grantee:
RANCHO MURIETA COMMUNITY SERVICES DISTRICT
15160 Jackson Highway
Rancho Murieta, CA 95683
Attention: General Manager
Telephone: 916-354-3700
Facsimile: 916-314-3530

or to such other address or the attention of such other officers as from time to time shall be designated by written notice to the other.

13. RECORDATION. Grantee shall promptly record this Agreement in the Official Records of Sacramento County, California, and may re-record it at any time as may be required to preserve its rights in this Agreement.

14. TERMINATION OF AGREEMENT. Either Grantor or Grantee may terminate this Agreement upon sixty (60) days prior written notice to the other party in the event the irrigation of the Easement Area with Recycled Water is declared unlawful by a legislative act of the State of California.

15. ASSIGNMENT. Except as otherwise agreed in writing by the parties hereto, no party may assign its rights and obligations hereunder without the prior written consent of the other parties, which consent shall not be unreasonably withheld unless otherwise agreed in writing.

16. GENERAL PROVISIONS:

A. Controlling Law. The interpretation and performance of this Agreement shall be governed by the laws of the State of California.

B. Construction. Any general rule of construction to the contrary notwithstanding, this Agreement shall be construed in favor of the grant to effectuate the purpose of this Agreement. If any provision in this instrument is found to be ambiguous, an interpretation consistent with the purposes of this Agreement that would render the provisions valid shall be favored over any interpretation that renders it invalid.

C. Burden on Land. The Easement granted in this Agreement shall be a burden on the Property, which burden shall run with the land and shall be binding on any future owners and encumbrances of the Property or any part thereof and their successors and assigns.

D. Severability. If any provision of this Agreement, or the application thereof to any person or circumstances, is found to be invalid, the remainder of the provisions of this Agreement, or the application of such provision to persons or circumstances other than those to which it is found to be invalid, as the case may be, shall not be affected thereby.

E. Entire Agreement. This instrument sets forth the entire agreement of the parties and supersedes all previous discussions, negotiations, understandings or agreements between them concerning the subject matter contained herein.

F. Successors. The covenants, terms, conditions, and restrictions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective personal representatives, heirs, successors, and assignees and shall be a burden upon the Grantor's Property.

G. Captions. The captions in this instrument have been inserted solely for convenience of reference and are not part of this instrument and shall have no effect on construction or interpretation.

H. Counterparts. The parties may execute this instrument in two or more counterparts, which shall, in the aggregate, be signed by both parties; each counterpart shall be deemed an original instrument as against any party who has signed it. In the event of any disparity between the counterparts produced, the recorded counterpart shall be controlling.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto, acting by and through their respective duly authorized representitives, have executed this Agreement on the day and year first above written.

GRANTOR:

VAN VLECK RANCHING AND RESOURCES, INC.,
a California corporation

By: _____
Stanley O. Van Vleck,
President

GRANTEE:

RANCHO MURIETA COMMUNITY
SERVICES DISTRICT,
a special district of the State of California

By: _____
Wayne Kuntz
President, Board of Directors

EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY

ALL THAT CERTAIN REAL PROPERTY LOCATED IN THE UNINCORPORATED AREA OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, DESCRIBED AS:

Assessor's Parcel Numbers:
128-0080-067-000
128-0100-029-000

EXHIBIT B

DESCRIPTION OF EASEMENT AREA

Van Vleck Ranching and Resources Inc. FY-2004 EQIP Conservation Plan Map

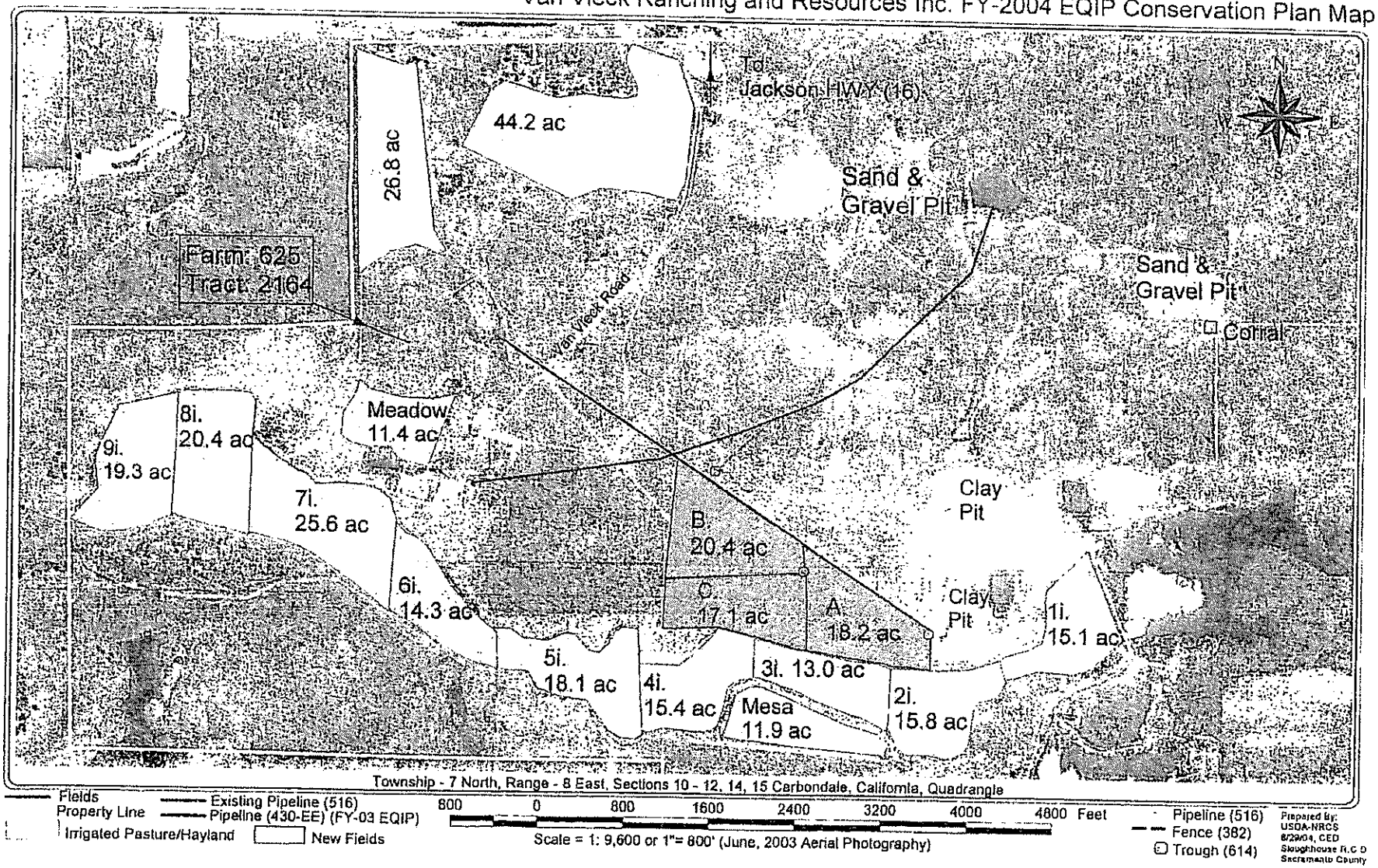


EXHIBIT C
DESCRIPTION OF EASEMENT AREA

THAT CERTAIN REAL PROPERTY LOCATED IN THE UNINCORPORATED AREA OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, DESCRIBED AS:

Areas 5i, 6i, and 9i as shown on the Van Vleck Ranching and Resources Inc – FY 2004 EQIP Conservation Plan Map attached here to as Exhibit B

Portions of APNS: 128-0080-067-000 and 128-0100-029-000

EXHIBIT D
POTENTIAL SUBSTITUTE EASEMENT AREAS

THAT CERTAIN REAL PROPERTY LOCATED IN THE UNINCORPORATED AREA OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, DESCRIBED AS:

Areas A, B and C, Meadows and Mesa as shown on the Van Vleck Ranching and Resources Inc – FY 2004 EQIP Conservation Plan Map attached here to as Exhibit B

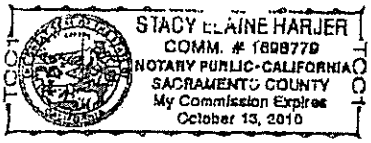
Portions of APNS: 128-0080-067-000 and 128-0100-029-000

STATE OF CALIFORNIA

County of Sacramento

On January 1, 2008, before me, Stacy Elaine Harjer
Date Name and Title of Officer (Notary Public)

Personally appeared Stanley O. Van Vleck
Name(s) of Signer(s)



__ 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 this instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Stacy Elaine Harjer
Signature of Notary Public

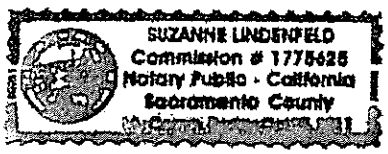
Place Notary Seal Above

STATE OF CALIFORNIA

County of [illegible]

On [illegible], before me, [illegible]
Date Name and Title of Officer (Notary Public)

Personally appeared [illegible]
Name(s) of Signer(s)



__ 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 this instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[illegible]
Signature of Notary Public

Place Notary Seal Above

STATE OF CALIFORNIA

County of Sacramento

On January 1, 2008, before me, Stacy Elaine Harjer
Date Name and Title of Officer (Notary Public)

Personally appeared Stanley O. Van Vleck
Name(s) of Signer(s)

__ 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 this instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Stacy Elaine Harjer
Signature of Notary Public

Place Notary Seal Above

STATE OF CALIFORNIA

County of Sacramento

On Feb 21, 2008, before me, Suzanne Lindenfeld
Date Name and Title of Officer (Notary Public)

Personally appeared Dennis W. Kelly
Name(s) of Signer(s)

__ 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 this instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Suzanne Lindenfeld
Signature of Notary Public

Place Notary Seal Above

EXHIBIT J

Grant and Agreement Irrigation Easement, Landowners

Exhibit J

Sacramento County Recording
Craig A Kramer, Clerk/Recorder
BOOK 20071024 PAGE 0989
Check Number 2110
Wednesday, OCT 24, 2007 2:19:08 PM
PCR $20.00||
Ttl Pd $85.00 Nbr-0005125745
001-Unincorp. DTT PAID
SPM/16/2-18

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

RANCHO MURIETA 670, LLC
11249 Gold Country Blvd., Suite 190
Gold River, CA. 95670
Attention: Robert Cassano

First American Title # NCS 278345 CH

THIS SPACE FOR RECORDER'S USE ONLY

The undersigned declare:
Documentary transfer tax is $ R & T Code 11932 – per separate statement
☐ computed on full value of property conveyed, or
☐ computed on full value less value of liens and encumbrances remaining at time of sale.
☑ Unincorporated area: ☐ City of ——, and

GRANT AND AGREEMENT REGARDING IRRIGATION EASEMENT

THIS GRANT AND AGREEMENT REGARDING IRRIGATION EASEMENT (hereinafter "**Agreement**") is made as of October 24, 2007, by **VAN VLECK RANCHING AND RESOURCES CORPORATION, INC**, a California corporation ("**Grantor**"), in favor of the **RANCHO MURIETA 670, LLC**, a California limited liability company ("**Grantee**").

Recitals

A. Grantor is the fee owner of certain real property located in the unincorporated area of Sacramento County, State of California identified as Assessor Parcel Numbers 128-0080-067-0000 and 128-0100-029-0000 (the "**Property**").

B. Grantee desires to acquire a permanent easement over a portion of the Property consisting of sixty (60) acres, more or less, for purposes of irrigating with recycled water ("**Recycled Water**"), as more particularly set forth below, which permanent easement is terminable as set forth in Section 2 below. The easement granted herein pertains to that portion of the Property which is shown on Exhibit A attached hereto and is further described on Exhibit C attached hereto (the "**Easement Area**"). The Easement Area is currently used as irrigated pastureland for the grazing of livestock.

C. Grantor desires to grant Grantee, and Grantee desires to accept, a permanent easement over the Easement Area for purposes of irrigating with Recycled Water, subject to the terms and conditions as more particularly set forth below.

Grant of Easement

1. Grant of Easement; Purpose of Easement. In consideration of the matters recited above and the mutual covenants, terms, conditions, and restrictions contained herein, Grantor hereby voluntarily grants and conveys to Grantee: (a) a permanent, nonexclusive easement to convey the Recycled Water over and irrigate the Easement Area and every part thereof with the Recycled Water, and (b) a permanent, nonexclusive easement to install, construct, reconstruct, inspect, maintain, use, repair, service, remove, relocate and/or replace irrigation lines, pipelines, valves, meters, discharge equipment, irrigation equipment and/or other supporting or associated fixtures, equipment and appurtenances (collectively, the "**Irrigation Equipment**") over, along, and across the Easement Area, and (c) a permanent, nonexclusive right-of-way to enter upon and access at any time all areas of the Easement Area (whether by vehicular or pedestrian means) to accomplish the purposes of (a) and (b) above (collectively, the "**Easement**"). The Easement granted herein may be used by Grantee and its employees, agents, representatives and contractors.

2. Term of Easement. The Easement granted herein shall commence upon the execution of this Agreement by both parties and its subsequent recordation in the Official Records of Sacramento County, California, and such easement shall continue in perpetuity unless terminated, in whole or in part, (a) by the mutual written consent of the parties, (b) upon Grantee's failure to use such rights for a period of twenty-four (24) or more consecutive calendar months, or (c) as set forth below in Section 14. Upon any termination of this Agreement for any one or more of the reasons set forth immediately above, the Grantee agrees to execute, acknowledge and deliver to Grantor a recordable written termination statement in form and substance satisfactory to Grantor promptly following the Grantor's delivery to Grantee of a written request therefor. For purposes of subpart (b), above, the twenty-four (24) month period shall not commence until after Grantee has activated operation of the Irrigation Equipment necessary to deposit its Recycled Water upon the Easement Area.

3. Purpose. The purpose of the Easement granted hereby is, among other things, to provide Grantee with the means to irrigate the Easement Area with Recycled Water in accordance with authorizations or permits to be issued by the California Regional Water Quality Control Board ("**RWQCB**").

4. Duties of Grantor To accomplish the purpose of this Agreement, the following duties are conveyed upon Grantor:

(a) Grantor shall comply with all applicable federal and state laws and regulations, and orders of public authority, and with all of the requirements, terms, and conditions of the applicable permits to be held by Grantee (and copied to Grantor), including any Waste Discharge Requirements Order issued by the RWQCB and amendments thereto, any other permits issued by the County of Sacramento and the RWQCB, and any California Environmental Quality Act ("**CEQA**") mitigation measures (collectively herein, "**Applicable Laws**").

(b) Following written notice of Applicable Laws delivered by Grantee to Grantor, Grantor shall enjoin or prevent any activity on or use of the Easement Area that would violate any of the requirements, terms, and conditions of the Applicable Laws.

(c) Except as set forth in Section 5(c) below, Grantor shall pay before delinquency any taxes, assessments, fees, and charges of whatever description that may be levied on or assessed against the Easement Area by any competent authority.

(d) Grantor, at Grantor's sole cost and expense and for the entire term of this Agreement, shall maintain the Easement Area in a condition consistent with the condition of the Easement Area existing on the date of the mutual execution and delivery of this Agreement

(e) Grantor shall immediately notify Grantee of, and be solely responsible for reimbursing Grantee for, any damage to the Irrigation Equipment caused by or resulting from the acts or omissions of Grantor, its agents, employees or contractors.

5. Duties of Grantee.

(a) Grantee shall comply with all of the requirements, terms, and conditions of the Applicable Laws relating to Grantee's use of the Easement hereby granted. Without limiting the foregoing, the rate, timing and manner of delivery and/or application of the Recycled Water on the Easement Area shall conform with the conditions of Wastewater Discharge Requirements Order No. 5-01-124 ("**WDR**") and any amendments thereto or other authorization or permit issued by the RWQCB. Grantee agrees to provide at least ten (10) calendar days notice to Grantor (which notice to Grantor may be verbal or in writing) prior to any irrigation of the Easement Area with Recycled Water.

(b) Grantee shall at its sole cost and expense construct, control and operate the Irrigation Equipment on the Easement Area, and maintain the Irrigation Equipment in good working order and condition consistent with the manner Grantee maintains similar irrigation facilities. In the event Grantee, in exercise of its rights granted herein, is required to excavate a portion of the area within the Easement Area for maintenance, repair or replacement of the Irrigation Equipment serviced by Grantee, Grantee agrees to restore, or cause the restoration of, such portion to its base condition. Grantee shall keep Grantor's property free and clear of any liens or encumbrances relating to or arising in connection with the use of the Easement Area by reason of the Easement.

(c) Grantee shall pay before delinquency the portion of any taxes, assessments, fees, and charges of whatever description that may be levied on or assessed against the Easement Area by any competent authority to the extent resulting directly from Grantee's exercise of its rights pursuant to this Agreement.

6. Compliance with the Law. Grantor represents and warrants to Grantee that Grantor has not used the Easement Area or any portion thereof for the production, disposal or storage of any Hazardous Materials (as defined below), and Grantor has not received notice of any such prior use or any proceeding or inquiry by a governmental authority with respect to the presence of Hazardous Materials on the Easement Area. Grantor will not, at any time, use all or any portion of the Easement Area in violation of any governmental laws, ordinances, regulations or orders, including those relating to environmental conditions on, under or about the Easement Area, including but not limited to soil and groundwater conditions and Hazardous Materials. Grantor shall defend, indemnify and hold Grantee harmless from and against any and all losses,

costs (including reasonable attorneys' fees), liabilities and claims arising from any violations of existence of Hazardous Materials that are now or hereinafter become located in, on or under the Easement Area, and shall assume full responsibility and cost to remedy such violations and/or the existence of Hazardous Materials if not caused by Grantee. **"Hazardous Materials"** shall include, but are not limited to, substances requiring investigation, removal or remediation under any federal, state or local statute, regulation, ordinance or policy including any and all pollutants, wastes, flammables, explosives, radioactive materials, hazardous or toxic materials, hazardous or toxic wastes, hazardous or toxic substance or contaminant and all other materials governed by the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, (42 U.S.C. 9601 § et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the California Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq., and the California Hazardous Substances Account Act (Cal. Health & Safety Code § 25300 et seq.). Hazardous Materials shall include, but not be limited to, asbestos, asbestos-containing materials, petroleum, petroleum products, polychlorinated biphenyl (**"PCB"**) or PCB-containing materials.

7. Limitation on Use. Grantee acknowledges that the Easement granted herein is nonexclusive. Grantee agrees that Grantor may use the Easement Area for the grazing of livestock and the cutting of grass for the production of hay for feeding livestock. Grantee further agrees that Grantor shall have the right to grant other easements on the Easement Area, including but not limited to Swainson's Hawk easements, provided that such other easements granted by Grantor do not interfere with Grantee's Easement and the rights granted pursuant to this Agreement.

8. Insurance. Grantee shall obtain and maintain in full force and effect at all times while the Easement exists public liability and property damage insurance having limits of liability of at least $1 million per occurrence and $2 million in the aggregate. Such insurance shall be issued by an insurer licensed to do business in the State of California, with a rating not less than A-VIII by A&M Bests' Insurance Rating Guide. Grantee shall name Grantor as an additional insured and shall cause to be issued proper certificates of insurance and endorsements required to be maintained hereunder and provide copies thereof to Grantor.

9. Representations and Warranties of the Parties.

(a) Grantor. Grantor represents and warrants as follows:

(i) Authority. Grantor is the sole fee owner of the Grantor's Property, and has the full right, power, and authority to grant the Easement over the Easement Area to Grantee as provided herein and to carry out its obligations hereunder.

(ii) No Breach. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions or restrictions, reciprocal easement agreement, or other agreement or instrument to which Grantor or the Grantor's Property may be bound.

(b) Grantee. Grantee represents and warrants as follows:

(i) Authority. Grantee has the full right, power, and authority to enter into this Agreement and to carry out its obligations hereunder.

(ii) No Breach. Neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions or restrictions, reciprocal easement agreement, or other agreement or instrument to which either the Grantee may be bound.

10. Indemnity.

(a) Indemnity by Grantor. Grantor shall indemnify, defend and hold Grantee harmless from and against any and all claims, demands, actions, damages, liability, loss and expenses (including reasonable attorneys' fees and costs of investigation with respect to any claim, demand or action) in connection with or arising from the activities conducted by Grantor, its employees, contractors or agents pursuant to this Agreement, or from any breach or default on the part of Grantor in the performance of any covenant or agreement contained herein required to be kept or performed by Grantor, except to the extent caused by the acts of Grantee, its employees, contractors or agents.

(b) Indemnity by Grantee. Grantee shall indemnify, defend and hold Grantor, its officers, directors, shareholders, and employees harmless from and against any and all claims, demands, actions, damages, liability, loss and expenses (including reasonable attorneys' fees and costs of investigation with respect to any claim, demand or action) in connection with or arising from the activities conducted by Grantee, its employees, contractors or agents pursuant to this Agreement, or from any breach or default on the part of Grantee in the performance of any covenant or agreement contained herein required to be kept or performed by Grantee, except to the extent caused by the acts of Grantor, its employees, contractors or agents.

(c) Comparative Negligence. It is the intent of the parties that where negligence or responsibility for injury or damages are determined to have been shared, principles of comparative negligence will be followed and each party shall bear the proportionate share of any loss, damage, expense and liability attributable to that party's negligence.

11. Relocation of Easement Area. The parties acknowledge and agree that Grantor shall have the right to relocate all or a portion of the Easement Area to an area within the Property then owned by Grantor in fee. The parties acknowledge and agree that any relocation of all or a portion of the Easement Area as set forth in this Section 11 is subject to all of the following conditions being satisfied by the effective date of any such relocation:

(a) Grantor shall be required to give Grantee a minimum of one hundred and eighty (180) days prior written notice of Grantor's intent to relocate all or a portion of the Easement Area to a substitute area owned in fee by Grantor (the "**Substitute Easement Area**");

(b) Any relocation of all or a portion of the Easement Area to a Substitute Easement Area shall be subject to the prior written consent of Grantee, which consent shall not be unreasonably withheld by Grantee. Grantor acknowledges and agrees that it shall be deemed "reasonable" for Grantee to withhold its consent to any relocation of all or a portion of the

Easement Area if Grantee determines (in its sole and absolute discretion) that such relocation would adversely affect Grantee's ability to irrigate the Substitute Easement Area in accordance with Applicable Laws or increase the costs incurred by Grantee to irrigate the Substitute Easement Area in accordance with Applicable Laws;

(c) Grantee shall have secured an amendment to its WDR or other required authorization or permits from RWQCB, the County of Sacramento, and other regulatory agencies having jurisdiction over such matters to allow for the provision of Recycled Water for irrigation of the Substitute Easement Area;

(d) In no event shall the Substitute Easement Area be less than twenty-five (25) contiguous acres.

(e) The Substitute Easement Area must be able to receive the same amount of Recycled Water for irrigation as the Easement Area being substituted in accordance with the rules and regulations of the RWQCB, the Rancho Murieta Community Services District ("**RMCSD**"), the County of Sacramento, and other regulatory agencies having jurisdiction over such matters, as well as Applicable Laws. In the event that the rules and regulations of the RWQCB, the RMCSD, the County of Sacramento, or any other regulatory agencies having jurisdiction over such matters change, or any Applicable Law changes, such that the amount of land necessary to accommodate the disposal of Grantee's Recycled Water is increased, then the acreage of the Substitute Easement Area shall be similarly expanded as is necessary to permit Grantee to comply with said rules and regulations and Applicable Laws. In such event, Grantor and Grantee shall promptly execute and amendment to this Agreement, in recordable form, setting forth the boundaries of the Substitute Easement Area as so expanded, and said amendment shall be recorded in the Official Records of Sacramento County, California.

(f) Grantor shall be solely responsible for all costs relating to the relocation of the Easement Area and further, shall advance the estimated costs, fees and expenses as reasonably requested by Grantee and/or promptly reimburse Grantee for any and all costs, fees and expenses arising out of or relating to Grantee's efforts to secure an amendment to its WDR or other required authorization or permits from RWQCB, the County of Sacramento or other regulatory agencies to allow for the provision of Recycled Water for irrigation of the Substitute Easement Area (regardless of whether or not Grantee is ultimately successful in obtaining such an amendment to its WDR, or other authorizations or permits); and

(g) Grantor acknowledges that Grantee will expend considerable sums in the installation of Irrigation Equipment. In addition to Grantor's other obligations, Grantor shall be solely responsible for and shall advance the estimated costs, fees and expenses as reasonably requested by Grantee and/or promptly reimburse Grantee for any and all costs, fees and expenses arising out of or relating to the removal, relocation, installation and/or upgrading of any Irrigation Equipment from the original Easement Area to the Substitute Easement Area.

12. Notices. Any notice, demand, request, consent, approval, or communication that the parties desire or is required to give to the others shall be in writing and either serviced personally or sent by first-class mail, postage prepaid, addressed as follows:

TO GRANTOR:

Van Vleck Ranching and Resources Corporation, Inc.
7879 Van Vleck Road
Rancho Murieta, California 95683
Attention: Jerry Spencer, Ranch Manager
Telephone: 916-351-0348
Facsimile: 209-744-1532

TO GRANTEE:

Rancho Murieta 670, LLC
11249 Gold Country Boulevard, Suite 190
Gold River, CA. 95670
Attention: Robert Cassano
Telephone: 916-851-9300
Facsimile: 916-631-8445

or to such other address or the attention of such other officers as from time to time shall be designated by written notice to the other.

13. Recordation. Grantee shall promptly record this Agreement in the Official Records of Sacramento County, California, and may re-record it at any time as may be required to preserve its rights in this Agreement

14. Termination of Agreement. Either party hereto may terminate this Agreement upon sixty (60) days prior written notice to the other in the event the irrigation of the Easement Area with Recycled Water is declared unlawful by a legislative act of the State of California.

15. Assignment. Except as otherwise agreed in writing by the parties hereto, neither party may assign its rights and obligations hereunder without the prior written consent of the other, which consent shall not be unreasonably withheld unless otherwise agreed in writing.

16. General Provisions.

(a) Controlling Law. The interpretation and performance of this Agreement shall be governed by the laws of the State of California.

(b) Construction. Any general rule of construction to the contrary notwithstanding, this Agreement shall be construed in favor of the grant to effect the purpose of this Agreement. If any provision in this instrument is found to be ambiguous, an interpretation consistent with the purposes of this Agreement that would render the provisions valid shall be favored over any interpretation that renders it invalid.

(c) Burden on Land. The Easement granted in this Agreement shall be a burden on the Property, which burden shall run with the land and shall be binding on any future owners and encumbrances of the Property or any part thereof and their successors and assigns.

(d) Severability. If any provision of this Agreement, or the application thereof to any person or circumstances, is found to be invalid, the remainder of the provisions of

this Agreement, or the application of such provision to persons or circumstances other than those to which it is found to be invalid, as the case may be, shall not be affected thereby.

(e) Entire Agreement. This instrument sets forth the entire agreement of the parties and supersedes all previous discussions, negotiations, understandings or agreements between them concerning the subject matter contained herein.

(f) Successors. The covenants, terms, conditions, and restrictions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective personal representatives, heirs, successors, and assignees and shall be a burden upon the Grantor Property.

(g) Captions. The captions in this instrument have been inserted solely for convenience of reference and are not part of this instrument and shall have no effect on construction or interpretation.

(h) Counterparts. The parties may execute this instrument in two or more counterparts, which shall, in the aggregate, be signed by both parties; each counterpart shall be deemed an original instrument as against any party who has signed it. In the event of any disparity between the counterparts produced, the recorded counterpart shall be controlling.

[Signatures Follow on Next Page.]

IN WITNESS WHEREOF, Grantor grants, and Grantee accepts, this Agreement the day and year first above written.

GRANTOR:

VAN VLECK RANCHING AND RESOURCES CORPORATION, INC.,
a California corporation

By: _____
Stanley O. Van Vleck, President/CEO

Date: October 12, 2007

GRANTEE:

RANCHO MURRIETA 670, LLC,
a California limited liability company

By: See next page

Name: _____

Title: _____

Date: _____

IN WITNESS WHEREOF, Grantor grants, and Grantee accepts, this Agreement the day and year first above written.

GRANTOR:

VAN VLECK RANCHING AND RESOURCES CORPORATION, INC, a California corporation

By: See prior page
Stanley O. Van Vleck, President and Chief Executive Officer

Date: _____

GRANTEE:

RANCHO MURIETA 670, LLC,
a California limited liability company

By: WARMINGTON HOMES CALIFORNIA, a California corporation, its Member

By: _____
Name: Mark Lawson
Title: Division President
Date: 10/19/07

By: WOODSIDE RANCHO MURIETA, LLC, a California limited liability company, its Member

By: _____
Name: James Galovan
Title: Authorized Agent
Date: 10-24-2007

By: MURIETA RETREATS, LLC, a California limited liability company, its Member

By: The Robert J. Cassano and Sandra L. Cassano Revocable Living Trust, its Manager Member

By: _____
Robert J. Cassano,
Co-Trustee
Date: 10-19-07

By: MURIETA GARDENS SHOPPING CENTER, LLC, a Delaware limited liability company, its Member

By: Regency Realty Group, Inc., a Florida corporation, its Managing Member

By: _____

Name: PETER KNOBLOCH

Title: V.P. - INVESTMENTS

Date: 10-22-07

By: RANCHO MURIETA (LAKEVIEW), LLC, a California limited liability company, its Member

By: _____

Name: IRVIN L. REYNOLDS

Title: PRINCIPAL

Date: 10-19-07

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF Sacramento)

On October 12, 2007, before me, Stacy Elaine Harjer, Notary Public,
personally appeared Stanley Van Vleck

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.

Stacy Elaine Harjer
(SIGNATURE OF NOTARY)

STACY ELAINE HARJER
COMM. # 1698779
NOTARY PUBLIC-CALIFORNIA
SACRAMENTO COUNTY
My Commission Expires
October 13, 2010

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT:

TITLE OR TYPE OF DOCUMENT _____

NUMBER OF PAGES _____ DATE OF DOCUMENT _____

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form

NOTARY ACKNOWLEDGMENT

Attached to Grant and Agreement
Regarding Irrigation Easement

STATE OF CALIFORNIA }
} ss.
COUNTY OF PLACER }

On October 19, 2007, before me, CAROLYN HUNT, Notary Public, personally appeared MARK ROWSON, ~~personally known to me (or~~ proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

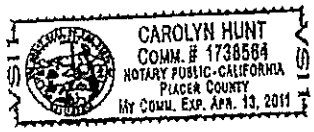
WITNESS my hand and official seal.

(This area for official seal.)

STATE OF CALIFORNIA }
} ss.
COUNTY OF PLACER }

On October 19, 2007, before me, CAROLYN HUNT, Notary Public, personally appeared ROBERT J. CASSANO, ~~personally known to me (or~~ proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



(This area for official seal.)

NOTARY ACKNOWLEDGMENT

Attached to Grant and Agreement Regarding Irrigation Easement

STATE OF CALIFORNIA }
} ss.
COUNTY OF SACRAMENTO }

On October 24, 2007, before me, CAROLYN HUNT, Notary Public, personally appeared JAMES GALOVAN, ~~personally known to me (or~~ proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

CAROLYN HUNT
COMM. # 1738584
NOTARY PUBLIC-CALIFORNIA
PLACER COUNTY
MY COMM. EXP. APR. 13, 2011

(This area for official seal.)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)
COUNTY OF Contra Costa)

On October 22, 2007, before me, Autumn R. Skerski, Notary Public,
personally appeared Peter Knoedler

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.

Autumn R. Skerski
(SIGNATURE OF NOTARY)

AUTUMN R. SKERSKI
Commission # 1536126
Notary Public - California
Contra Costa County
My Comm. Expires Dec 18, 2008

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT:

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES DATE OF DOCUMENT

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)
COUNTY OF Sacramento)

On 10/19/2007, before me, Lori A. Rispoli, Notary Public,
personally appeared John L. Reynen

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.

Lori A Rispoli
(SIGNATURE OF NOTARY)

LORI A. RISPOLI
COMM. # 1754823
NOTARY PUBLIC-CALIFORNIA
COUNTY OF SACRAMENTO
MY COMM. EXP. JULY 1, 2011

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT:

TITLE OR TYPE OF DOCUMENT _____

NUMBER OF PAGES _____ DATE OF DOCUMENT _____

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form

Van Vleck Ranching and Resources Inc. FY-2004 EQIP Conservation Plan Map

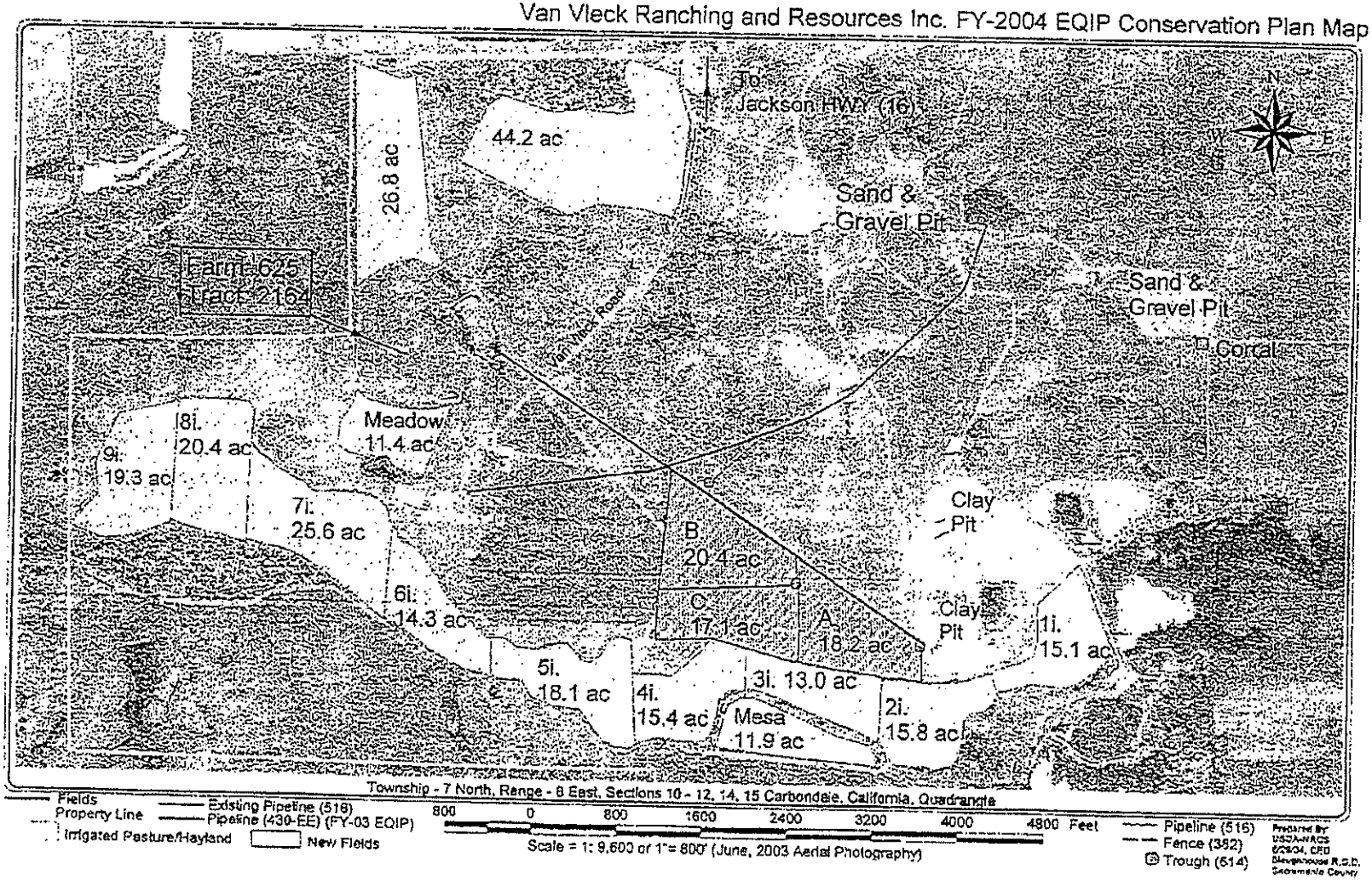


EXHIBIT A

EXHIBIT B

Description of Easement Area

THAT CERTAIN REAL PROPERTY LOCATED IN THE UNINCORPORATED AREA OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, DESCRIBED AS:

AREAS 1.i, 2.i, 3.i AND 4.i AS SHOWN ON THE VAN VLECK RANCHING AND RESOURCES INC. – FY 2004 EQIP CONSERVATION PLAN MAP ATTACHED HERETO AS EXHIBIT A.

Portion of APNS 128-0080-067-0000 and 128-0100-029-0000

DO NOT RECORD

FILER REQUESTS
DO NOT RECORD STAMP VALUE

DECLARATION OF TAX DUE: SEPARATE PAPER:
(Revenue & Taxation code 11932-11933)
NOTE: This Declaration is not a public record.

200710240989

DOCUMENT #_____

FILE NO.: **NCS-278345 CH**
DATE: **OCTOBER 16, 2007**

Property located in:

[**X**] Unincorporated

[ ] City of -----

PORTION OF APNS: **128-0080-067-0000 AND 128-0100-029-0000**

DOCUMENTARY TRANSFER TAX $ **3,300.00**

[**X**] Computed on full value

[ ] Computed on full value less liens or encumbrances remaining at time of sale.

CITY CONVEYANCE TAX $ ------

"I declare, under penalty of perjury, under the laws of the State of California that the foregoing is true and correct."

Date: 10-23-2007

Carolyn Hunt

For: **First American Title Insurance Company**

EXHIBIT K

Letter of Acknowledgment and Consent

Exhibit K

June 13, 2013

Edward Crouse, General Manager
Rancho Murieta Community Services District
15160 Jackson Road
Rancho Murieta, CA 95683

Re: Letter of Acknowledgment and Consent concerning Reimbursement pursuant to Reimbursement and Shortfall Agreement (per Financing and Servicing Agreement)

Dear Mr. Crouse:

This letter serves as the Letter of Acknowledgment and Consent as contemplated by section 3.7(C) of the Financing and Services Agreement ("FSA") between the Rancho Murieta Community Services District ("District") and various Landowners, and it is to be attached as Exhibit K to the FSA.

I hereby warrant and represent that Rancho Murieta 205, a California limited liability company ("RM 205, LLC") is the successor-in-interest to FN Projects, Inc. ("FN"), and Winnerest Homes, Inc., ("Winnerest"). FN and Winnerest were parties to that certain Reimbursement and Shortfall Agreement with the District, dated January 15, 1991, as amended and extended ("Shortfall Agreement"). That Shortfall Agreement provides for certain reimbursement to FN and Winnerest for certain infrastructure previously provided by FN and Winnerest. As the successor-in-interest to FN and Winnerest, RM 205, LLC is properly reimbursed the amounts due to FN and Winnerest under the Shortfall Agreement.

Consistent with section 3.7(C) of the FSA, on behalf of FN and Winnerest, RM 205, LLC, and their successors-in-interest and assigns, I hereby agree to accept the total amount of $5,900.00 (Five Thousand Nine Hundred Dollars) per EDU as full and final reimbursement for infrastructure previously provided by FN and Winnerest under the Shortfall Agreement. On behalf of FN and Winnerest, RM 205, LLC, and their successors-in-interest and assigns, I acknowledge that these amounts shall be in full and final satisfaction of all claims of reimbursement for previously provided infrastructure under the Shortfall Agreement, and I hereby release the District from any further claim of reimbursement for previously provided infrastructure under the Shortfall Agreement. The release set forth herein specifically extends to all known as well as unknown claims and specifically includes a waiver of Section 1542 of the

California Civil Code, and any other similar law of the United States or of any other jurisdiction within the United States concerning the reimbursement for previously provided infrastructure. Section 1542 of the California Civil Code provides as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his settlement with the debtor.

I represent that I am duly authorized to make the representations set forth herein on behalf of RM 205, LLC. I further represent that RM 205, LLC, agrees to defend, indemnify, save and hold harmless District, its governing body, officers, agents and employees from any claims, actions, or costs brought against the District related to the reimbursement amounts set forth herein or the matters or representations set forth in this letter.

Very truly yours,

Rancho Murieta 205,
a California limited liability company

By: _____
Christo D. Bardis, Manager

By: _____
John D. Reyhen, Manager

State of California)
) ss.
County of Sacramento)

On June 13 2013, before me, Lori A. Rispoli, a Notary Public in and for said State, personally appeared John D. Reynen and Christo D. Bardis,
who 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 this instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing is true and correct.

WITNESS my hand and official seal.

Signature Lori A Rispoli

LORI A. RISPOLI
COMM. # 1939584
NOTARY PUBLIC-CALIFORNIA
COUNTY OF SACRAMENTO
MY COMM. EXP. JULY 1, 2015

EXHIBIT L

Form of Assignment and Assumption

Exhibit L

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

(Rancho Murieta Financing and Services Agreement)

This ASSIGNMENT AND ASSUMPTION AGREEMENT ("**Assignment**") is made as of _____, 20___ ("**Effective Date**"), by and between _____, , a _____("**Assignor**"), and _____, a _____("**Assignee**").

RECITALS

A. Assignor is a party to the Financing and Services Agreement ("**Agreement**") entered into on ____ day of _____, 2012, by and among the Rancho Murieta Community Services District ("**District**"), a political subdivision of the State of California, CSGF Rancho Murieta, LLC ("**Residences East**"), a Delaware limited liability company; BBC Murieta Land, LLC ("**Residences West**"), a California limited liability company; Murieta Retreats, LLC ("**Retreats**"), a California limited liability company; PCCP CSGF RB PORTFOLIO, LLC ("**Riverview**"), a Delaware limited liability company; and, Consumnes River Land, LLC ("**Gardens**"), a Delaware limited liability company.

B. Assignor owns or has a legal interest in certain lands within the boundaries of the Rancho Murieta Community Services Districts, commonly known as _____, and described and shown on Exhibits A and B, respectively, which are attached hereto and incorporated herein by reference ("**Property**").

C. Subject to the terms of the Agreement, Assignor has the right to assign the Agreement, or any portion thereof, in connection with any sale, transfer or conveyance of the Property, or any portion thereof.

D. Assignor now desires to assign and transfer to Assignee, and Assignee wishes to acquire from Assignor, all of Assignor's rights and obligations pursuant to the Agreement.

AGREEMENT

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

1. Assignment. As of the Effective Date of this Assignment, Assignor hereby grants, assigns, transfers, and delivers to Assignee all of Assignor's rights, title and interest under the Agreement, and Assignee agrees to assume all of Assignor's duties and

obligations under the Agreement, without reservations, limitations or conditions. Assignee represents that it has the full ability, financial capacity and authority to perform the obligations assumed hereunder, and Assignee understands and acknowledges that District is relying upon such representation. Assignee hereby assumes all of Assignor's duties and obligations under the Agreement. *[identify any retained rights or obligations, including any retained right to reimbursement]*

2. Release of Assignor. Upon the conveyance of Assignor's interest in the Property, and provision of a copy of this fully executed Assignment to the District, Assignor shall be released from any future liability or obligation hereunder, related to the Property so conveyed and the Assignee shall be deemed the "Landowner," with all rights and obligations related thereto, with respect to such conveyed Property. *[In the event Assignor has any security or funds on deposit at time of assignment as a Participating Landowner, include assignment of rights to such funds to Assignee or provision for Assignee to replace such security and/or funds as condition precedent to release of Assignor]*

3. Binding Effect. This Assignment shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, heirs and legatees of the respective parties hereto.

4. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws of the State of California.

5. Section Headings. The headings of sections are inserted only for convenience only and are not intended to limit or define the scope or effect of any provision of this Assignment.

6. No Oral Modifications. This Assignment may not be amended or modified except in writing executed by all of the parties hereto.

7. Attorneys' Fees. If an action is commenced by a party hereto resulting from a dispute arising out of this Assignment, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term attorneys' fees means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review, or otherwise.

8. Severability. The invalidity, illegality or unenforceability of any provision of this Assignment shall not affect the enforceability of any other provision of this Assignment, all of which shall remain in full force and effect.

9. Time of the Essence. Time is of the essence of this Assignment and of the obligations required hereunder.

10. Non-Waiver. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

11. Further Assurances. The parties agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated in this Assignment.

12. Authority. Each party executing this Assignment represents that such party has the full authority and legal power to do so. Upon written request, a party shall promptly comply with the other party's reasonable request for such written resolutions, certificates or other evidence confirming the authority of the parties executing this Assignment.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the day and year first written above.

ASSIGNOR:

_____,

By: _____
Its: Managing Member

ASSIGNEE:

_____,

By: _____
Its: Managing Member

EXHIBIT M

RMCSD Bundled Fee Summary

EXHIBIT M

(RMCSD Provided)
FEE SUMMARY
Residences, Retreats

FSA 10/20/13

FEE		2005	2006	2007	Current
Water Augmentation		$ 3,800	$ 3,900	$ 4,100	$ 4,571
Capital Improvements		$ 1,200	$ 1,200	$ 1,200	$ 1,200
Water Meter		$ 500	$ 500	$ 500	$ 500
Wate/Sewer Inspection		$ 300	$ 300	$ 300	$ 300
Reimbursement Fee		$ 6,355	$ 6,400	$ 8,100	
Security Impact		$ 1,200	$ 1,200	$ 1,200	$ 1,200
Recreation Facilities		$ 1,600	$ 1,600	$ -	$ -
	Subtotal	$ 14,955	$ 15,100	$ 15,400	$ 7,771
3 Year Fee Cap		$ 1,500	$ 1,500		$ -
5 year Fee Cap				$ 4,000	$ -
	Total	**$ 16,455**	**$ 16,600**	**$ 19,400**	**$ 7,771**

Bundled Fee	$ 7,771
Recycled Water Credit (if applicable)	$ (2,000)
CSD Net Fees	**$ 5,771**
(1) Prior Infr Reimb	$ 5,900
Total	$ 11,671

Note: (1) Riverview and Lakeview not subject to $5900/lot prior infrastructure reimbursement.

EXHIBIT N

Memorandum of Financing and Services Agreement

Exhibit N

Recording requested by,
and when recorded return to:

General Manager
Rancho Murieta Community
Services District
15160 Jackson Road
Rancho Murieta, CA 95683

MEMORANDUM OF FINANCING AND SERVICES AGREEMENT

THIS MEMORANDUM OF FINANCING AND SERVICES AGREEMENT ("**Memorandum**") is executed as of _____ ___, 2013, by and among the Rancho Murieta Community Services District ("**District**"), a community services district organized under the laws of the State of California, CSGF Rancho Murieta, LLC ("**Residences East**"), a Delaware limited liability company; BBC Murieta Land, LLC ("**Residences West**"), a California limited liability company; Murieta Retreats, LLC ("**Retreats**"), a California limited liability company; Elk Grove Bilby Partners, LP ("**Lakeview**") a California limited partnership; and PCCP CSGF RB PORTFOLIO, LLC ("**Riverview**"), a Delaware limited liability company Residences East, Residences West, Retreats, Riverview, and Lakeview are sometimes individually referred to herein as a "**Landowner**" and sometimes collectively referenced herein as "**Landowners**."

1. The Landowners entered into that certain Financing and Services Agreement dated as of June __, 2013 (the "**Financing and Services Agreement**") related to certain real property located within the boundaries of the District, County of Sacramento, State of California, more particularly described on Exhibits A through G, inclusive, attached hereto ("**Properties**"), which is incorporated herein by reference as if fully set forth herein. The Financing and Services Agreement was approved by the District's Board of Directors on _____, 2013. All capitalized terms not defined herein shall have the meanings ascribed to them set forth in the Financing and Services Agreement.

2. In order to obtain will serve letters from the District for the Properties, the Landowners have voluntarily entered into a Financing and Services Agreement which provides for certain funding for the reconstruction and expansion of a water treatment plant and recycled water disposal facilities, and the payment of certain other fees and reimbursements. The Financing and Services Agreement, among other things, specifically provides for: (i) advance funding for design and construction of certain water and sewer facilities by the Landowners who are then ready to proceed with development of their Property ("**Participating Landowners**"); (ii) reimbursement from certain of the Landowners for their proportionate share of such costs

incurred by the District and/or Participating Landowners prior to approval of each final subdivision map for their Property ("**Reimbursing Landowners**") as more particularly set forth therein; and (iii) funding of certain processing costs and certain other fees and reimbursements as set forth therein. The Financing and Services Agreement provides that District shall not provide District's consent to approval of a final map for any Property, and will not provide any water or sewer service to any Property, unless and until the Fund Manager (as defined in the Financing and Services Agreement) has sent written confirmation of payment in full of all amounts due from such Property pursuant to the terms of the Financing and Services Agreement. For any Properties not requiring a final map, any provisions therein for District to withhold consent to a final map shall mean District shall withhold consent to any other final development approval and/or water and sewer service to such Property unless and until the Fund Manager provides the written confirmation of payment in full of all amounts due from such Property pursuant to the Financing and Services Agreement. In the event any amounts due under the Financing and Services Agreement are not paid to District when due, in addition to all other rights and remedies of the District as provided in the Financing and Services Agreement, District may withhold water and sewer service from such Property.

3. The rights and obligations established under the Financing and Services Agreement constitute covenants that run with the land, in accordance with Section 1468 of the California Civil Code, and shall be binding upon those persons or entities having any right, title, or interest in and to the Properties respectively, and their respective heirs, successors and assigns.

4. The parties desire to make the existence of the Financing and Services Agreement a matter of public record and have, therefore, executed this Memorandum and caused it to be recorded in the Official Records of Sacramento County, California. However, in the event of any inconsistency between the terms of the Financing and Services Agreement and the terms of this Memorandum, the terms of the Financing and Services Agreement shall control and govern the rights and duties of the Parties.

5. This Memorandum may be executed in one or more counterparts, each of which shall, for all purposes, be deemed an original and all such counterparts, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have signed this Memorandum as of the date first above written.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

By: _____
Gerald E. Pasek,
President, Board of Directors

"DISTRICT"

_____, 2013

BBC MURIETA LAND LLC,
a California limited liability company

By: BBC LONGVIEW, LLC, an Illinois limited liability company, its Manager

By: LINCOLNSHIRE ASSOCIATES II, LTD., a Texas limited partnership, its Manager

By: DDC 2009 IRREVOCABLE TRUST, its General Partner

By: _____
David D. Colburn, Trustee

"Residences West"

_____, 2013

MURIETA RETREATS, LLC,
a California limited liability company,
Member

By: The Robert J. Cassano and Sandra L. Cassano Revocable Living Trust, its Manager Member

By:_____
Name: Robert J. Cassano
Title: Co-Trustee

"RETREATS"

_____, 2013

PCCP CSGF RB PORTFOLIO, LLC a Delaware limited liability company

By: _____

Title: _____

" RIVERVIEW"

_____, 2013

ELK GROVE BILBY PARTNERS, L.P., a California limited partnership

By: VPI 2004, Inc., a California corporation, its General Partner

By: _____

Title: _____

" LAKEVIEW"

EXHIBITS A-G TO MEMORANDUM OF AGREEMENT

LEGAL DESCRIPTION OF PROPERTIES

EXHIBIT A-1

Legal Description of the Retreats

Exhibit A-1

Title No. 08-48400155-C-RV
Locate No. CACTI7706-7706-4484-0048400155

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE unincorporated area of the COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE :

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA IN SECTION 34, TOWNSHIP 8 NORTH, RANGE 8 EAST, MOUNT DIABLO MERIDIAN, BEING A PORTION OF PARCEL 10 AS SHOWN ON THAT PARTICULAR PARCEL MAP FILED IN BOOK 117 OF PARCEL MAPS AT PAGE 15, SACRAMENTO COUNTY RECORDS , AND A PORTION OF PARCEL 6 OF THAT PARTICULAR PARCEL MAP FILED IN BOOK 12 OF PARCEL MAPS, AT PAGE 47 SAID COUNTY RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: :

BEGINNING AT THE NORTHWESTERLY CORNER OF SAID PARCEL 10, THENCE, FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY BOUNDARY LINE OF SAID PARCEL 10 THE FOLLOWING 3 COURSES:

1. SOUTH 86°54'59" EAST 128.01 FEET; THENCE,

2. TO THE LEFT, ALONG THE ARC OF AN 845.00 FEET RADIUS, TANGENT, CURVE BEING CONCAVE TO THE NORTH, HAVING A CENTRAL ANGLE OF 37°22'47", AND ARC LENGTH OF 551.28 FEET; THENCE ,

3. TO THE RIGHT, ALONG THE ARC OF A 25.00 FEET RADIUS, TANGENT, CURVE BEING CONCAVE TO THE SOUTH HAVING A CENTRAL ANGLE OF 87°06'07", AND AN ARC LENGTH OF 38.01 FEET; THENCE LEAVING SAID NORTHERLY BOUNDARY ALONG THE EASTERLY BOUNDARY OF SAID PARCEL 10 TO THE FOLLOWING 4 COURSES:

1. SOUTH 37°11'39" EAST 22.70 FEET, THENCE,

2. TO THE RIGHT, ALONG THE ARC OF A 261.00 FEET RADIUS, TANGENT, CURVE, HAVING A CENTRAL ANGLE OF 61°13'29" AND ARC LENGTH OF 278.90 FEET; THENCE,

3. SOUTH 24°01'50" WEST 399.71 FEET; THENCE,

4. TO THE LEFT ALONG THE ARC OF A 329.00 FEET RADIUS, TANGENT, CURVE CONCAVE TO THE EAST, HAVING A CENTRAL ANGLE OF 100°27'45", AND AN ARC LENGTH OF 576.87 FEET; THENCE, LEAVING SAID EASTERLY LINE ALONG THE MOST SOUTHERLY LINE OF SAID PARCEL 10 THE FOLLOWING 8 COURSES:

1. SOUTH 13°34'05" WEST 55.00 FEET; THENCE,
2. SOUTH 29°50'17" EAST 136.00 FEET; THENCE,
3. SOUTH 71°18'38" WEST 36.31 FEET; THENCE ,
4. SOUTH 63°50'54" WEST 187.82 FEET; THENCE,
5. SOUTH 65°50'42" WEST 282.07 FEET; THENCE,
6. SOUTH 79°40'32" WEST 154.22 FEET; THENCE,
7. SOUTH 70°01'52" WEST 112.67 FEET; THENCE,
8. SOUTH 81°19'26" WEST 121.46 FEET; THENCE,

LEAVING SAID SOUTHERLY LINE ALONG THE FOLLOWING 3 COURSES:

1. NORTH 24°03'09" WEST 159.59 FEET TO A POINT ON THE LINE COMMON TO SAID PARCEL 6 AND SAID PARCEL 10; THENCE,
2. LEAVING SAID COMMON LINE, CONTINUING NORTH 24°03'09" WEST 32.50 FEET; THENCE
3. NORTH 49°20'16" EAST 147.67 TO A POINT ON SAID COMMON LINE, THENCE

ALONG SAID COMMON LINE THE FOLLOWING 13 COURSES:

1. NORTH 67°59'08" EAST 117.99 FEET; THENCE,
2. NORTH 60°31'38" EAST 155.96 FEET; THENCE,

3. NORTH 52°04'29" EAST 176.57 FEET; THENCE,
4. NORTH 19°10'45" EAST 92.02 FEET; THENCE,
5. NORTH 64°15'05" EAST 123.20 FEET; THENCE,
6. TO THE RIGHT, ALONG THE ARC OF A 380.00 FEET RADIUS, NON-TANGENT, CURVE BEING CONCAVE TO THE EAST, HAVING A RADIAL BEARING OF SOUTH 64°15'05" WEST, A CENTRAL ANGLE OF 49°46'59" AND AN ARC LENGTH OF 330.17 FEET; THENCE,
7. NORTH 24°02'04" EAST 171.86 FEET; THENCE,
8. NORTH 85°10'01" WEST 65.36 FEET; THENCE,
9. SOUTH 66°43'30" WEST 53.09 FEET; THENCE,
10. SOUTH 32°25'23" WEST 451.52 FEET; THENCE,
11. SOUTH 44°46'29" WEST 230.18 FEET; THENCE,
12. SOUTH 50°40'45" WEST 154.24 FEET; THENCE,
13. SOUTH 64°23'20" WEST 120.65 FEET, THENCE,

LEAVING SAID COMMON LINE ALONG THE FOLLOWING 2 COURSES:

1. NORTH 82°02'29" WEST 81.36 FEET; THENCE,
2. SOUTH 58°18'56" WEST 205.24 FEET TO A POINT ON SAID COMMON LINE; THENCE,

ALONG SAID COMMON LINE THE FOLLOWING 6 COURSES:

1. NORTH 51°03'49" WEST 82.50 FEET; THENCE,
2. NORTH 05°33'11" EAST 339.19 FEET; THENCE,
3. NORTH 24°00'11" WEST 170.24 FEET; THENCE,
4. NORTH 34°37'45" WEST 224.50 FEET; THENCE,
5. NORTH 22°03'18" EAST 209.13 FEET; THENCE,
6. NORTH 32°53'06" EAST 224.26 FEET TO THE MOST NORTHERLY CORNER OF SAID PARCEL 6; THENCE ,

CONTINUING ALONG THE WESTERLY LINE OF SAID PARCEL 10, NORTH 32°53'06" EAST 11.53 FEET TO THE POINT OF BEGINNING, AS DESCRIBED IN THE LOT LINE ADJUSTMENT, RESOLUTION NO. 01-BLS-0741 RECORDED MAY 21, 2003, IN BOOK 20030521, PAGE 2358.

ASSESSOR'S PARCEL NUMBER: 073-0790-044-0000

PARCEL TWO :

PARCEL 2, AS SHOWN ON THAT CERTAIN PARCEL MAP FILED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON April 29, 1999, IN BOOK 154 OF PARCEL MAPS, AT PAGE 3.

ASSESSOR'S PARCEL NUMBER: 073-0190-099-0000

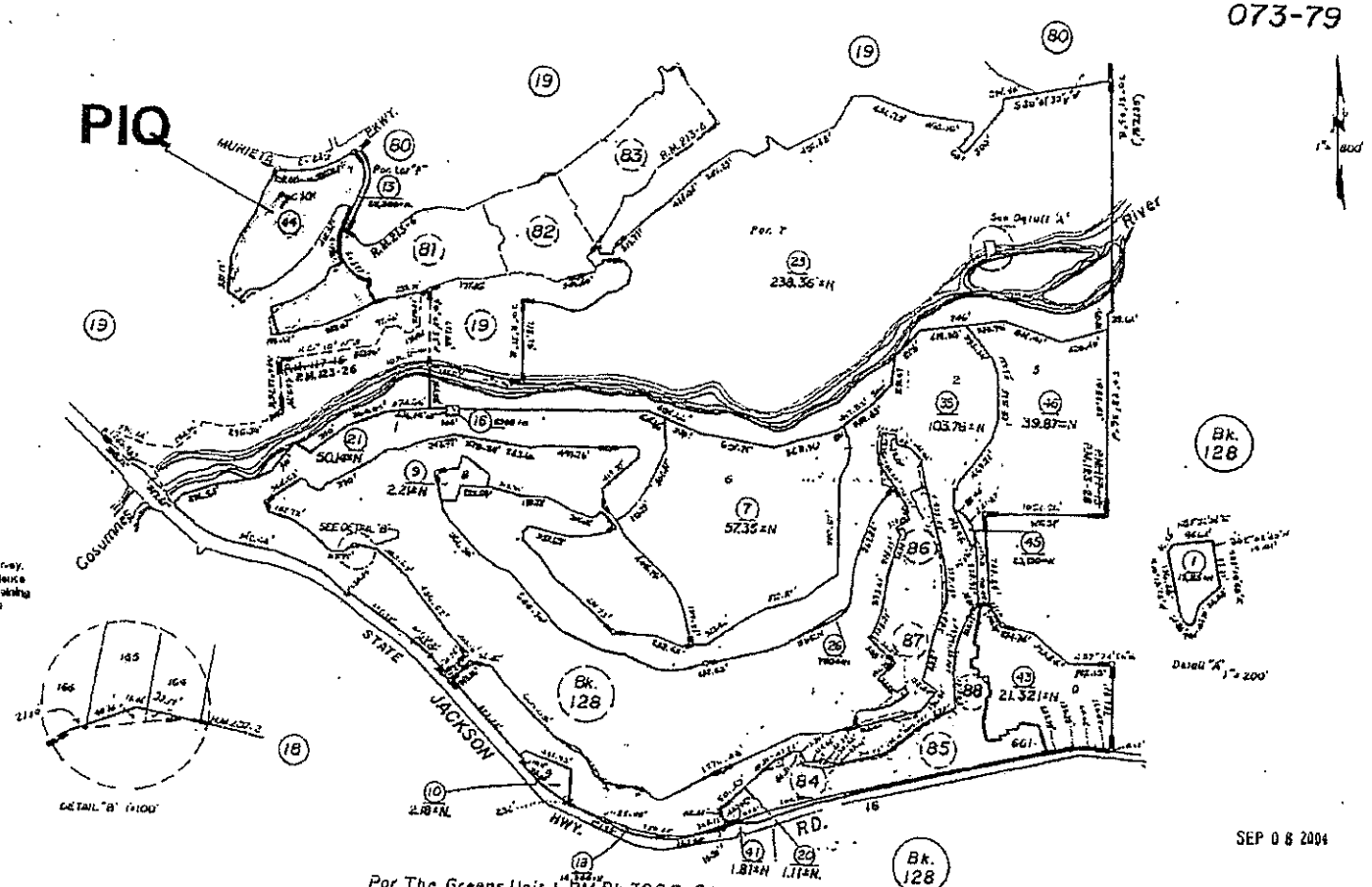
PARCEL THREE :

NON-EXCLUSIVE PERPETUAL EASEMENTS FOR VEHICULAR, BICYCLE AND PEDESTRIAN INGRESS AND EGRESS AS CONTAINED IN THAT CERTAIN DOCUMENT ENTITLED "GRANT OF EASEMENTS AGREEMENT", RECORDED September 24, 2004, IN BOOK 20040924 PAGE 1250, OFFICIAL RECORDS.

POR. T.7N. & T.8N., R. 8E., M.D.B.& M.

073-79

PIQ

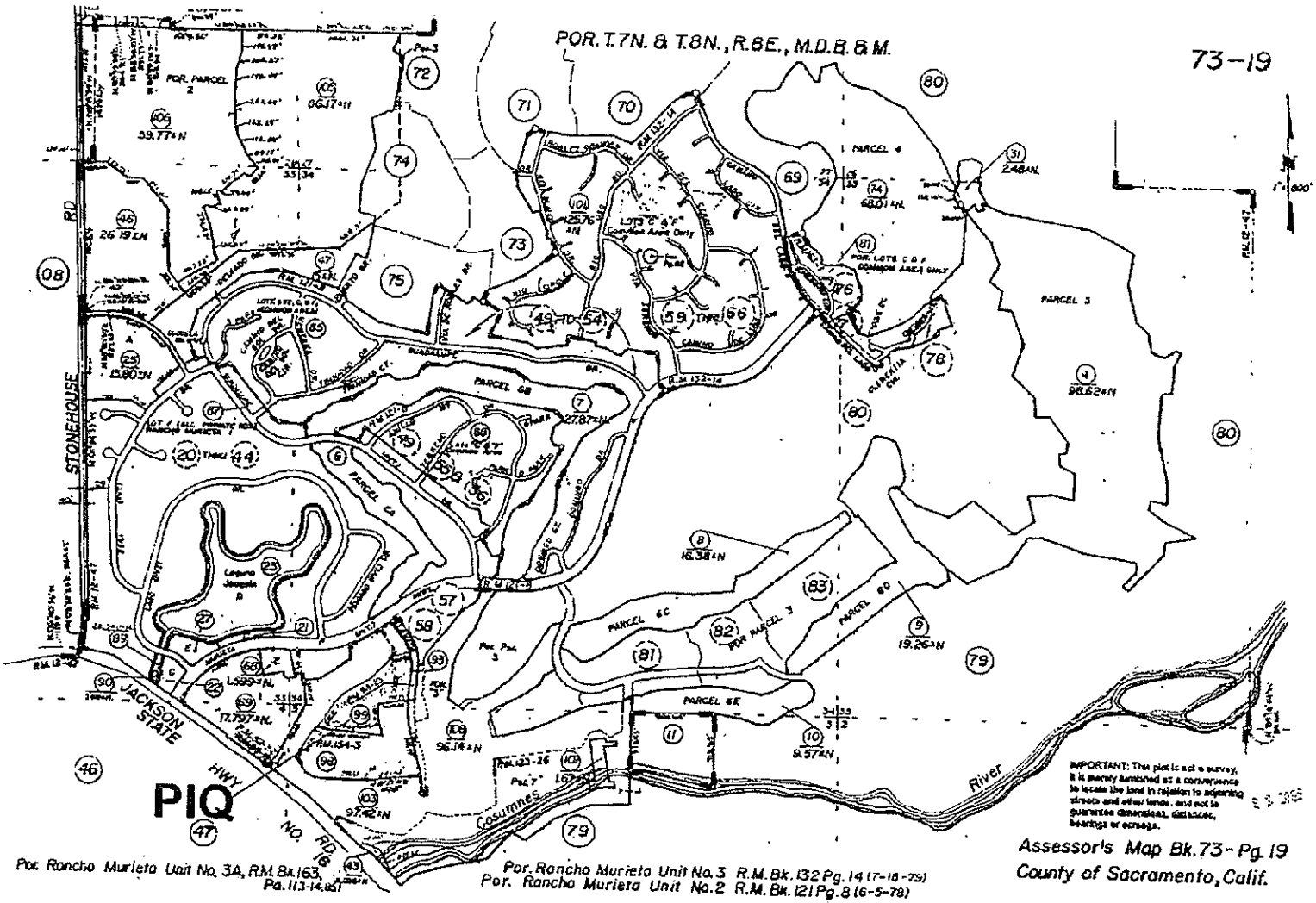


IMPORTANT: This plat is not a survey. It is merely furnished as a convenience to locate the land in relation to adjoining streets and other lands, and not to guarantee dimensions, distances, bearings or acreage.

Por The Greens Unit 1, R.M. Bk. 306 Pg 5 (10-30-2002)
Por Rancho Murieta South Unit 2B, R.M. Bk. 207, Pg. 2 (7-11-90)
Por, Rancho Murieta Unit No. 6, R.M. Bk. 213, Pg. 6 (1-9-91)

SEP 0 8 2004

Assessor's Map Bk. 073, Pg. 79
County of Sacramento, Calif.



Por. Rancho Murieta Unit No. 3A, R.M. Bk. 163, Pg. 11 (3-14-85)

Por. Rancho Murieta Unit No. 3 R.M. Bk. 132 Pg. 14 (7-18-79)
Por. Rancho Murieta Unit No. 2 R.M. Bk. 121 Pg. 8 (6-5-78)

Assessor's Map Bk. 73 - Pg. 19
County of Sacramento, Calif.

EXHIBIT A-2

Diagram of the subdivision for the Retreats

EXHIBIT A-2

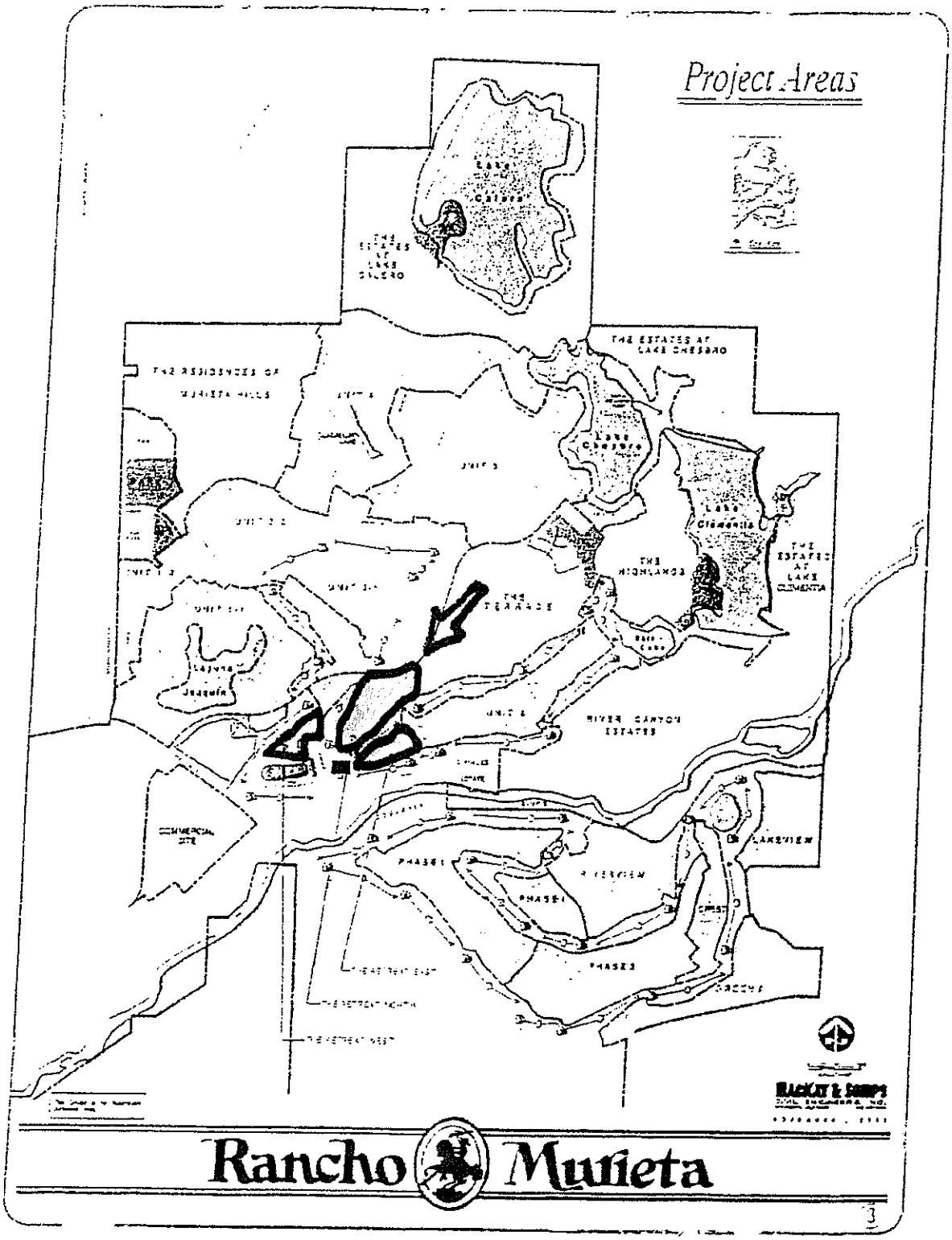

Project Areas
THE ESTATES AT LAKE CHESBRO
THE RESIDENCES OF MURIETA HILLS
UNIT 3
LAKE CHESBRO
LAKE CLEMENTIA
THE ESTATES AT LAKE CLEMENTIA
THE HIGHLANDS
THE TERRACE
UNIT 4
RIVER CANYON ESTATES
COMMERCIAL SITE
PHASE 1
PHASE 2
PHASE 3
LAKEVIEW
CREST
GROVE
Rancho Murieta

EXHIBIT B-1

Legal Description of the Residences of Murieta Hills - East

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Sacramento, State of California, described as follows:

PARCEL ONE:

PARCEL TEN AS DESCRIBED IN BOOK 20010905 AT PAGE 245 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY ALSO BEING A PORTION OF PARCEL 3 AS SHOWN AND DESCRIBED IN THAT CERTAIN "PARCEL MAP OF RANCHO MURIETA" RECORDED IN BOOK 12 OF PARCEL MAPS AT PAGE 47 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY, STATE OF CALIFORNIA, TOGETHER WITH A PORTION OF PARCEL ELEVEN ALSO DESCRIBED IN BOOK 20010905 AT PAGE 245, OFFICIAL RECORDS OF SACRAMENTO COUNTY, AND DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE SOUTH LINE OF THE NORTH HALF OF THE SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 8 NORTH, RANGE 8 EAST, MOUNT DIABLO MERIDIAN, THENCE, NORTH 89°36'16" EAST, A DISTANCE OF 1559.56 FEET ALONG SAID SOUTH LINE TO THE POINT OF BEGINNING OF THE PARCEL TO BE DESCRIBED;

THENCE, FROM THE POINT OF BEGINNING, NORTH 89°36'16" EAST, A DISTANCE OF 516.32 FEET ALONG SAID SOUTH LINE;

THENCE, NORTH 89°37'01" EAST, A DISTANCE OF 1021.73 FEET TO A POINT ON THE WESTERLY BOUNDARY LINE OF RANCHO MURIETA UNIT NO. 4 AS RECORDED IN BOOK 142 OF MAPS AT PAGE 9 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;

THENCE, SOUTH 25°46'45" WEST, A DISTANCE OF 183.71 FEET ALONG SAID LINE;

THENCE, SOUTH 54°23'16" EAST, A DISTANCE OF 127.38 FEET ALONG SAID LINE;

THENCE, SOUTH 09°13'14" WEST, A DISTANCE OF 531.50 FEET ALONG SAID LINE;

THENCE, SOUTH 87°25'09" WEST, A DISTANCE OF 56.39 FEET ALONG SAID LINE;

THENCE, SOUTH 64°22'02" WEST, A DISTANCE OF 172.38 FEET ALONG SAID LINE;

THENCE, SOUTH 08°58'59" EAST, A DISTANCE OF 303.89 FEET ALONG SAID LINE;

THENCE, SOUTH 22°24'47" WEST, A DISTANCE OF 354.65 FEET ALONG SAID LINE;

THENCE, SOUTH 05°00'46" WEST, A DISTANCE OF 290.35 FEET ALONG SAID LINE;

THENCE, SOUTH 76°44'27" EAST, A DISTANCE OF 160.04 FEET ALONG LINE TO THE ARC OF A NON-TANGENT CURVE ON THE WESTERLY RIGHT-OF-WAY LINE OF PUERTO DRIVE HAVING A RADIAL BEARING OF NORTH 87°15'47" WEST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 37.54 FEET TO THE SOUTHERLY LINE OF SAID PARCEL 2, SAID CURVE HAS A CENTRAL ANGLE OF 01°21'38" AND RADIUS OF 1581.00 FEET;

THENCE, SOUTH 50°45'21" WEST, A DISTANCE OF 468.11 FEET ALONG SAID SOUTHERLY LINE;

THENCE, SOUTH 87°02'57" WEST, A DISTANCE OF 971.31 FEET ALONG SAID SOUTHERLY LINE;

THENCE, SOUTH 49°45'01" WEST, A DISTANCE OF 635.49 FEET ALONG SAID SOUTHERLY LINE TO THE INTERSECTION WITH THE EASTERLY LINE OF A PARCEL LAND DESCRIBED IN BOOK 800430 AT PAGE 561 AS RECORDED IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;

THENCE, NORTH 27°56'32" WEST, A DISTANCE OF 150.83 FEET ALONG SAID LINE;

THENCE, NORTH 59°20'09" EAST, A DISTANCE OF 447.25 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIAL BEARING OF NORTH 59°20'09" EAST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 135.24 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 28°23'01" AND A RADIUS OF 273.00 FEET;

THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 379.47 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 26°17'26" AND A RADIUS OF 827.00 FEET;

THENCE, NORTH 61°25'44" EAST, A DISTANCE OF 46.00 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIUS BEARING OF NORTH 61°25'44" EAST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 30.53 FEET, SAID CURVE HAS A CENTRAL ANGLE 87°27'53" AND A RADIUS OF 20.00 FEET;

THENCE, NORTH 63°57'51" EAST, A DISTANCE OF 21.34 FEET;

THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 82.85 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 17°36'53" AND A RADIUS OF 269.50 FEET;

THENCE, NORTH 21°54'13" WEST, A DISTANCE OF 138.65 FEET;

THENCE, NORTH 79°24'23" EAST, A DISTANCE 77.49 FEET;

THENCE, NORTH 50°37'32" EAST, A DISTANCE OF 219.71 FEET;

THENCE, NORTH 42°10'28" EAST, A DISTANCE OF 35.00 FEET TO THE ARC OF NON-TANGENT CURVE HAVING A RADIAL BEARING OF NORTH 42°10'28" EAST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 45.38 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 14°24'19" AND RADIUS OF 180.50 FEET;

THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 29.76 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 85°15'33" AND RADIUS OF 20.00 FEET;

THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 92.46 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 12°37'44" AND RADIUS OF 419.50 FEET;

THENCE, NORTH 37°19'46" WEST, A DISTANCE OF 93.41 FEET;

THENCE, NORTH 37°36'32" WEST, A DISTANCE OF 89.77 FEET;

THENCE, NORTH 25°20'31" WEST, A DISTANCE OF 172.34 FEET;

THENCE, NORTH 11°54'26" WEST, A DISTANCE OF 162.29 FEET;

THENCE, NORTH 00°10'10" EAST, A DISTANCE OF 267.49 FEET;

THENCE, NORTH 02°52'00" EAST, A DISTANCE OF 193.69 FEET TO THE ARC OF A NON-

TANGENT CURVE HAVING A RADIAL BEARING OF SOUTH 14°06'29" WEST;

THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 5.57 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 00°39'49" AND RADIUS OF 481.00 FEET;

THENCE, NORTH 13°26'40" EAST, A DISTANCE OF 205.27 FEET;

THENCE, NORTH 00°23'44" WEST, A DISTANCE OF 196.47 FEET TO THE POINT OF BEGINNING;

AS ALSO DESCRIBED AS NEW PARCEL B IN THAT CERTAIN LOT LINE ADJUSTMENT RECORDED JULY 12, 2004, IN BOOK 20040712 PAGE 162, OFFICIAL RECORDS.

PARCEL TWO:

REAL PROPERTY RIGHTS, INCLUDING NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS, AS CONTAINED IN THE SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED SEPTEMBER 26, 1996, IN BOOK 19960926, ,PAGE 1353 AND RE-RECORDED FEBRUARY 10, 1998, IN BOOK 19980210, PAGE 0773, AS AMENDED BY THE FIRST AMENDMENT OF SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED FEBRUARY 13, 1998, IN BOOK 19980213, PAGE 0883 AND CONFIRMED IN THAT CERTAIN "MUTUAL BENEFIT AGREEMENT" RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1249, OFFICIAL RECORDS.

PARCEL THREE:

NONEXCLUSIVE PERPETUAL EASEMENTS FOR VEHICULAR, BICYCLE AND PEDESTRIAN INGRESS AND EGRESS AS CONTAINED IN THAT CERTAIN DOCUMENT ENTITLED "GRANT OF EASEMENTS AGREEMENT", RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1250, OFFICIAL RECORDS.

APN: 073-0190-047-0000 AND 073-0190-105-0000

EXHIBIT B-2

Diagram of the subdivision for the Residences of Murieta Hills - East

EXHIBIT B-2

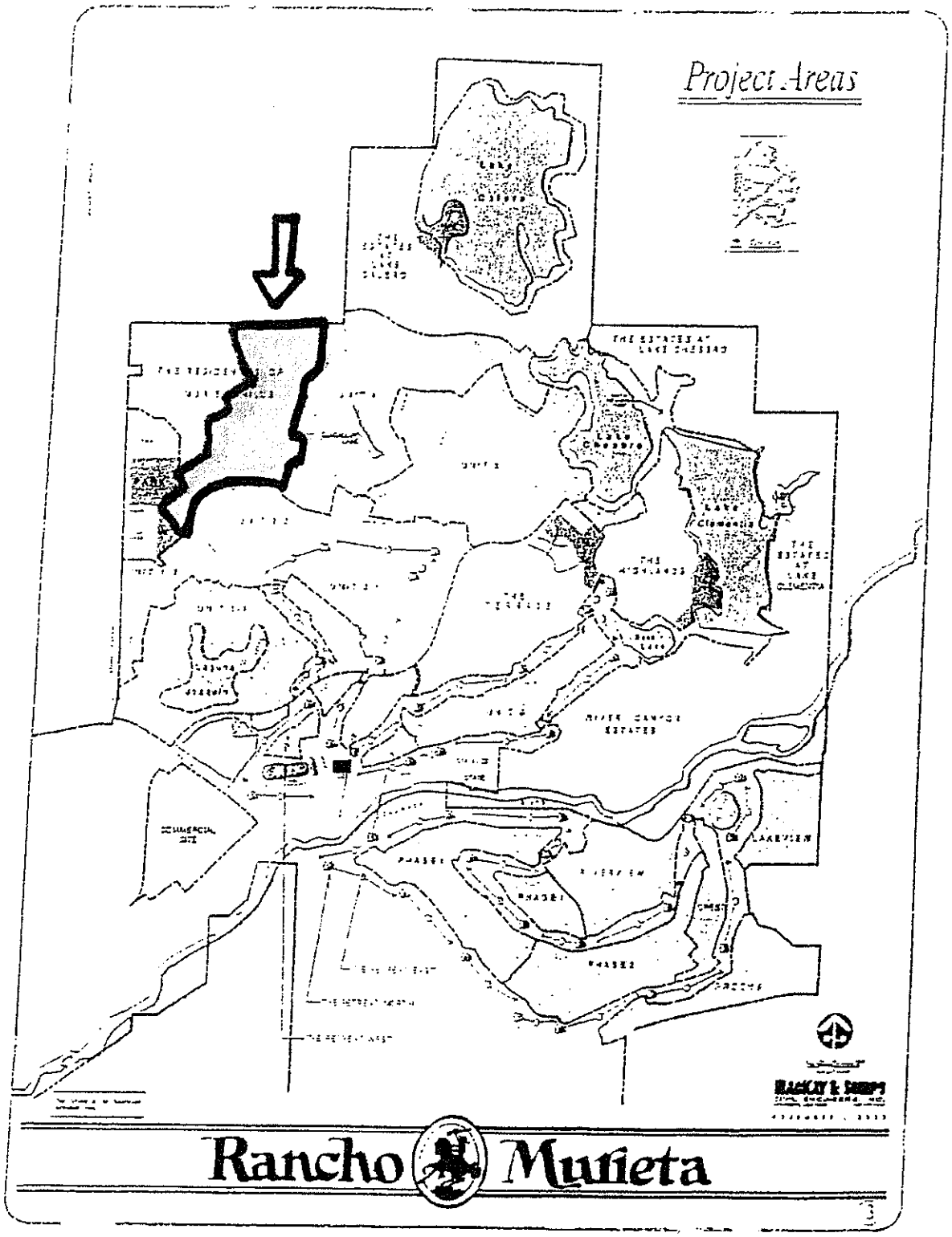


EXHIBIT C-1

Legal Description of the Residences of Murieta Hills – West

Exhibit C-1

PARCEL ONE:
PARCEL ELEVEN AS DESCRIBED IN BOOK 20010905 AT PAGE 245 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY ALSO BEING A PORTION OF PARCEL 2 AS SHOWN AND DESCRIBED IN THAT CERTAIN "PARCEL MAP OF RANCHO MURIETA" RECORDED IN BOOK 12 OF PARCEL MAPS AT PAGE 47 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY, STATE OF CALIFORNIA, EXCEPTING THEREFROM THE FOLLOWING DESCRIBED PARCEL:

COMMENCING AT THE INTERSECTION OF THE SOUTH LINE OF THE NORTH HALF OF THE SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 8 NORTH, RANGE 8 EAST, MOUNT DIABLO MERIDIAN, THENCE NORTH 89° 36'16" EAST, A DISTANCE OF 1559.56 FEET ALONG SAID SOUTH LINE TO THE POINT OF BEGINNING OF THE PARCEL TO BE DESCRIBED;THENCE, FROM THE POINT OF BEGINNING, NORTH 89°36'16" EAST, A DISTANCE OF 516.32 FEET ALONG SAID SOUTH LINE;THENCE, NORTH 89°37'01" EAST, A DISTANCE OF 1021.73 FEET TO A POINT ON THE WESTERLY BOUNDARY LINE OF RANCHO MURIETA UNIT NO. 4 AS RECORDED IN BOOK 142 OF MAPS AT PAGE 9 IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;THENCE, SOUTH 25° 46'45" WEST, A DISTANCE OF 183.71 FEET ALONG SAID LINE;THENCE, SOUTH 54°23'16" EAST, A DISTANCE OF 127.38 FEET ALONG SAID LINE;THENCE, SOUTH 09°13'14" WEST, A DISTANCE OF 531.50 FEET ALONG SAID LINE;THENCE, SOUTH 87°25'09" WEST, A DISTANCE OF 56.39 FEET ALONG SAID LINE;THENCE, SOUTH 64°22'02" WEST, A DISTANCE OF 172.38 FEET ALONG SAID LINE;THENCE, SOUTH 08°58'59" EAST, A DISTANCE OF 303.89 FEET ALONG SAID LINE;THENCE, SOUTH 22°24'47" WEST, A DISTANCE OF 354.65 FEET ALONG SAID LINE;THENCE, SOUTH 05°00'46" WEST, A DISTANCE OF 290.35 FEET ALONG SAID LINE;THENCE, SOUTH 76°44'27" EAST, A DISTANCE OF 160.04 FEET ALONG SAID LINE TO THE ARC OF A NON-TANGENT CURVE ON THE WESTERLY RIGHT-OF-WAY LINE OF PUERTO DRIVE HAVING A RADIAL BEARING OF NORTH 87°15'47" WEST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 37.54 FEET TO THE SOUTHERLY LINE OF SAID PARCEL 2, SAID CURVE HAS A CENTRAL ANGLE OF 01°21'38" AND A RADIUS OF 1581.00 FEET;THENCE, SOUTH 50°45'21" WEST, A DISTANCE OF 468.11 FEET ALONG SAID SOUTHERLY LINE;THENCE, SOUTH 87°02'57" WEST, A DISTANCE OF 971.31 FEET ALONG SAID SOUTHERLY LINE;THENCE, SOUTH 49°45'01" WEST, A DISTANCE OF 635.49 FEET ALONG SAID SOUTHERLY LINE TO THE INTERSECTION WITH THE EASTERLY LINE OF A PARCEL LAND DESCRIBED IN BOOK 800430 AT PAGE 561 AS RECORDED IN THE OFFICIAL RECORDS OF SACRAMENTO COUNTY;THENCE, NORTH 27° 56'32" WEST, A DISTANCE OF 150.83 FEET ALONG SAID LINE;THENCE, NORTH 59°20'09" EAST, A DISTANCE OF 447.25 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING RADIAL BEARING OF NORTH 59°20'09" EAST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE RIGHT A DISTANCE OF 135.24 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 28°23'01" AND A RADIUS OF 273.00 FEET;THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 379.47 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 26°17'26" AND A RADIUS OF 827.00 FEET;THENCE, NORTH 61° 25'44" EAST, A DISTANCE OF 46.00 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIUS BEARING OF NORTH 61°25'44" EAST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 30.53 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 87°27'53" AND A RADIUS OF 20.00 FEET;THENCE, NORTH 63°57'51" EAST, A DISTANCE OF 21.34 FEET;THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 82.85 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 17°36'53" AND A RADIUS OF 269.50 FEET;THENCE, NORTH 21°54'13" WEST, A DISTANCE OF 138.65 FEET;THENCE, NORTH 79°24'23" EAST, A DISTANCE OF 77.49 FEET;THENCE, NORTH 50°37'32" EAST, A DISTANCE OF 219.71 FEET;THENCE, NORTH 42°10'28" EAST, A DISTANCE OF 35.00 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIAL BEARING OF NORTH 42° 10'28" EAST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 45.38 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 14° 24'19" AND RADIUS OF 180.50 FEET;THENCE, ON THE ARC OF A CURVE TO THE LEFT A DISTANCE OF 29.76 FEET, SAID CURVE HAS A

CENTRAL ANGLE OF 85°15'33" AND RADIUS OF 20.00 FEET;THENCE, ON THE ARC OF A CURVE TO THE RIGHT A DISTANCE OF 92.46 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 12°37'44" AND RADIUS OF 419.50 FEET;THENCE, NORTH 37°19'46" WEST, A DISTANCE OF 93.41 FEET;THENCE, NORTH 37°36'32" WEST, A DISTANCE OF 89.77 FEET;THENCE, NORTH 25°20'31" WEST, A DISTANCE OF 172.34 FEET;THENCE, NORTH 11°54'26" WEST, A DISTANCE OF 162.29 FEET;THENCE, NORTH 00°10'10" EAST, A DISTANCE OF 267.49 FEET;THENCE, NORTH 02°52'00" EAST, A DISTANCE OF 193.69 FEET TO THE ARC OF A NON-TANGENT CURVE HAVING A RADIAL BEARING OF SOUTH 14°06'29" WEST;THENCE, ON THE ARC OF SAID NON-TANGENT CURVE TO THE LEFT A DISTANCE OF 5.57 FEET, SAID CURVE HAS A CENTRAL ANGLE OF 00°39'49" AND RADIUS OF 481.00 FEET;THENCE, NORTH 13°26'40" EAST, A DISTANCE OF 205.27 FEET;THENCE, NORTH 00°23'44" WEST, A DISTANCE OF 196.47 FEET TO THE POINT OF BEGINNING;AS ALSO DESCRIBED AS NEW PARCEL A IN THAT CERTAIN LOT LINE ADJUSTMENT RECORDED JULY 12, 2004, IN BOOK 20040712 PAGE 162 OFFICIAL RECORDS.

PARCEL TWO:
REAL PROPERTY RIGHTS, INCLUDING NON-EXCLUSIVE EASEMENTS FOR INGRESS, EGRESS AND ACCESS, AS CONTAINED IN THE SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED SEPTEMBER 26, 1996, INSTRUMENT NO. 199609261353 AND RERECORDED FEBRUARY 10, 1998, INSTRUMENT NO. 199802100773, AS AMENDED BY THE FIRST AMENDMENT OF SECOND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS RECORDED FEBRUARY 13, 1998, INSTRUMENT NO. 199802130883 AND CONFIRMED IN THAT CERTAIN "MUTUAL BENEFIT AGREEMENT" RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1249, OFFICIAL RECORDS.

PARCEL THREE:
NONEXCLUSIVE PERPETUAL EASEMENTS FOR VEHICULAR, BICYCLE AND PEDESTRIAN INGRESS AND EGRESS AS CONTAINED IN THAT CERTAIN DOCUMENT ENTITLED "GRANT OF EASEMENTS AGREEMENT", RECORDED SEPTEMBER 24, 2004, IN BOOK 20040924 PAGE 1250, OFFICIAL RECORDS.

EXHIBIT C-2

Diagram of the subdivision for the Residences of Murieta Hills – West

EXHIBIT C-2

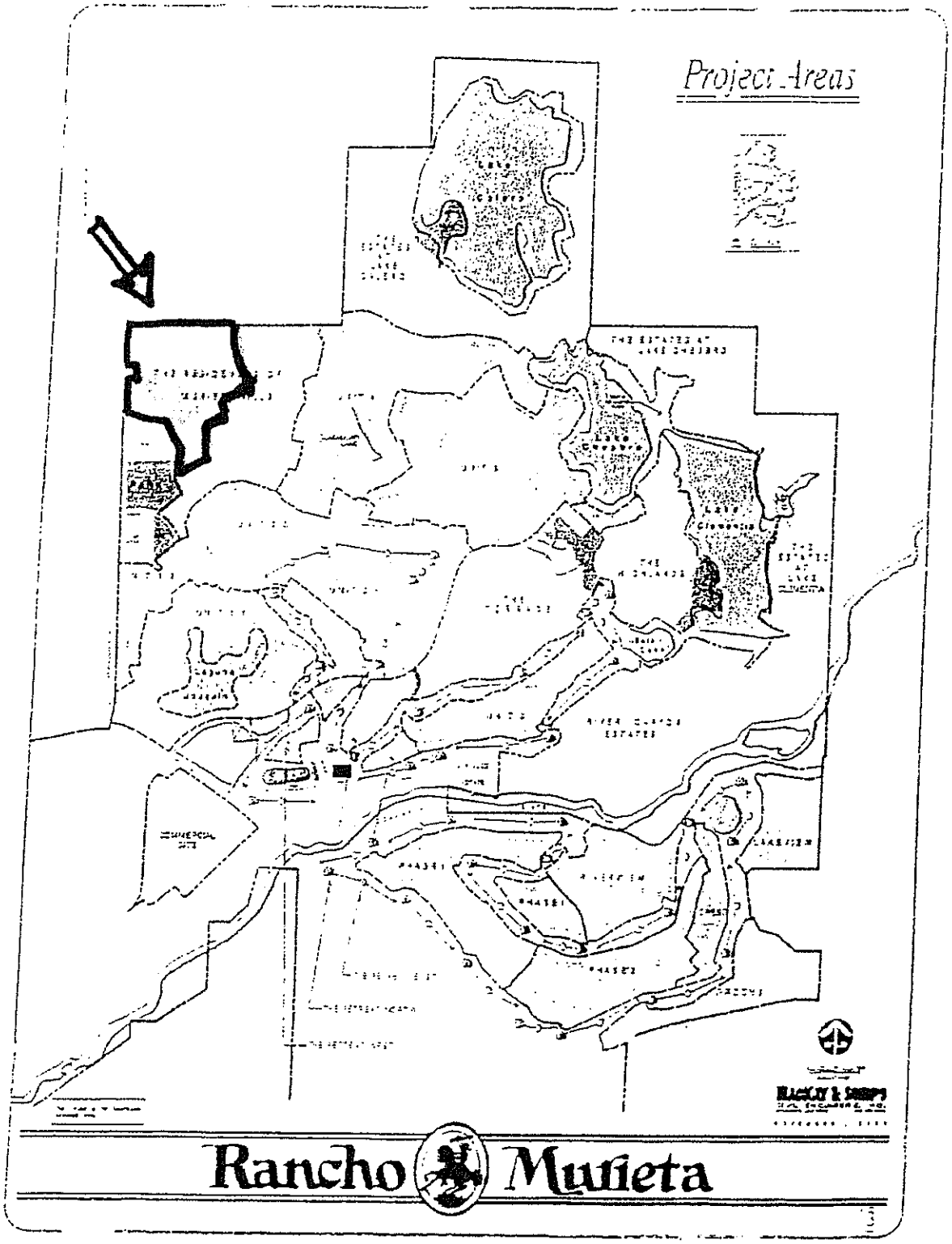


EXHIBIT –D-1

[Intentionally Omitted]

EXHIBIT D-2

[Intentionally Omitted]

EXHIBIT –E-1

[Intentionally Omitted]

EXHIBIT E-2

[Intentionally Omitted]

EXHIBIT F-1

Legal Description of Riverview

Real property in the City of Sacramento, County of Sacramento, State of California, described as follows:

PARCEL ONE:

THAT REAL PROPERTY SITUATE IN THE UNINCORPORATED AREA, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL 6, AS SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "BEING A DIVISION OF PARCEL 7 AND INCLUDING A PORTION OF PARCEL 3 PER BOOK 12 OF PARCEL MAPS, PAGE 47, SACRAMENTO COUNTY RECORDS", FILED IN THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY, CALIFORNIA, ON FEBRUARY 28, 1990 IN BOOK 117 OF PARCEL MAPS, AT PAGE 15.

PARCEL TWO:

A NON-EXCLUSIVE EASEMENT FOR INGRESS AND EGRESS OF VEHICULAR AND PEDESTRIAN TRAFFIC, WHICH EASEMENT SHALL BE APPURTENANT TO THAT CERTAIN PARCEL MAP RECORDED FEBRUARY 28, 1990, IN BOOK 117 OF PARCEL MAPS, PAGE NO. 15, OVER AND ACROSS THE LAND OF THE GRANTOR BETWEEN SAID PARCEL MAP AND A PUBLIC ROAD, STREET, OR HIGHWAY. THE FINAL ALIGNMENT OF SAID EASEMENT SHALL BE CONSISTENT WITH THE DEDICATION OF PUBLIC AND/OR PRIVATE ROADS ON ANY FINAL PARCEL OR SUBDIVISION MAP APPROVED BY THE COUNTY OF SACRAMENTO AND RECORDED AFTER THE DATE THIS EASEMENT DEED IS RECORDED. IF THE PARCEL OR SUBDIVISION MAP CREATING THE PUBLIC AND/OR PRIVATE ROADS IS NOT RECORDED WITHIN A REASONABLE TIME, THE EASEMENTS SHALL BE SPECIFICALLY LOCATED AS SET FORTH ON THE ROAD CIRCULATION PLAN PREPARED BY THE GRANTOR AND FILED OR TO BE FILED WITH THE COUNTY OF SACRAMENTO. THE GRANTOR AND GRANTEE, OR THEIR SUCCESSORS, SHALL JOINT IN EXECUTING ANY DOCUMENTS NECESSARY TO SPECIFICALLY DESCRIBED THE LOCATION OF THE EASEMENTS.

APN: 073-0790-007

EXHIBIT F-2

Diagram of the subdivision for Riverview

EXHIBIT F-2

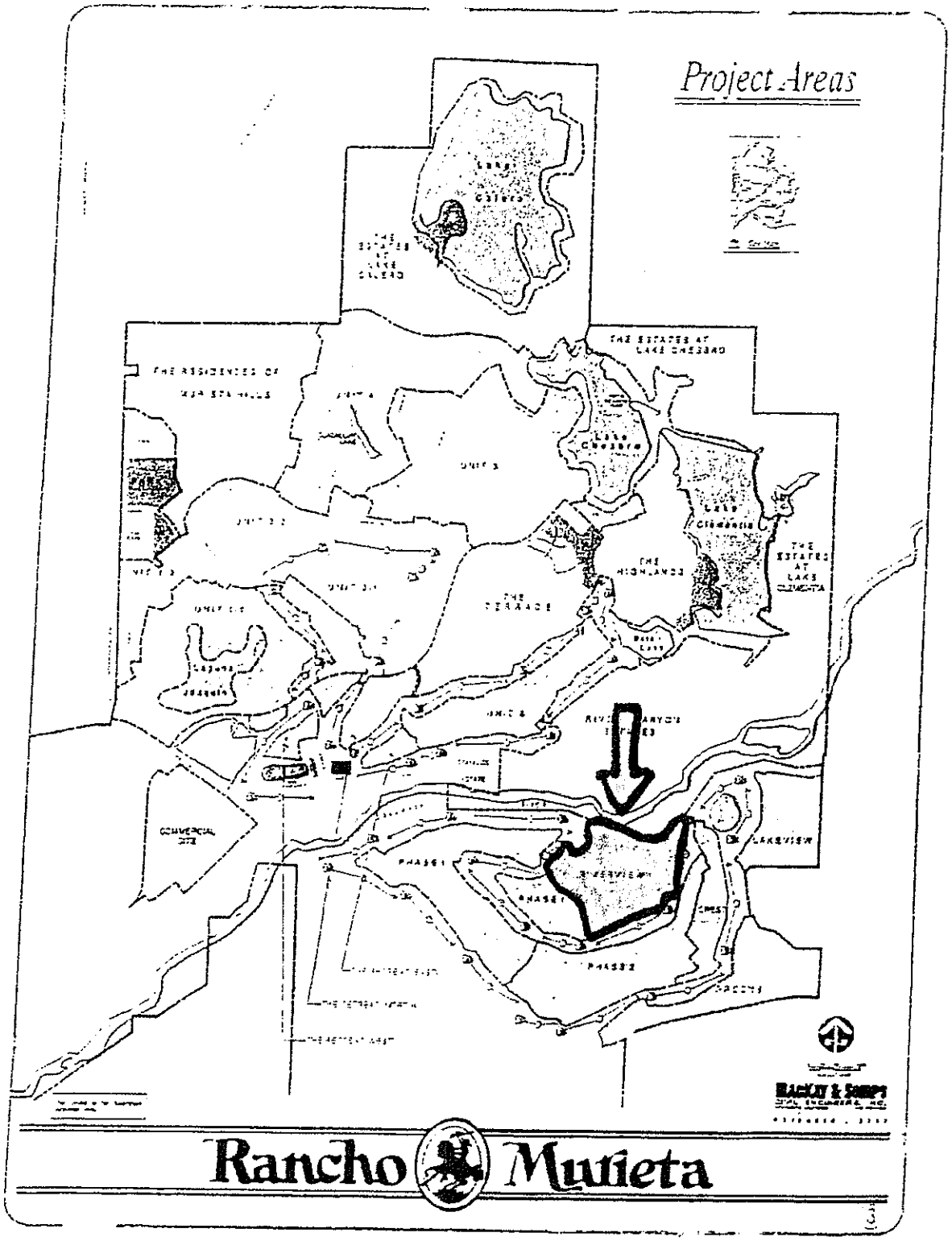

Project Areas
THE ESTATES AT LAKE CHESBRO
THE RESIDENCES OF
THE HIGHLANDS
THE TERRACE
THE ESTATES AT LAKE
COMMERCIAL
PHASE 1
PHASE 2
LAKEVIEW
BACKLEY & SHARPS
Rancho Murieta

EXHIBIT G-1

Legal Description
of Lakeview

Exhibit G-1

EXHIBIT "A"
LEGAL DESCRIPTION

Parcel 5 as shown on that certain Parcel Map entitled "Being a division of Parcel 7 and including a portion of Parcel 3 per Book 12 of Parcel Maps, Page 47, Sacramento County Records", filed in the office of the County Recorder of Sacramento County, California on February 28, 1990 in Book 117 of Parcel Maps, at Page 15 as modified by the Amended Parcel Map filed April 3, 1991 in Book 123 of Parcel Maps at Page 26.

EXCEPTING THEREFROM:

Commencing at the most southwesterly corner of Parcel 5 as shown in said Book 123 of Parcel Maps at Page 26, also being a common line with Parcel 2 as shown in said Book 123 of Parcel Maps at Page 26 and on the westerly line of a road easement as described in Book 20011025 at Page 1161 in the Official records of the County of Sacramento;

Thence, North 02°54'50" West, a distance of 522.90 feet along said common line between Parcel 2 and Parcel 5 and the westerly line of said road easement to the Point of Beginning of the easement to be described;

Thence, from the Point of Beginning, South 85°31'02" West, a distance of 43.50 feet along said common line between Parcel 2 and Parcel 5;

Thence, North 25°07'21" West, a distance of 348.94 feet along said common line between Parcel 2 and Parcel 5 to a point on the westerly line of said road easement;

Thence, South 60°01'20" east, a distance of 88.05 feet along said the westerly line of said road easement to a point of curvature of a tangent curve;

Thence, on the arc of a curve to the right a distance of 221 27 feet along the westerly line of said road easement, said curve has central angle of 57°06'30" and a radius of 222.00 feet;

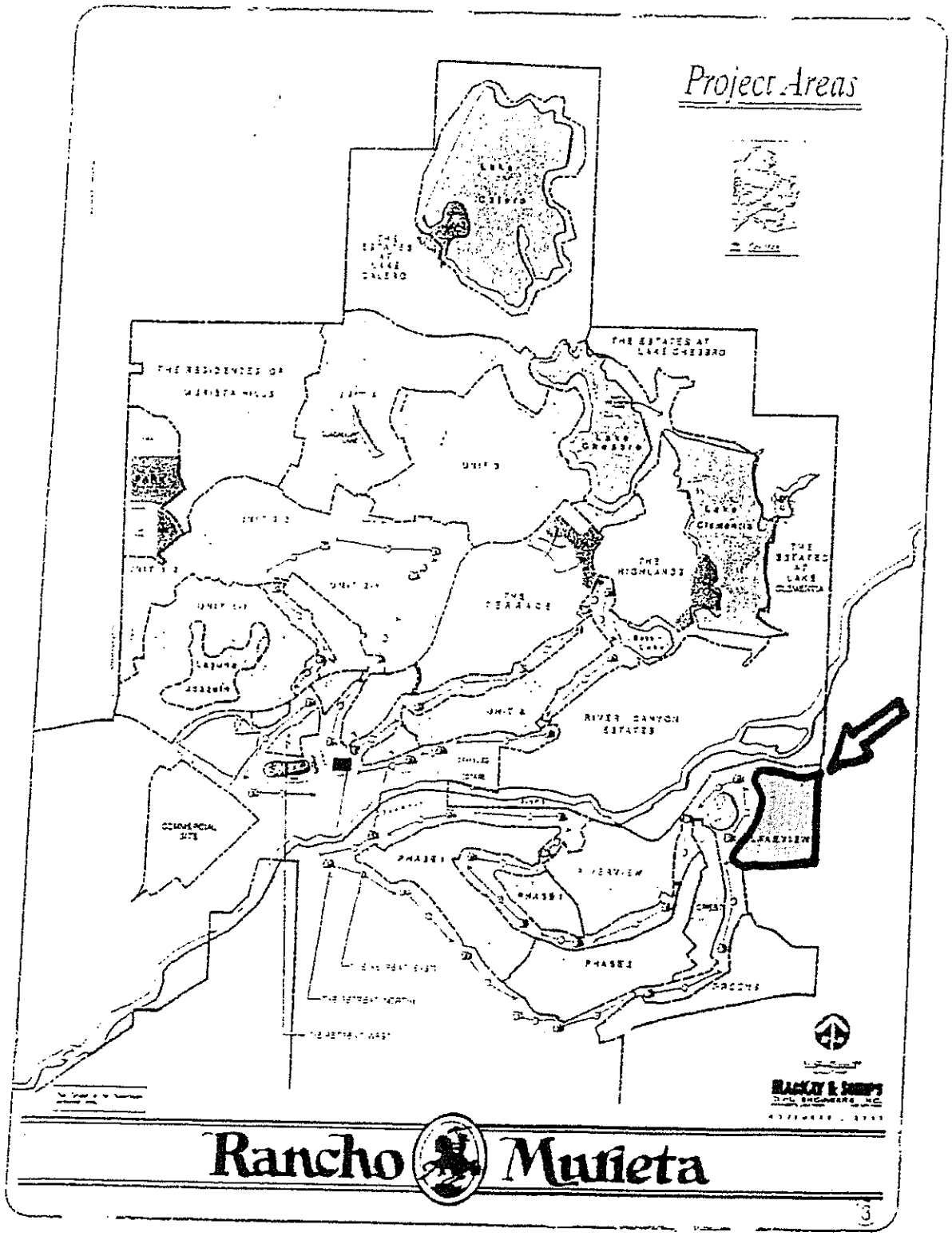
Thence, South 02°54'50" East, a distance of 87.64 feet along the westerly line of said road easement to the Point of Beginning.

Apn: 073-0790-046

EXHIBIT G-2

Diagram of the subdivision for Lakeview

EXHIBIT G-2


Project Areas
THE ESTATES AT LAKE CHERRO
THE RESIDENCES OF MARIETA HILLS
LAKE CHERRO
THE HIGHLANDS
THE ESTATES AT LAKE CHEMARIN
THE TERRACE
RIVER CANYON ESTATES
COMMERCIAL SITE
PHASE I
PHASE II
PHASE III
PARKVIEW
Rancho Murieta