

THREE PARTY WATER PROVISION AGREEMENT

THIS THREE PARTY WATER PROVISION AGREEMENT ("Water Agreement") is made and effective as of October 2, 2002, by and between the Cuesta La Honda Guild (the "Guild"), the County of San Mateo (the "County"), and the La Honda-Pescadero Unified School District (the "School District"), with reference to the following:

RECITALS

A. The Guild owns and holds certain rights to the extraction and use of water in a portion of the unincorporated area of the County known as La Honda.

B. Among the purposes and objectives of the Guild is the operation of a water system and the delivery and provision of domestic water to its member landowners.

C. The Guild has, at the present time, access to a sufficient supply of potable water to enable it to supply its members and possibly provide water to the La Honda Elementary School Site within the School District in specific amounts and at specific times.

D. County currently owns 8 or more properties (the "County Properties") within the area served by the Guild and may be eligible to be a member of the Guild and to receive from the Guild an allocation of potable water for each such property.

E. La Honda Elementary School (the "School Site") is a school within the School District that has no readily available and reliable potable water supply to meet its needs, and is in relatively close physical proximity to the area serviced by the Guild.

F. The School District and the School Site are located within the County, and it is in all of the parties' best interests that the School Site be provided an adequate supply of domestic water.

G. The parties all agree that it is desirable that the School Site be provided an adequate supply of potable water for the health and well-being of the children, teachers, administrators and others that use and occupy the School Site.

H. The parties are willing to cooperate and to take appropriate actions to enable the School District, if possible, to have available an adequate supply of potable water for the School Site.

I. Guild is not a "public utility" under the California Public Utilities Code, and nothing herein is intended to change that status or modify that fact.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guild, County, and School District agree as follows:

1. The parties all agree that, to the extent permitted by applicable law and regulation, and the Guild's governing documents, the Guild shall and hereby does agree to provide the School Site, up to 134 cubic feet per day of the water supply that serves Guild members (the "Direct Provision"). This is an accommodation to a La Honda neighbor by the Guild as owner of

a water supply not otherwise dedicated to public use. The water provided pursuant to this Water Agreement is from the surplus of such Guild water and is for School District purposes. In the event that the Guild's water supply is insufficient to serve its members at the current level, the supply to the School Site shall be reduced in the same proportion as the supply is reduced to the Guild members. All parties recognize that periods of drought, and other factors, have and will affect the provision of water in the La Honda area.

2. In addition to any other consideration for the Direct Provision, the County agrees that upon such provision of water, the County shall formally relinquish any water rights it may have in connection with three of the County Properties by delivering to Guild a document so stating.

3. When water service commences, the School District shall thereafter pay to Guild a monthly fee, on the first of each month, equal in amount to 1/12 of the annual assessment of three Guild lots. In other words, if the annual assessment of one Guild lot is \$1,200, the monthly water fee shall be 1/12 or \$3,600. This fee shall be adjusted from time to time as the annual Guild assessment is adjusted by the Guild.

4. The purposes of this Water Agreement include setting the parameters within which the parties will cooperate and to assure that the manner of the provision of water is adequately described and evidenced. The parties agree to continue to collectively consider and select a means of accomplishing the goal of providing potable water to the School Site. The parties recognize and acknowledge that permits, licenses, allocations, appropriations, adjudications, encroachments, easements, rights of way, transfers and/or other water, real property and water rights related activities, events, approvals or permissions may be required before the provision of water contemplated by this Water Agreement may be implemented. The parties agree to cooperate with each other in all aspects and efforts to expedite and affect the lawful provision of water in accordance with this Water Agreement, so as to most effectively and efficiently provide potable water to the School Site. The parties' cooperation shall include, without limitation, the timely execution and delivery of all appropriate documents and information, including without limitation, allocations, applications, referrals, assignments, licenses, permits, agreements, reports, as well as letters in support of legislation, that may be necessary or appropriate to achieve the intended purposes and goals of this Water Agreement. Should the State Water Resources Control Board or any court of competent jurisdiction issue an order, decree or judgment which prohibits or renders continued service to the School District as contemplated by this Water Agreement illegal or impractical, or if the provision of water hereunder causes the Guild to be characterized as a "public utility" under the California Public Utilities Code, then any time after such final determination, any party hereto may terminate this Water Agreement upon 60 days written notice to each of the other parties.

5. INTENTIONALLY LEFT BLANK

6. With regard to the Direct Provision, the following shall apply:

- a. The School District, at its own expense, shall design and install a water line, which shall connect to an existing Guild water main and traverse an appropriate route to the School Site. Providing water from the Guild to the School Site will require the utilization of a water meter, a pump and an appropriate back-flow device. The School District agrees that all costs associated with the design, the installation of meters, pipe, back-flow device(s) and pump(s) and the maintenance of said system shall be borne by the School District.

- b. The parties agree that the pump shall be located on a site, which is mutually agreeable to the parties. In arriving at a suitable site, due consideration shall be given to such factors as cost, convenience and security for the pump and necessary equipment. The School District agrees that irrespective of the pump's ultimate location, the subsequent maintenance and security for said pump shall be the responsibility of the School District.
- c. In the event the School District makes any connections to the water line, which are outside of secured school buildings, it shall provide adequate security for those connections to protect against unauthorized use of the water supply. In the case of fire-hydrants, the School District shall provide security for the hydrants, which also will allow ease of access in the event said hydrants are needed to address an emergency. The School District shall make periodic checks of the water line from the Guild to the School Site to insure that there is no unauthorized use or diversion of the water being supplied. Costs and maintenance for these security measures shall be the responsibility of the School District.
- d. The School District shall not use water supplied by the Guild for irrigation purposes. Water so supplied shall be used only for domestic purposes including drinking, restrooms and washing. Water may also be used for emergency purposes; irrigation shall not be construed as an emergency.
- e. Nothing in this Water Agreement shall make the School Site a member of the Guild, however, the Guild shall use its best efforts to supply the School Site with water as herein contemplated to the extent the provision of such water is permitted under the Guild's water rights and the Guild's governing documents, and does not cause the Guild to be considered a "public utility". The anticipated supply of water to the School Site is expected to be up to 134 cubic feet of water daily, September through June and a lesser allocation for the months of July and August when school is not in session. The Guild retains the right to increase or decrease the allotment at its sole discretion in line with the allotment to regular Guild members.
- f. Once the delivery on water to the School Site has commenced pursuant to this Water Agreement, Guild shall not alter its governing documents solely for the purpose of revoking or changing the Guild's obligations under this Water Agreement.

7. While any water provided by the Guild hereunder will be from its own members' supply, and the Guild will make all reasonable efforts to ensure its potability, the Guild is a volunteer organization of homeowners, and is not in a position to warrant the continuous supply or potability of its water to an outside water user such as the School Site. Therefore, the School District agrees to indemnify, defend and hold harmless the Guild, including its officers, board and members, from any liability, claim, loss, cost or expense arising from or relating to the provision of water to the School Site or the quality of that water.

8. It is contemplated that the costs of implementing the goals of this Water Agreement may be funded in whole or in part by grants. The School District shall pay any and all costs and expenses incurred by the Guild, including reasonable legal fees, in connection with obtaining the permits and approvals required to implement this Water Agreement.

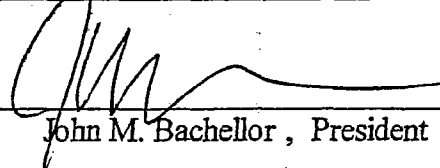
9. The performance of any activities or allocations pursuant to this Water Agreement shall be in full compliance with all applicable laws, rules and regulations including, without limitation, all applicable court orders or adjudications, and the Guild's governing documents. All activities shall be conducted and performed in a good and workmanlike manner.


10. If this Water Agreement is terminated for any reason, then the water rights relinquished by County pursuant to Section 2 of this Water Agreement, shall be restored to County and the parties shall take whatever steps are appropriate or required to evidence the restoration of those rights.

11. This Water Agreement may from time to time be amended, supplemented or modified by the mutual agreement of all three parties.

IN WITNESS WHEREOF, Guild, County, and School District have executed this Three Party Water Provision Agreement effective as of the date first mentioned above. Each person signing this Agreement represents and warrants that he/she is authorized to sign this Agreement, and that his/her signature is binding upon the entity for which he/she is signing.

CUESTA LA HONDA GUILD

By:  12/23/02
John M. Bachellor, President Date

By:  12-23-02
Robert White, Vice President Date

SCHOOL DISTRICT

By: _____
Printed Name and Title Date

COUNTY OF SAN MATEO

By: _____
Printed Name and Title Date