

**AGREEMENT FOR WATER
ACQUISITION**

**AGREEMENT FOR WATER ACQUISITION BY
CASTAIC LAKE WATER AGENCY
FROM
BUENA VISTA/ROSEDALE-RIO BRAVO
WATER BANKING AND RECOVERY PROGRAM**

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THIS AGREEMENT ("Agreement") is made and entered into as of the Effective Date by and between the CASTAIC LAKE WATER AGENCY ("CLWA"), the BUENA VISTA WATER STORAGE DISTRICT ("BV"), and the ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT ("RRB"). BV and RRB are sometimes conjunctively referred to as "BV-RRB" herein. BV, RRB, BV-RRB, and CLWA are sometimes referred to individually as a "Party" and collectively as the "Parties."

INTRODUCTION

BV-RRB will operate a program for the capture, spreading, storage, and recovery of water, including high flow waters from the Kern River available to BV pursuant to the exercise of recognized pre-1914 appropriative water rights ("BV-RRB Sale Water"), agreements with affected adjoining entities ("BV-RRB MOUs"), a program agreement between BV and RRB ("BV-RRB Program Agreement"), and an FEIR certified in 2002 ("BV-RRB FEIR"), all of which is collectively referred to as the "BV-RRB Program". This Agreement sets forth the terms and conditions for CLWA to acquire BV-RRB Sale Water. A map showing the location of BV-RRB Program Facilities is set forth on Exhibit "A" attached hereto and by reference is made a part hereof.

DEFINITIONS

1. **AF, AFY:** Acre-feet, or acre-feet of water per year.
2. **BV-RRB MOUs:** Memoranda of Understanding between BV and RRB with adjoining entities as described in the BV-RRB FEIR.
3. **BV-RRB Program:** A Program for capture, spreading, storage, recovery and export of water, including high flow waters from the Kern River available to BV pursuant to the exercise of recognized pre-1914 appropriative water rights, agreements with affected adjoining entities, a program agreement between BV and RRB, and an FEIR certified in 2002.
4. **BV-RRB Program Agreement:** The Agreement between BV and RRB as set forth in the definition of BV-RRB Program.
5. **BV-RRB Sale Water:** Water recovered or withdrawn and purchased by CLWA pursuant to the BV-RRB Program and this Agreement.

6. **CEQA:** California Environmental Quality Act, as presently existing and any amendments thereto.
7. **CLWA Project:** CLWA rights to 11,000 AFY of BV-RRB Sale Water (sometimes referred to as "Project Water.").
8. **Cross Valley Canal ("CVC"):** A Canal extending in an east-west direction from the California Aqueduct at Tupman to a point of connection with the Friant-Kern Canal, in which RRB owns, holds and controls certain capacity rights. (See Exhibit "A".)
9. **Escalator:** An annual adjustment of the price per AFY of water pursuant to the ~~formula as set forth in Section 4.C.~~ of this Agreement.
10. **Kern County Water Agency ("KCWA"):** KCWA, a special district that serves as the contractor for Kern County's State Water Project, which executed the Master Contract for delivery of water to Kern County through SWP Facilities.
11. **Master Contract:** The Contract executed between Kern County Water Agency and the State of California Department of Water Resources, dated November 15, 1963 and all Amendments thereto.
12. **Point of Delivery:** The Point of Delivery of BV-RRB Sale Water delivered to CLWA via exchange for SWP water, or for direct delivery of banked water extracted from the groundwater basin, shall be the point at which the SWP water enters Reach 13B of the California Aqueduct. (See Exhibit "A".)
13. **Project Parameters:** Project Parameters mean the facilities, management, and operations necessary to implement and carry-out the provisions of this Agreement.
14. **Public Financing:** Agreements for the issuance of debt obligations (i.e., bonds, certificates of participation, and the like) of CLWA to finance capital facilities and other financial obligations of CLWA.
15. **RRB Water Banking and Exchange Program:** A program for delivery, spreading, storage, recovery, and export of water in the Kern County Sub-Basin San Joaquin Valley Groundwater Basin pursuant to the Final EIR certified on October 11, 2002 by Rosedale-Rio Bravo Water Storage District, a public agency organized in accordance with California Water Storage District Law (Division 14, commencing with Section 39000, of the California Water Code) for the purpose of acquiring, storing, distributing, and replenishing water supplies within its boundaries in Kern County, California. CLWA has rights to bank water in this Program pursuant to an agreement between CLWA and RRB executed on November 15, 2005 ("CLWA-RRB Agreement" herein).

16. **SWP Facilities:** The facilities constructed by the Department of Water Resources pursuant to State law to deliver water from Northern California to the State Project Water contractors at various points of delivery in the State of California, including Kern County Water Agency and CLWA, including the California Aqueduct.
17. **Tupman Turnout:** The point of interconnection between the California Aqueduct and the Cross Valley Canal at or near Tupman, California as shown on Exhibit "A".
18. **Use of the SWP Facilities, Use of its right in SWP Facilities, SWP water, SWP supplies.** These terms mean use of SWP Facilities and SWP water by BV-RRB as those rights are defined by KCWA's SWP Contract with DWR and BV-RRB's contracts with KCWA for a share of KCWA's SWP Table A Amount. These terms and this agreement do not include any transfer of any Table A Amount of KCWA or BV-RRB's rights to a share of such Table A Amount in the SWP.

RECITALS

- A. BV is a public agency organized in accordance with California Water Storage District Law (Division 14, commencing with Section 39000, of the California Water Code) for the purpose of acquiring, storing, distributing, and replenishing water supplies in Kern County, California.
- B. RRB is a public agency organized in accordance with California Water Storage District Law (Division 14, commencing with Section 39000 of the California Water Code) for the purpose of acquiring, storing, distributing, and replenishing water supplies in Kern County, California.
- C. CLWA is a public agency organized in accordance with California Water Code Appendix, Chapter 103, for the purpose of acquiring water and water rights and to provide and sell such water at wholesale and retail to customers in the Santa Clarita Valley in Los Angeles and Ventura Counties, California.
- D. The BV-RRB Program has been authorized pursuant to a Notice of Determination adopted following the certification of the BV-RRB FEIR on October 11, 2002. The BV-RRB Program consists of the following salient Program elements:
1. At least 11,000 AFY of water may be recovered or withdrawn.
 2. Water recovered or withdrawn under the BV-RRB Program may be delivered to third-party buyers inside and outside of Kern County by direct delivery of banked water extracted from the groundwater basin or by exchange of banked water for BV-RRB water pursuant to use of its rights in SWP Facilities.

3. The BV-RRB Program contemplates use of the SWP Facilities as a method of delivery of both exchanged SWP water and extracted banked water to third parties.
 4. The BV-RRB Program contemplates the use of the CVC to transport extracted banked water to the California Aqueduct for delivery to third parties downstream of the Tupman Turnout.
 5. BV-RRB will (a) provide access for direct delivery of banked BV-RRB Program groundwater into the CVC and (b) assist in obtaining approval from the California Department of Water Resources ("DWR"), via Kern County Water Agency, for delivery of BV-RRB Water into the SWP Facilities directly or by exchange.
- E. CLWA desires to purchase 11,000 AFY of BV-RRB Sale Water. On October 25, 2006, CLWA certified its FEIR entitled "Water Acquisition by Castaic Lake Water Agency from Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District" ("CLWA FEIR").
 - F. BV and RRB are each authorized to sell, distribute, or otherwise dispose of water not necessary for the uses and purposes of the districts (Water Code Section 43001).
 - G. BV is the owner of the BV-RRB Sale Water and has the right to divert, transport, spread, sink, bank, extract and export such waters to CLWA as described in the BV-RRB Program.
 - H. The BV-RRB Program may be subject to the same requirements that are placed on other similar projects in the area as related to recharge/extraction ratios, losses (evaporation and migration), and pumping level drawdown impacts on adjacent production wells. The use of any existing facilities or projects in which BV or RRB are participants, such as the CVC, is subject to the rules and regulations applicable to such facilities and projects that are in place from time-to-time.
 - I. BV and RRB have executed BV-RRB MOUs with adjoining entities that place restrictions on the use of the local Kern County Sub-Basin Aquifer and establish water losses described herein and are imposed on the BV-RRB Program and by this Agreement upon the Parties.
 - J. BV-RRB desires CLWA to participate in the BV-RRB Program as described in the BV-RRB FEIR and on the terms and conditions set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the payment of money and the mutual promises of the Parties as set forth herein, it is agreed as follows:

AGREEMENT

1. Description of BV-RRB Program and CLWA Project.

- A. **BV-RRB Program.** The BV-RRB FEIR states that upwards of 80,000 AF of BV Kern River wet year water (and other acquired waters that may become available) will be captured and recharged within the RRB service area in a given year. The water source is BV's high flow Kern River entitlements recharged and banked in RRB's aquifer storage as stipulated in the BV-RRB FEIR. A start-up supply of 110,000 AF is currently in storage for the BV-RRB Program. It is estimated that a minimum of 11,000 AFY of banked water may be recovered or withdrawn from the groundwater bank account in order to supply third party buyer demands. Water recovered under the Program may be delivered to third party buyers inside and outside of the basin and Kern County. The BV-RRB Sale Water can be delivered to third parties by way of direct delivery by pumping the BV-RRB Sale Water from RRB's aquifer storage through the CVC to the SWP Facilities at the Tupman Turnout or by way of in-lieu exchange of BV-RRB SPW supplies.
- B. **CLWA Project.** The CLWA Project is the right to purchase 11,000 AFY of BV-RRB Sale Water as described in and pursuant to the BV-RRB FEIR. The CLWA Project includes the following features:
- (1) **Exchange Delivery and Measurement.** Exchange delivery and measurement shall take place by BV-RRB delivering the water ordered by CLWA from the BV-RRB Program by exchanging an equivalent amount of water from BV-RRB's share of water it is entitled to from its allocation of SWP water through contracts with KCWA and DWR. BV-RRB shall use best efforts to make exchange deliveries as scheduled by CLWA, which schedule shall be consistent with the requirements of the Water Supply Contracts between BV, RRB and the KCWA and with the requirements of the SWP Contract. Exchange shall entail a request by BV-RRB to KCWA/DWR to deliver BV-RRB's SWP water to CLWA. Water delivered by exchange shall be measured by DWR at Reach 13B in the California Aqueduct.
 - (2) **Extraction Delivery and Measurement.** The extraction/transportation facilities have the capacity to deliver BV-RRB Water purchased by CLWA to the California Aqueduct via the CVC, subject to scheduling of other uses of such facilities by entitled parties. RRB shall

use best efforts to make extraction deliveries as scheduled by CLWA. Water delivered by extraction delivery shall be measured by BV-RRB into the CVC. Any water losses and the costs of pumping and delivery through the CVC and any related costs to the Point of Delivery shall be borne by BV-RRB.

- (3) **Storage of Water.** CLWA shall have the option to store BV-RRB Sale Water ("Project Water") in any groundwater storage or banking program available to CLWA, including the rights of CLWA to bank water pursuant to the CLWA-RRB Agreement concerning the RRB Water Banking and Exchange Program. CLWA shall bear all losses and costs (whether water or money) associated with, or arising out of, CLWA's participation in such groundwater storage or banking programs. BV-RRB shall not be obligated to provide water to CLWA at any different or alternate point of delivery as a result of CLWA's election to participate in a groundwater storage or banking program, but will do so if requested by CLWA and if such accommodation can be made without loss, cost, or detriment to BV-RRB (as determined by BV-RRB in BV-RRB's sole discretion and judgment). Transportation and delivery of BV-RRB Sale Water to a point of delivery other than as specified herein ("Different or Alternate Point of Delivery") for groundwater storage or banking shall complete the delivery obligation of BV-RRB under this Agreement with respect to such water, i.e., BV-RRB shall have no further obligation to transport or deliver such water from the groundwater storage or banking project to its place of use.
- (4) **Inspection.** CLWA shall be entitled to inspect all measuring devices upon ten (10) days written notice to BV-RRB.
- (5) **Purchase and Schedule.** Except as otherwise expressly provided herein, BV-RRB will annually make available to CLWA, and CLWA will annually purchase from BV-RRB a minimum of 11,000 AFY from and after January 1, 2007 through the expiration of the term hereof. A failure of CLWA to accept BV-RRB Sale Water made available in any year shall not relieve CLWA of the obligation to pay the full purchase price therefor. CLWA shall schedule deliveries with BV-RRB in a timely manner to enable BV-RRB to meet their respective scheduling obligations under BV-RRB's water supply contracts with the Kern County Water Agency and that entity's scheduling obligations with DWR

under the Master Contract. Unless otherwise agreed to by BV-RRB, no more than 1,100 AF will be required in any one month from extraction deliveries.

(6) Point of Delivery, Liability.

(a) CLWA and its officers, agents, or employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of BV-RRB Sale Water upstream of any Point of Delivery, nor for any claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water. BV-RRB shall indemnify and hold harmless CLWA, its officers, agents, and employees from any such damages or claims of damages as set out in Section 7 of this Agreement.

(b) BV-RRB and its officers, agents, and employees shall not be liable for the control, carriage, handling, use, disposal, or distribution of BV-RRB Sale Water downstream of any Point of Delivery; nor for any claim of damage of any nature whatsoever, including, but not limited to, property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water. CLWA shall indemnify and hold harmless BV-RRB its officers, agents, and employees from any such damages or claims of damages as set out in Section 7 of this Agreement.

(7) Banking of BV-RRB Sale Water. Subject to Section 1.B.(3), BV-RRB Sale Water is or will first be banked in the groundwater basin underlying RRB and/or BV. BV-RRB will then deliver BV-RRB Sale Water to the Point of Delivery by either (i) an exchange of BV-RRB Sale Water for SWP water through the SWP Facilities, or (ii) direct delivery of BV-RRB Sale Water from the groundwater basin to the SWP Facilities via the CVC.

(a) If and to the extent that BV-RRB delivers BV-RRB Sale Water to and into the California Aqueduct by direct delivery (sub-section (7) (ii) above), subject to Section 7(b) below, the quality of BV-RRB Sale Water will comply with the State of California Department of Water Resources water quality criteria. The Department of Water Resources ("DWR") regulates the water quality of the State Water

Project ("SWP") through the *Department of Water Resources Water Quality Criteria for Acceptance ("Acceptance Criteria") of Non-Project Water into the State Water Project* and the *Implementation Procedures for the Review of Water Quality from Non-Project Water Introduced into the State Water Project ("Implementation Procedures")* ("DWR Water Quality Criteria"). CLWA agrees to accept such water without further treatment or improvement by BV-RRB.

(b) It is understood that the quality of BV-RRB Sale Water meets the DWR Water Quality Criteria for pump-in to the California Aqueduct as of the date of this Agreement. BV-RRB shall maintain the quality of BV-RRB Sale Water during the term of this Agreement, or any extensions, such that the same shall continue to meet said DWR Water Quality Criteria. However, if, after the date of this Agreement, the DWR Water Quality Criteria are modified, and, if such modification results in a new or different pre-delivery treatment requirement to which BV-RRB is not subject as of the date of this Agreement, CLWA shall bear all additional costs associated with the satisfaction of said new or different pre-delivery treatment requirement.

2. Insurance, Representations, Warranties, Reliance, and Covenants.

A. Insurance. BV and RRB each have insurance coverage for their facilities and operations, including those facilities and operations involved in the BV-RRB Program. BV and RRB shall, on execution of this Agreement, provide CLWA with a copy of such policies and instruct the insurance companies to send CLWA any notices from the insurance company including notices of non-payment of premium or non-renewal of the policies.

B. Representations, Warranties, Covenants, and Reliance.

(1) **BV and RRB jointly and severally represent and warrant as follows:**

(a) BV-RRB possesses the necessary rights in the SWP and the facilities to perform its obligations under this Agreement and has the ability to perform under the terms of this Agreement to deliver 11,000 AFY of BV-RRB sale water by way of exchange or direct delivery as set forth in this Agreement.

- (b) The BV-RRB FEIR and any addendums or changes thereto have not been challenged and the time within which to bring such challenge has expired.
- (c) The description of the BV-RRB Program in the BV-RRB FEIR includes the storage, recovery and withdrawal of a minimum of 11,000 AFY of water and delivery to third parties by way of delivery of SWP water by exchange or by direct delivery by pumping BV-RRB Program water for delivery to CLWA through the CVC and SWP Facilities as described herein.
- (d) BV has legally enforceable rights to water from the Kern River and its tributaries to divert, transport, spread, sink, bank extract and export water to CLWA as set forth in the BV-RRB Program and to carry out its performance under the terms of this Agreement.
- (e) Banked water recovered or withdrawn under the BV-RRB Program may be delivered inside and outside of Kern County to CLWA.
- (f) So far as is known to BV-RRB, the California Aqueduct is a permissible method for delivery of BV-RRB Program water to CLWA and third parties at the present time.
- (g) BV-RRB (i) has approval from the Kern County Water Agency for CLWA's participation in the BV-RRB Program; (ii) will exercise its best efforts with due diligence to assist CLWA to obtain approval from DWR for a change in the place of use of SWP water to be delivered to CLWA by way of exchange, and (iii) will exercise its best efforts and due diligence as reasonably required to assist in obtaining approval from KCWA and DWR for direct delivery of BV-RRB Water into the CVC and the California Aqueduct, as necessary to carry out the CLWA Project and perform this Agreement.
- (h) BV-RRB represents and warrants that its entry into this Agreement does not create or result in the breach of any other agreement to which BV-RRB or either of them is a party or to which BV-RRB or either of them is otherwise subject to or bound.

- (i) BV-RRB represents and warrants that there is no pending or threatened litigation involving the BV-RRB Program or the ability of BV-RRB to sell Program water to CLWA, except the following, which the parties acknowledge that they are fully informed of and desire to execute and perform this agreement, the allegations in such litigation to the contrary notwithstanding (*California Water Impact Network v. Castaic Lake Water Agency* – Petition for Peremptory Writ of Mandate and Complaint for Declaratory and Injunctive Relief, Los Angeles Superior Court Case No. BC362523).
 - (j) BV-RRB has conducted engineering studies which conclude that 11,000 AFY can be produced by the BV-RRB Program on a firm basis.
- (2) **BV and RRB jointly and severally covenant that they will exercise their best efforts in good faith and with due diligence in carrying out their obligations and responsibilities under the terms of this Agreement. Should the BV-RRB Program generate additional water (i.e., over and above the 11,000 AFY of BV-RRB Sale Water purchased and sold pursuant to this Agreement) and should BV-RRB offer such additional water for sale outside the boundaries of either District, BV and RRB, jointly and severally, covenant in good faith to provide CLWA the opportunity to negotiate for the purchase and delivery of such water (“Additional BV-RRB Sale Water”). The negotiation shall take place pursuant to the procedures set forth in the Right of First Offer attached hereto as Exhibit “D” and made a part hereof.**
- (3) **CLWA represents and warrants as follows:**
- (a) CLWA represents and warrants that entry into this Agreement does not create or result in the breach of any other agreement to which CLWA is a party or to which CLWA is otherwise subject to or bound.
 - (b) CLWA warrants and represents that it will be able and is committed to make the agreed payments as per item 4 below to BV-RRB with the only limitation being the provisions of item 5. C. below.

(c) CLWA represents and warrants that there is no pending or threatened litigation involving the BV-RRB Program or the ability of BV-RRB to sell Program water to CLWA, except the following, which the parties acknowledge that they are fully informed of and desire to execute and perform this agreement, the allegations in such litigation to the contrary notwithstanding (*California Water Impact Network v. Castaic Lake Water Agency* – Petition for Peremptory Writ of Mandate and Complaint for Declaratory and Injunctive Relief, Los Angeles Superior Court Case No. BC362523).

(4) CLWA covenants that it will exercise its best efforts in good faith and with due diligence in carrying out its obligations and responsibilities under the terms of this Agreement.

(5) **Reliance.** The Parties have relied on the forgoing representations, warranties, and covenants as a material inducement to execute this Agreement, and should any representation not be correct or true, it shall constitute a material breach of this Agreement.

3. **Term.** The initial term of this Agreement shall commence January 1, 2007 (“Effective Date”) and shall continue for a period of thirty (30) years, i.e., to and including December 31, 2036. Upon expiration of the initial term, this Agreement will be extended to a “date certain” consistent with any extensions of CLWA’s Water Supply Contract with DWR executed in 1962, subject to compliance with applicable law, including CEQA, and contract amendments with the Department of Water Resources. For any extended term those provisions concerning the annual payments and charges and Project Parameters shall be adjusted by mutual agreement of the Parties. If mutual agreement cannot be achieved, the adjustment of payments and charges and Project parameters shall be resolved by the dispute resolution provisions of this Agreement, including mediation as set forth in Section 7, with the exception that arbitration as to such adjustment in payments shall be by binding arbitration. Determination of payments and charges shall be initiated twenty-four (24) months in advance of the end of the initial term of this Agreement by BV-RRB submitting a schedule in writing to CLWA of the proposed payments and charges and Project parameters. CLWA shall have thirty (30) days to respond to such Offer. If CLWA and BV-RRB cannot mutually agree on such payments and charges or Project parameters, the issue shall be submitted in writing to a mediator pursuant to the dispute resolution provisions of this contract. Pending a final decision pursuant to the dispute resolution provisions, the existing

rates of payments and charges and Project parameters (to the extent applicable) shall remain in full force and effect. Any award made for payments and charges and Project parameters shall be retroactive to the first date of the extended term of the Agreement.

4. **Payment and Charges.**

- A. **Purchase Price.** The initial Purchase Price of BV-RRB Sale Water on January 1, 2007, including any water made available under the BV-RRB Program in excess of 11,000 AFY, is \$486.85 per AF.
- B. **Minimum Annual Payment.** The initial Minimum Annual Payment is \$5,355,350 (i.e., \$486.85 times 11,000 AF) paid in installments as set forth in Section 4.D. below. The initial Minimum Annual Payment will be paid by CLWA to BV-RRB whether or not any water delivery is requested by CLWA.
- C. **Escalator.** The initial Purchase Price and the initial Minimum Annual Payment shall be adjusted annually beginning January 1, 2008, during the term of this Agreement using the Consumer Price Index on a calendar year basis (All Urban Consumers – All Items – Southern California Area – starting October, 2006 with a base index of 211.4). To assure that the adjusted price also adequately reflects increases in costs of BV-RRB, there will be “look-ins” at the end of every 10-year period, as well as at the end of the initial and any extended term. The look-ins will compare the actual adjustments using the above-stated Consumer Price Index (“CPI”) with potential adjustments using a melded index consisting of an average of (i) the actual CPI adjustments and (ii) the increase in SWP costs of BV-RRB as reflected on each year’s January 1 estimated annual obligation for Water Supply Contract costs billed to BV-RRB by the Kern County Water Agency (“Melded Index”). If at the time of the look-in the actual CPI adjustments for the period examined is greater than the potential Melded Index adjustments for the same period, there will be no reconciliation. However, if at the time of the look-in the actual CPI adjustments for the period examined is less than the potential Melded Index adjustments for the same period, the Purchase Price and Minimum Annual Payment for each of the years included within the period being examined will be recalculated using the Melded Index adjustments, and a reconciliation payment for the difference will be made by CLWA to BV-RRB prorated over the semi-annual payments for the next ten-year period. The Purchase Price and Minimum Annual Payment for the first year of a period following a look-in shall reflect the results of the look-in.

- D. **Payment of Charges.** The Minimum Annual Payment, as well as any other amounts payable by CLWA to BV-RRB pursuant to this Agreement, shall be made in advance of deliveries in two (2) installments, 50% on January 1st and the remaining 50% of the payment on July 1st of each year of the initial or any extended term. The payments shall be made on the last CLWA business day preceding January 1st and July 1st of each year by wire transfer to BV-RRB.
- E. **Fees and Expenses.** Each party shall be responsible for its own fees and expenses related to approval of a contract and transfer agreement (including all expenses associated with CEQA compliance).
- F. **Permit Costs.** CLWA and BV-RRB shall share equally in regulatory and permitting fees and costs, if any, required for approval of this water transfer, including, without limitation, possible filing and processing fees imposed by the State Water Resources Control Board of the State of California and possible filing and processing fees imposed by the Department of Water Resources of the State of California.
- G. **Payment Subordinate to Debt Service.** The obligation for payment of the purchase price is junior and subordinate to any outstanding or future CLWA Public Financing as that term is defined herein.
- H. **Suspension of Payment.** Should BV-RRB not be able to deliver Project Water for any reason, including reasons not within its control, including an irresistible superhuman cause, or by act of public enemies of California or the United States, CLWA shall be excused from payment for the duration of the time that BV-RRB is not able to deliver Project Water. If CLWA and BV-RRB cannot agree on the duration of the excused payment, the term of the excused payment and the commencement of future payments shall be determined by mediation as set forth in Section 6.A. of this Agreement.

5. **Conditions Precedent/Subsequent.**

- A. **CLWA Conditions Precedent.** CLWA's obligation to purchase hereunder is subject to satisfaction or express written waiver by CLWA of each of the following conditions precedent. Failure of any of the following conditions to be met to the satisfaction of or waived by CLWA shall entitle CLWA to terminate this Agreement. CLWA shall timely communicate such failure to BV-RRB.

- (1) Execution of an exchange agreement between Kern County Water Agency and DWR with CLWA to the use of the SWP Facilities and exchange of SWP water between CLWA and BV-RRB, or the use of SWP Facilities to transport BV-RRB Project Groundwater to CLWA.
- (2) Offer and execution by BV-RRB of all necessary MOUs with adjoining entities as described in the BV-RRB FEIR (page 2), executed copies of which shall be delivered to CLWA prior to execution of this Agreement.
- (3) There are no material, adverse changes to the representations and warranties made by BV-RRB in Section 2.B.
- (4) Delivery by BV-RRB of an opinion of its legal counsel addressed to CLWA that this Agreement has been duly authorized, executed, and delivered by BV-RRB and constitutes the valid and binding obligation of BV-RRB and each of them enforceable against BV-RRB and each of them in accordance with its terms, subject to the effect of any bankruptcy, insolvency, reorganization, moratorium or other laws or judicial decisions affecting the enforcement of creditors' right generally, including, but not limited to, the effect of statutory and other laws or judicial decisions regarding fraudulent conveyances or transfers and preferential transfers; and except as set forth in Section 2.B.(1)(i) that presently there is no litigation in which BV-RRB is a party which in any way affects BV-RRB's ability to perform this Agreement.

B. BV-RRB Conditions Precedent. BV-RRB's obligation to sell hereunder is subject to satisfaction or express written waiver by BV-RRB of each of the following conditions precedent. Failure of any of the following conditions to be met to the satisfaction of or waived by BV-RRB shall entitle BV-RRB to terminate this Agreement. BV-RRB shall timely communicate such failure to CLWA.

- (1) Documentation by CLWA of its financial ability to meet its payment obligations under the terms of this Agreement.
- (2) Execution of an exchange agreement between Kern County Water Agency and DWR with CLWA to the use of the SWP Facilities and exchange of SWP water between CLWA and BV-RRB, or the use of SWP Facilities to transport BV-RRB Project Groundwater to CLWA.

- (3) Offer and execution by BV-RRB of all necessary MOUs with adjoining entities as described in the BV-RRB FEIR (page 2).
- (4) There are no material, adverse changes to the representations and warranties made by CLWA in Section 2.B.
- (5) Delivery by CLWA of an opinion of its legal counsel addressed to BV and RRB, jointly and severally, that this Agreement has been duly authorized, executed, and delivered by CLWA and constitutes the valid and binding obligation of CLWA enforceable against CLWA in accordance with its terms, subject to the effect of any bankruptcy, insolvency, reorganization, moratorium or other laws or judicial decisions affecting the enforcement of creditors' right generally, including, but not limited to, the effect of statutory and other laws or judicial decisions regarding fraudulent conveyances or transfers and preferential transfers; and except as set forth in Section 2.B.(1)(i) that presently there is no litigation in which CLWA is a party which in any way affects CLWA's ability to perform this Agreement.

C. **CLWA Condition Subsequent.** It is understood that CLWA's primary source of funding for its purchase of the minimum annual supply of BV-RRB Sale Water (11,000 AF) is CLWA's share of 1% property tax revenues allocated by Los Angeles County. Should CLWA lose all or any portion of its share of the 1% tax revenues, CLWA's obligation to purchase 11,000 AFY shall be adjusted pursuant to Exhibit "B":

6. **Material Default.** In the event that either CLWA or BV-RRB is in material default of this Agreement, the non-defaulting Party shall provide written notice to the defaulting Party, identifying with reasonable specificity the nature of the claimed default. A material default includes CLWA failing to pay the annual charge or BV-RRB failing to maintain the banked water or deliver water to CLWA. If the defaulting Party has not cured the event(s) of material default which is (are) identified in the notice required by this Article within ten (10) business days of receipt of such written notice, the non-defaulting Party shall be entitled to any and all remedies which may be available to it at law or in equity. Furthermore, in the event of material breach by BV-RRB wherein BV-RRB fails or otherwise refuses to bank or deliver water pursuant to the terms of this Agreement, CLWA shall be entitled to the remedy of specific performance against BV-RRB.

7. **Dispute Resolution.** For matters involving other than a material default of this Agreement, the following provisions shall apply:

- A. **Mediation.** The Parties agree that any and all disputes, claims or controversies arising under this Agreement, whether for breach, enforcement, or interpretation thereof, shall be submitted to mediation in a mutually agreeable venue and if the matter is not resolved through mediation, then it may be submitted for non-binding arbitration as provided in Section 7.B. below. Any affected Party(ies) may commence mediation by providing the other affected Party(ies) a written request for mediation, setting forth the subject of the dispute and the relief requested. The affected Parties shall cooperate with one another in selecting a mediator and in scheduling the mediation proceedings. The affected Parties covenant that they shall participate in the mediation in good faith, and that they shall share equally in costs charged by the mediator. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or any of the mediator's employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. Any affected Party may request arbitration with respect to the matters submitted to mediation by filing a written request for arbitration at any time following the initial mediation session or 45 days after the date of filing the written request for mediation, whichever occurs first. The mediation may continue after the commencement of arbitration if the affected Parties so desire. Unless otherwise agreed by the affected Parties, the mediator shall be disqualified from serving as arbitrator in the case. The provisions of this Section 7.A. may be enforced by any Court of competent jurisdiction, and the Party seeking such enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the Party against whom such enforcement is ordered.
- B. **Arbitration.** With the exception of the adjustment of annual payments and charges for any extended term, which shall be determined by binding arbitration consistent with Section 3 above, any dispute, claim or controversy arising under this Agreement, whether for breach, enforcement, or interpretation thereof, including the determination of the scope or applicability of this Agreement to arbitrate, which could not be resolved through the mediation process set forth above, may be submitted to non-binding arbitration and, with the agreement of both Parties, shall be determined by binding

arbitration, before a sole arbitrator, in accordance with the laws of the State of California for agreements made in and to be performed in that State. Judgment on the binding arbitration award, if any, may be entered in any court having jurisdiction. The arbitrator may allocate all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing Party, against the Party who did not prevail.

- C. **Selection of Mediator/Arbitrator.** The affected Parties shall first attempt to mutually agree to a mediator or arbitrator. If the affected Parties fail to agree on the mediator or arbitrator, the Parties shall each nominate and exchange with each other the names of three persons to resolve the dispute. From this group of nominated mediators or arbitrators, the affected Parties shall select the Mediator or Arbitrator. If each of the affected Parties selects the same Mediator or Arbitrator, that person shall be the Mediator or Arbitrator. In the event two or more same persons are selected by the affected Parties, the person whose name precedes the other alphabetically shall be the Mediator or Arbitrator. If the affected Parties do not select the same person as the other affected Parties, then each affected Party shall eliminate two of the other's selection and the remaining names shall be randomly drawn in order by either Party. The first drawn shall be the Mediator or Arbitrator unless there is a conflict of interest or the mediator or arbitrator cannot serve because of scheduling conflicts. In that case, the second name drawn shall be the Mediator or Arbitrator. No Mediator or Arbitrator shall be nominated or selected if they have any actual or perceived conflict of interest. If necessary, this process can be repeated to nominate or select a mediator or arbitrator if the final two selected Mediators or Arbitrators have any actual or perceived conflict of interest.

8. **Indemnity and Hold Harmless.**

- A. **BV-RRB Indemnity.** BV-RRB shall at all times indemnify, defend and save CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages or expenses, including reasonable attorney fees and costs that CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner relating to, arising out of or connected with its performance or non-performance of the terms of this Agreement, including claims made by groundwater pumpers in the BV-RRB service area, excepting any loss, damage or expense and claims for loss, damage or expense resulting in any manner from the negligent act or acts of

CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents or employees.

- B. **CLWA Indemnity.** CLWA shall at all times indemnify, defend and save BV-RRB, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages, or expenses, including reasonable attorneys' fees and costs that BV-RRB, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner relating to, arising out of or connected with its performance or non-performance of the terms of this Agreement, including actions arising out of or related to CLWA's compliance or non-compliance with CEQA and claims made by landowners in the CLWA service area, excepting any loss, damage or expense and claims for loss, damage or expense resulting in any manner from the negligent act or acts of BV-RRB, its Board of Directors, officers, representatives, consultants, contractors, agents, or employees.
9. **Notices and Wire Transfers.** All written notices required to be given pursuant to the terms hereof shall be either (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by overnight courier service, or (iv) delivered by facsimile transmission, provided that the original of such notice is sent by certified United States mail, postage prepaid, no later than one (1) business day following such facsimile transmission. All such notices shall be deemed delivered upon actual receipt (or upon first attempt at delivery pursuant to the methods specified in clauses (i), (ii) or (iii) above if the intended recipient refuses to accept delivery). Wire transfers shall be effective on proper transmission by CLWA's transmitting agent. All such notices and wire transfers shall be delivered or wired to the following addresses or to such other address as the receiving Party may from time to time specify by written notice to the other Party:

<p>To CLWA:</p> <p>Castaic Lake Water Agency 27234 Bouquet Canyon Road Santa Clarita, CA 91350 ATTN: Dan Masnada Telephone: 661-297-1600 Facsimile: 661-297-1610</p>	<p>To BV-RRB:</p> <p>Wire Transfers: Payment shall consist of a wire transfer to BV-RRB at Wells Fargo Bank, ABA 1210-0024-8, Credit: Kern County Treasurer Account: 416010358, Ref: "Buena Vista Water Storage District, as to 50% of the payment, Rosedale-Rio Bravo Water Storage District, as to the remaining 50% of the payment", Wells Fargo Bank, San Francisco, California.</p> <p>Buena Vista Water Storage District P. O. Box 756 Buttonwillow, CA 93206 ATTN: Martin Milobar, Engineer Manager Telephone: 661-324-1101 Facsimile: 661-764-5053</p> <p style="text-align: center;">AND</p> <p>Rosedale/Rio Bravo Water Storage District P. O. Box 867 Bakersfield, CA 93302-0567 ATTN: Hal Crossley, General Manager Telephone: 661-589-6045 Facsimile: 661-589-1867</p>
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10. **Ministerial Actions.** Due to increasing State-wide demands for water, water storage, banking and recovery, and various water quality issues throughout the State and, as a result of the BV-RRB EIR having considered the recharge and withdrawal of 11,000 AFY of banked water in conjunction with the Kern River, SWP supplies, and other sources, the Parties agree that this Project is unique and cannot be duplicated and there is not a plain, speedy, and adequate remedy at law for CLWA or BV-RRB should either Party refuse or fail to perform their respective obligations as set forth in this Agreement. Consequently, the Parties agree that the terms of this Agreement are enforceable by writ of mandate and specific performance.
11. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals. As may be necessary for any alternative dispute resolution required or permitted under this Agreement, a copy of this Agreement shall be deemed to be an original

for the purposes of satisfying the California and/or Federal Rules of Evidence.

12. **Approval.** BV-RRB and CLWA each acknowledges that execution of this Agreement by each other is conditioned upon any necessary approval of the terms of the Agreement by their respective governing bodies.
13. **Authority.** In signing below, each of the Parties represents and warrants to each of the other Parties that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery and performance of this Agreement have been duly authorized by all necessary action of the board of directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.
14. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.
15. **Agreement.** No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties.
16. **Recording of Memorandum of Agreement.** A memorandum of this Agreement, as set out in Exhibit "C" attached hereto, shall be recorded with the Kern County Recorder's Office upon execution of this Agreement by all the Parties hereto.
17. **Further Action.** The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the terms and conditions of this Agreement and to the extent consistent with the terms hereof.
18. **No Assignment.** No Party shall assign or otherwise transfer its rights or obligations under this Agreement without the prior written consent of all of the other Parties.
19. **Joint Drafting and Negotiation.** This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing this Agreement and that it is fully aware of and understands all of its terms and the legal consequences thereof.
20. **Headings.** Headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

- 21. No Third Party Beneficiaries. No third party shall be entitled to claim or enforce any rights under this Agreement.
- 22. Severability. In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Agreement taken as a whole and legally valid. The remainder of this Agreement shall not be affected thereby.
- 23. Successors and Permitted Assigns. All covenants and agreements contained in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns under Article 18, whether so expressed or not.

IN WITNESS WHEREOF, each Party has executed this Agreement on the date set forth below, said Agreement to be effective on the Effective Date stated above.

Date: MAY 22, 2007

CASTAIC LAKE WATER AGENCY

By: [Signature]

Title: GENERAL MANAGER

MOH

Date: MAY 22, 2007

APPROVED AS TO FORM.

McCORMICK, KIDMAN & BEHRENS, LLP

By: [Signature]

RUSSELL G. BEHRENS
Attorneys for Castaic Lake
Water Agency

**BUENA VISTA/ROSEDALE-RIO
BRAVO WATER BANKING AND
RECOVERY PROGRAM**

Date: 5/22/07

By: BUENA VISTA WATER
STORAGE DISTRICT

By: [Signature]
Title: President

Date: May 22 2007

By: ROSEDALE-RIO BRAVO
WATER STORAGE
DISTRICT

By: [Signature]
Title: Gen. Mgr.

APPROVED AS TO FORM.

McMURTREY, HARTSOCK and WORTH

By: [Signature]
GENE McMURTREY
Attorneys for Buena Vista Water
Storage District and Rosedale-Rio
Bravo Water Storage District

Exhibit "A"

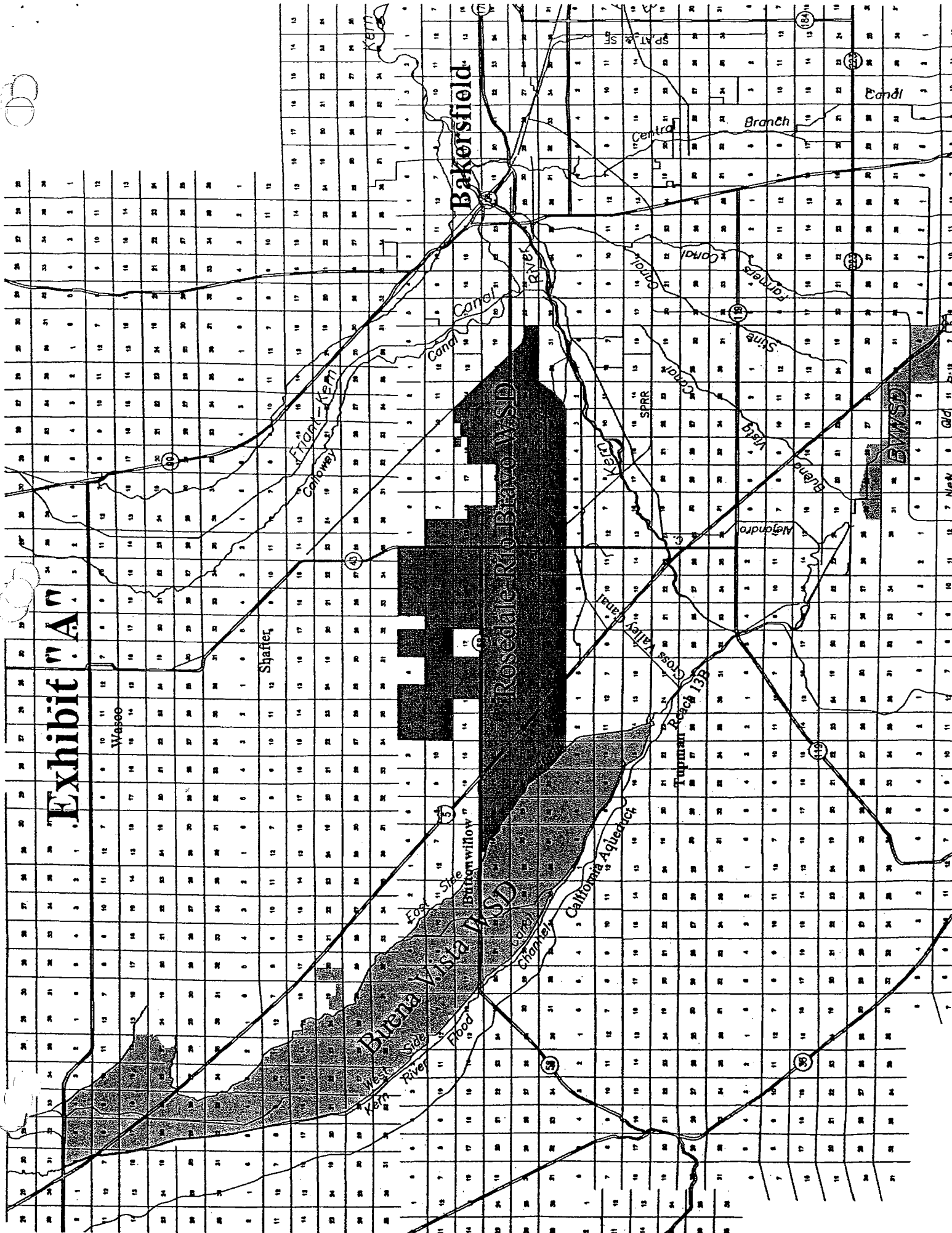


EXHIBIT "B"

**CONDITION SUBSEQUENT
CLWA LOSS OF, SHARE OF 1% PROPERTY TAX REVENUES**

The following adjustments shall be made to the obligation of CLWA to purchase 11,000 AFY of BV-RRB Sale Water should CLWA lose all or a part of its share of 1% property tax revenues allocated to it by the County of Los Angeles or Ventura County:

- (1) If, through no fault of its own and without the consent of CLWA, more than 15% of CLWA's share of 1% property tax revenues allocated to it by Los Angeles and Ventura Counties is taken from CLWA or is transferred to other uses such that the same is not available to CLWA, then CLWA may, but is not obligated to, reduce the minimum annual supply of BV-RRB Sale Water which it is required to purchase under this Agreement at the times and in the amounts herein specified.
- (2) In any fiscal year in which a reduction in excess of 15% of its 1% share of property tax revenues occurs, for each 0.1% reduction in CLWA's share of the 1% property tax revenues in excess of 15%, CLWA may, at its election, reduce the annual purchase by 110 AFY. For example, if CLWA's share of the 1% property tax revenue is reduced by 16.4% in a given fiscal year, then, at CLWA's election, the obligation to purchase BV-RRB Sale Water in such year may be reduced by 1,540 AFY (i.e., the product of 1.4%/0.1% and 110 AFY) to 9,460 AFY (i.e., 11,000 AFY less 1,540 AFY = 9,460 AFY).
- (3) In no event will CLWA be allowed to reduce the annual purchase amount to less than 5,500 AFY ("Minimum Purchase Amount).

**CONDITION SUBSEQUENT
CLWA LOSS OF, SHARE OF 1% PROPERTY TAX REVENUES
EXHIBIT "B"**

- (4) It is assumed that as of execution of this agreement, CLWA has committed 3,653 AFY of the 11,000 AFY BV-RRB Sale Water to annexing parties pursuant to CLWA's Annexation Policy adopted (DATE), and will receive reimbursement for the BV-RRB Sale Water from annexing parties pursuant to Deposit and Funding and Annexation Agreements. Consequently, for purposes of this Purchase Agreement, the CLWA "base share" is set at 7,347 AFY (i.e., 11,000 AFY less 3,653 AFY = 7,347 AFY). If during the term of this Purchase Agreement and over the course of time, CLWA obligates part or all of the remaining BV-RRB Sale Water to additional annexing parties and receives reimbursement from said annexing parties for part or all of the remaining BV-RRB Sale Water, the reduction in CLWA's obligation to purchase BV-RRB Sale Water as set forth in Section (2) shall be reduced proportionately.

For example, if CLWA commits 50% of its 7,347 AFY base share to an annexing party and receives reimbursement for the BV-RRB Sale Water during a fiscal year in which a reduction in excess of 15% of its share of 1% property tax revenues occurs, for each 0.1% reduction in excess of 15% of CLWA's share of the 1% property tax revenues, CLWA may, at its election, reduce the annual purchase by 55 AFY. For example, if CLWA's share of the 1% property tax revenue is reduced by 16.4% in a given fiscal year, then, at CLWA's election, the obligation to purchase BV-RRB Sale Water in such year may be reduced by 770 AFY (i.e., the product of 1.4%/0.1% and 55 AFY) to 10,230 AFY (i.e., 11,000 AFY less 770 AF = 10,230 AFY). Additional examples are set forth in the following table showing CLWA's minimum payment obligations for three scenarios for commitments of 25%, 50% and 75% portions of CLWA's base share amount of 7,347 AFY to future annexing parties:

Total Annexing Party Commitments (AFY)	Allowable Reduction (AFY/0.1%)	CLWA Minimum Purchase Obligation for X% Reduction In 1% Property Taxes (AFY)
5,489.75 (25% scenario)	82.5	11,000 up to 15% reduction 10,175 for 16% reduction 9,350 for 17% reduction 8,525 for 18% reduction 7,700 for 19% reduction 6,875 for 20% or greater reduction

**CONDITION SUBSEQUENT
CLWA LOSS OF, SHARE OF 1% PROPERTY TAX REVENUES
EXHIBIT "B" (CONT.)**

7,326.50 (50% scenario) 55.0

11,000 up to 15% reduction
10,450 for 16% reduction
9,900 for 17% reduction
9,350 for 18% reduction
8,800 for 19% reduction
8,250 for 20% or greater
reduction

9,163.25 (75% scenario) 27.5

11,000 up to 15% reduction
10,725 for 16% reduction
10,450 for 17% reduction
10,175 for 18% reduction
9,900 for 19% reduction
9,625 for 20% or greater
reduction

- (5) If the loss of 1% tax revenues is projected to be and/or is in fact short-term (five years or less), all contract obligations to purchase and sell water shall be restored in the same proportion and as and when tax revenues are restored. Any BV-RRB Sale Water not purchased by CLWA pursuant to the election herein provided during the short-term tax revenue loss shall be and remain the property of BV-RRB free of any obligation imposed by this Agreement; provided, however, if the 1% tax revenues withheld from CLWA are "repaid" to CLWA, BV-RRB shall have the option of re-selling the unpurchased BV-RRB Sale Water to CLWA upon the same terms and conditions as would have prevailed in the absence of the short-term loss of tax revenues. In the event of a resale, the Parties will cooperate in good faith to deliver the resold water at mutually agreeable times and flow rates.
- (6) If the loss of 1% tax revenues is projected to be and/or is in fact long-term (exceeding five years), BV-RRB may (but is not obligated to) terminate this Agreement with respect to any amount of BV-RRB Sale Water excluded by CLWA from its annual purchase obligation pursuant to the election herein provided. In the absence of such termination, the provisions of subparagraph (5) above shall apply.

**CONDITION SUBSEQUENT
CLWA LOSS OF, SHARE OF 1% PROPERTY TAX REVENUES
EXHIBIT "B" (CONT.)**

EXHIBIT "C"

MEMORANDUM OF WATER ACQUISITION AGREEMENT

Recording Requested By &
When Recorded Mail To:

Dan Masnada, General Manager
Castaic Lake Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

[TO BE INDEXED AS _____]

ABOVE SPACE FOR RECORDER'S USE

MEMORANDUM OF WATER ACQUISITION AGREEMENT

THIS MEMORANDUM OF WATER ACQUISITION AGREEMENT ("Memorandum") is made as of _____, 2007 between CASTAIC LAKE WATER AGENCY ("CLWA"), the BUENA VISTA WATER STORAGE DISTRICT ("BV"), and the ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT ("RRB"), with reference to the following facts:

A. BV & RRB (collectively "BV-RRB") are operating a program for the capture, spreading, storage, and recovery of water, including high flow waters from the Kern River available to BV pursuant to the following: the exercise of recognized pre-1914 water rights, agreements with affected adjoining entities, a program agreement between BV and RRB, and an FEIR certified in 2002, all of which are collectively referred to as the "BV-RRB Program." The BV-RRB Program documents are on file as public records at the offices of BV-RRB at the following address: Buena Vista Water Storage District, 525 North Main Street, Buttonwillow, CA 93206.

B. The BV-RRB Program allows for the recovery or withdrawal of at least 11,000 acre-feet of stored water per year ("AFY") for potential sale to third-party buyers ("Sale Water"). The BV-RRB Program stores the Sale Water in that portion of the Kern County Sub-Basin of the San Joaquin Valley Groundwater Basin underlying lands within the boundaries of RRB as shown on the map which is attached hereto as Attachment "A". The Sale Water is then either delivered directly to the third-party buyer or retained by BV-RRB in exchange for delivery of a like amount of BV-RRB State Water Project Water to the Buyer.

C. CLWA has purchased 11,000 AFY of Sale Water. On October 25, 2006, CLWA certified its FEIR entitled "Water Acquisition by Castaic Lake Water Agency from Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District" ("CLWA FEIR"). CLWA, BV and RRB have executed an "Agreement for Water Acquisition by Castaic Lake Water Agency from Buena Vista/Rosedale-Rio Bravo Water

Banking and Recovery Program" effective _____, 2007 (the "Acquisition Agreement"). The basic terms of the Acquisition Agreement are as follows:

1. Agreement to Buy and Sell. Subject to the terms and conditions set forth in the Acquisition Agreement, BV-RRB has sold and conveyed to CLWA a minimum of 11,000 AFY of Sale Water for a thirty (30) year term commencing January 1, 2007 and ending December 31, 2036. The term will be extended to a "date certain" consistent with any extensions of CLWA's 1962 Water Supply Contract with DWR, as amended, subject to compliance with applicable law.

2. Additional Water--Agreement to Negotiate in Good Faith. As set forth in the Acquisition Agreement, BV and RRB, jointly and severally, agree to negotiate in good faith with CLWA for CLWA purchase and BV-RRB delivery of any available BV-RRB Program water in excess of the 11,000 AFY Sale Water.

3. No Amendment to Acquisition Agreement. This Memorandum is recorded to put third parties on notice of the CLWA acquisition of and right to continue to acquire the BV-RRB Sale Water from BV-RRB as provided herein and nothing contained in this Memorandum shall, or shall be deemed to, modify or amend the Acquisition Agreement in any respect. In the event of any conflict between the provisions of the Acquisition Agreement and the provisions of this Memorandum, as between CLWA and BV-RRB the provisions of the Acquisition Agreement shall prevail.

IN WITNESS WHEREOF, each Party has executed this Memorandum on the date set forth below.

Date: _____

CASTAIC LAKE WATER AGENCY

By: _____
Title: _____

BUENA VISTA/ROSEDALE-RIO
BRAVO WATER BANKING AND
RECOVERY PROGRAM

Date: _____

By: BUENA VISTA WATER
STORAGE DISTRICT

By: _____
Title: _____

State of California)
)
County of _____)

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
)
County of _____)

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT "D"

**RIGHT OF FIRST OFFER
ADDITIONAL BV-RRB SALE WATER**

(1) **OFFER.** BV-RRB shall not sell or dispose of any Additional BV-RRB Sale Water to any third-party without first offering to sell it to CLWA ("Offer"). The Offer shall include the purchase price per AFY, the method of payment, the amount and terms of any financing required by BV-RRB, the amount of any advanced deposits, and the time for accepting the Offer (not less than sixty (60) days from the date of the Offer). If CLWA fails to accept the Offer within the sixty (60) days, the Offer shall be deemed rejected by CLWA.

(2) **COUNTER-OFFER.** If CLWA does not accept the BV-RRB Offer and makes a Counter-Offer ("Counter-Offer") within the sixty (60) days, BV-RRB may accept or reject the Counter-Offer. If the Counter-Offer is rejected by BV-RRB, BV-RRB shall have no further obligations with respect to selling or disposing of Additional BV-RRB Sale Water to CLWA.

(3) **ACCEPTANCE AND EXECUTION OF DOCUMENTS.** If CLWA accepts the BV-RRB Offer, CLWA shall have ninety (90) days to complete and execute the agreements and documents to consummate the purchase of the additional BV-RRB Program Sale Water. If CLWA fails to complete and execute the agreements and documents, provided they are provided by BV-RRB to CLWA on a timely basis, this Right of First Offer and the Offer and acceptance and the agreement to purchase the BV-RRB Program Sale Water shall be deemed terminated.

(4) **CONDITION PRECEDENT TO THIRD PARTY SALE FOR LESS.** If, after CLWA fails to accept the Offer, and BV-RRB negotiates with a third party and is willing to enter into an agreement with such party on terms less favorable to BV-RRB than the Offer, BV-RRB shall offer to sell to CLWA Additional BV-RRB Sale Water upon such new terms ("New Offer") by giving CLWA written notice specifying such terms in detail. CLWA shall have thirty (30) days from receipt of such notice to accept the New Offer. If CLWA fails to accept the New Offer in writing before the expiration of the thirty (30) days, BV-RRB may sell the Additional BV-RRB Sale Water to such third party without liability to CLWA. If CLWA accepts such New Offer, CLWA shall have thirty (30) days from such acceptance to complete and execute the documents to consummate such purchase, subject to the some provisions as set forth above concerning the Offer (except for the time periods specified herein).

EXHIBIT "D"

RIGHT OF FIRST OFFER

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RESOLUTION NO. 2507

RESOLUTION APPROVING DEAN D. EFSTATHIOU
TO THE OFFICE OF APPOINTED DIRECTOR
OF THE CASTAIC LAKE WATER AGENCY

WHEREAS, the Los Angeles County Waterworks District No. 36 acting by and through the Los Angeles County Board of Supervisors, has duly renominated Dean D. Efsthathiou for the office of Appointed Director of the Castaic Lake Water Agency; and

WHEREAS, it is in the Agency's best interest that said nominee be promptly reappointed to said office.

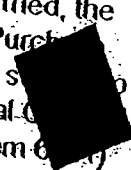
NOW, THEREFORE, BE IT RESOLVED that this Board does hereby reappoint Dean D. Efsthathiou, the nominee for the Los Angeles County Board of Supervisors on behalf of the Los Angeles County Waterworks District No. 36, to serve as an Appointed Director of the Castaic Lake Water Agency, for a term commencing at noon on January 3, 2007 and ending at noon on the first Monday of January, 2011; and

RESOLVED FURTHER, that Dean D. Efsthathiou shall at the earliest reasonable time take the required constitutional Oath of Office.

Upon motion of Vice President Kelly, seconded by Director Gladbach and unanimously carried, the Board approved the renewal of the consulting services agreement with Anchor Consulting, LLC to retain the services of Harry Henderson. (Item 6.5.1)

Upon motion of Vice President Kelly, seconded by Director DiPrimio and unanimously carried, the Board approved the renewal of the consulting services agreement with Hacker Braly, LLP to retain the services of Hunt Braly. (Item 6.5.2)

Upon motion of Director Campbell, seconded by Director Kavounas and unanimously carried, the Board authorized the General Manager to execute a work authorization for \$1,750,000 to the team of Kennedy/Jenks Consultants/Black & Veatch for final design of the Rio Vista Water Treatment Plant Expansion project and (2) authorize the General Manager to execute a work authorization for \$390,000 for Kennedy/Jenks Consults for final design of the raw water turnout from Metropolitan Water District's Foothill Feeder. (Item 6.6.1)

Upon motion of Director Gladbach, seconded by Director Colley and unanimously carried, the Board authorized General Counsel and the General Manager to execute the Water Purchase Agreement with Buena Vista Rosdeale-Rio Bravo substantially in the form presented  in the negotiating conditions that were discussed with the General Manager and General Counsel in closed session which shall remain confidential until the negotiations are completed. (Item 6.6.2)

Upon motion of Director Colley, seconded by Director Gladbach and unanimously carried the Board voted to go back into Closed Session at 8:27 P.M. (Item 7.1)

Upon motion of Vice President Kelly, seconded by Director Dore and carried, the Board voted to come out of Closed Session at 9:49 PM.

President Pecsí reconvened the Open Session at 9:49 PM.