

Harold Snyder
P.O. Box 926
Nipomo, CA 93444
(805) 929-2455 H

RECEIVED
AUG 31 2009
NIPOMO COMMUNITY
SERVICES DISTRICT

August 30, 2009

Nipomo Community Services District
148 Wilson Street
P.O. Box 326
Nipomo, CA 93444

(805) 929-1133 Phone
(805) 929-1932 Fax

Dear Bruce Buel:

On the Santa Maria Groundwater Basin Litigation web site at:

Title: "MOTION FOR COURT APPROVAL OF NMMA WATER SHORTAGE RESPONSE PLAN"
<http://www.sccomplex.org/cases/noticelink.jsp?FormCaseId=VAE2661C98F&FormDocId=EEBE7D1602D1>

The Nipomo Mesa Management Area 1st Annual Report Calendar Year 2008,
Prepared by NMMA Technical Group on the top of page 7 states:

"The woodlands has contracted for payment of up to 16.67 percent of the capital cost of the water line Intertie Project, and GSWC and RWC are each considering a contract of 8.33 percent of the capital cost and project deliveries. California Public Utilities Commission (CPUC) approval will be required for both GSWC's and RWC's participation in this project."

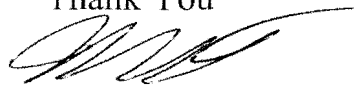
The NMMA TG operates by unanimous consent. The NCSD representative to the NMMA TG approved this report and the statements it contains:

- 1) I request a copy of the woodlands contract for the capital cost,
- 2) I also request a copy of the GSWC contract for the capital cost,
- 3) I also request a copy of the GSWC contract for the capital cost, described in the above statement.

The first request for approval, PUC proceeding A0602026, was closed with out approval.

- 4) I also request copy of a page that has the PUC proceeding number(s) for the current request for approval required for both GSWC and RWC.

Thank You



Harold Snyder

NIPOMO COMMUNITY



SERVICES DISTRICT

BOARD MEMBERS

JAMES HARRISON, PRESIDENT
LARRY VIERHEILIG, VICE PRESIDENT
ED EBY, DIRECTOR
MIKE WINN, DIRECTOR
BILL NELSON, DIRECTOR

STAFF

BRUCE BUEL, GENERAL MANAGER
LISA BOGNUDA, ASSISTANT GENERAL MANAGER
JON SEITZ, GENERAL COUNSEL

148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326
(805) 929-1133 FAX (805) 929-1932 Website address: NCSD.CA.GOV

September 10, 2009

Mr. Harold Snyder
P O Box 926
Nipomo, CA 93444

SUBJECT: AUGUST 30, 2009 PUBLIC DOCUMENT REQUEST

Dear Mr. Snyder,

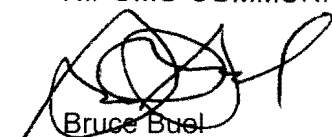
Enclosed is a copy of the agreement with the Woodlands per your request number 1.

I am not aware of any public records that match your requests number 2, 3 or 4.

Please remit \$4.30 at your earliest convenience to cover our cost.

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT



Bruce Buel
General Manager

CC: Chronological File

T:\DOCUMENTS\STAFF FOLDERS\BRUCE\LETTERS\090910Snyder1.DOC

NIPOMO COMMUNITY

BOARD MEMBERS

LARRY VIERHEILIG, PRESIDENT
MICHAEL WINN, VICE PRESIDENT
JUDITH WIRSING, DIRECTOR
CLIFFORD TROTTER, DIRECTOR
ED EBY, DIRECTOR



SERVICES DISTRICT

STAFF

BRUCE BUEL, GENERAL MANAGER
LISA BOGNUDA, ASSISTANT ADMINISTRATOR
JON SEITZ, GENERAL COUNSEL

148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326
(805) 929-1133 FAX (805) 929-1932 Website address: NCSD.CA.GOV

October 4, 2006

Woodlands Mutual Water Company
31,200 Via Colinas, Suite 200
Westlake Village, CA 9136

SUBJECT: WOODLANDS SUPPLEMENTAL WATER AGREEMENT

ATTN: MANAGER

Dear Manager,

Attached are two original Supplemental Water Agreements between NCSD and the Woodlands Mutual Water Company, each executed by our Board President. Please counter sign both originals, initial the one typographical correction on page 5 on both originals, mail one fully executed original back to NCSD and retain one for your files.

If you have any questions, please don't hesitate to call me.

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT

Bruce Buel
General Manager

cc: James Markman, Brea, CA
Geoffrey Robinson, Walnut Creek, CA
Jon Seitz, SLO, CA
File = Woodlands
File = Chronological

T:\DOCUMENTS\STAFF FOLDERS\BRUCE\LETTERS\061004Woodlands.DOC

SUPPLEMENTAL WATER AGREEMENT

This Supplemental Water Agreement ("Agreement") is made this ___ day of September, 2006, between the Nipomo Community Services District, a California independent special district ("NCSD"), and The Woodlands Mutual Water Company of San Luis Obispo County, a California nonprofit mutual benefit corporation (the "Company") (each a "party" and, collectively, the "parties").

RECITALS

A. NCSD provides water and related services within the NCSD boundary, located in the southern portion of San Luis Obispo County. NCSD has entered into a Memorandum of Understanding (the "MOU") with the City of Santa Maria (the "City") under which NCSD will secure up to three thousand (3,000) acre-feet ("AF") per year of supplemental water supplies from the City. The MOU contemplates that the City and NCSD will enter into a more complete wholesale water supply agreement, and reference in this Agreement to the MOU includes reference to such a wholesale water supply agreement and any extension or modification thereof.

B. The Company is a mutual water company whose current and future owners are the current and future owners of residential and commercial properties in The Woodlands, a master planned community in San Luis Obispo County, California. The Company was formed for the purpose of developing and distributing to its owners ("Woodlands Owners") water underlying The Woodlands.

C. NCSD and the Company are parties to a Stipulation in certain legal proceedings entitled *Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*, Superior Court of the State of California, County of Santa Clara, CV 770214, regarding the respective rights of NCSD, the Company and various other parties to water resources in the Santa Maria groundwater basin, an area that includes The Woodlands. Under the Stipulation, NCSD has agreed to purchase from the City and transmit to the Nipomo Mesa Management Area 2,500 acre-feet of water annually. The Stipulation provides in part:

"NCSD has entered into a Memorandum of Understanding ("MOU") with Santa Maria which contemplates the wholesale purchase and transmission from Santa Maria to the NMMA [Nipomo Mesa Management Area] of a certain amount of water each Year (the "Nipomo Supplemental Water").

Once the Nipomo Supplemental Water is capable of being delivered, those certain Stipulating Parties listed below shall purchase the following portions of the Nipomo Supplemental Water Yearly:

NCSD - 66.68%

Woodlands Mutual Water Company - 16.66%

SCWC - 8.33%

RWC - 8.33%”

D. Under the Stipulation, NCSD has also agreed to construct and maintain a turnout and transmission pipeline or interconnection for the purpose of delivering water from the City distribution system to NCSD.

E. By acquiring supplemental water from the City for use on the Nipomo Mesa, the parties to this Agreement can increase flexibility and certainty in water supply management within the Nipomo Mesa Management Area and assist in a fair allocation of natural and supplemental water available to users in the Basin. The purpose of this Agreement is to implement, in part, the terms of the Stipulation.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Construction of Improvements for Delivery of Water.

a. Turnout and Transmission Pipeline. NCSD agrees to construct and maintain a turnout and transmission pipeline for the City’s delivery of water to NCSD in accordance with the MOU. NCSD shall use its best efforts to obtain all regulatory approvals and comply with all regulatory requirements in connection with such construction. The Company shall bear a percentage of the expense of constructing, operating, maintaining and replacing such improvements in accordance with Section 3.b.

b. Emergency Inter-Tie. The Company agrees at its own expense to construct and maintain a metered emergency inter-tie (“Woodlands Inter-Tie”) between the NCSD and Company water systems for the purpose of facilitating the delivery of supplemental purchased water from NCSD to the Company in an “emergency condition,” as described in Section 4.d.i. The parties shall cooperate with each other in the construction, operation, maintenance and replacement of such improvements to the extent necessary to achieve the purposes of this Agreement.

2. Sale of Water.

a. Required Purchase and Sale.

i. Column 2 of Exhibit A shows the minimum quantity of water that NCSD will purchase from the City for each year through 2035. Subject to Section 2.b of this Agreement, during each year of this Agreement, the Company agrees to purchase from NCSD and NCSD agrees to sell to the Company at least the quantity of water shown in Column 3 of Exhibit A. The Company’s purchase commitment, shown in Column 3, is 16.66% of NCSD’s minimum annual supplemental water purchase from the City required under the MOU.

ii. For purposes of computations under this Agreement, Year 1 on Exhibit A shall be the first calendar year following the later of satisfaction of all conditions precedent described in Section 5 below and the date on which the improvements described in Section 1 above are completed and become operational (the "Delivery Commencement Date"). For the interim period between the Delivery Commencement Date and the first day of Year 1 as so defined, the rights and obligations of the parties shall be the same as during Year 1 pro rated for the length of such interim period. In case of a partial year at the end of the term of this Agreement, the rights and obligations of the parties shall be the same as during the preceding full year pro rated for the length of such partial year.

b. Transition Period Adjustment.

i. The Company intends to purchase 417 acre feet ("AF") of supplemental water per year under this Agreement at such time as its service area is fully developed, provided that NCSD purchases at least 2,500 AF of water during each such year. Prior to full development of its service area, the Company agrees to purchase from NCSD, and NCSD agrees to sell to the Company, per year (on a non-cumulative basis), the greater of (A) the amount of water shown in Column 3 of Exhibit A or (B) 417 AF multiplied by the applicable Percentage of Project Completion for such year. Under no circumstances shall the Company be required to purchase more than 417 AF per year (subject to its right, in its sole discretion, to purchase additional water pursuant to Section 2.c.ii).

ii. "Percentage of Project Completion" means the amount of completed development as a percentage of proposed overall development of The Woodlands, determined on a weighted average basis for the applicable year. The Company shall determine the Percentage of Project Completion for each year on an estimated basis as of the end of each of the first three calendar quarters of each year and on a final basis as of the last day of the final calendar quarter of each year. Each estimate shall be submitted to NCSD within 30 days of the end of the immediately preceding calendar quarter. The Company shall use the relationship between (1) the number of residential service connections existing as of end of the preceding calendar quarter; and (2) the total residential service connections in the approved project evaluated in the Final EIR for the Woodlands as the basis for its estimates and determination. The Company shall provide to NCSD information and reasonable supporting documentation showing the basis for its determination with each estimate and the parties shall resolve any differences in good faith. The final year-end determination shall be made on the same basis as the estimated interim determinations.

c. Additional Purchase and Sale at Company's Option.

i. At the Company's option, during any year in which the Percentage of Project Completion is less than 100%, the Company may from time to time purchase additional supplemental water equal in the aggregate (i.e., together with the quantity of

water shown in Column 3 of Exhibit A purchased pursuant to Section 1 above) to not more than 417 AF for such year (the quantity shown in Column 5 of Exhibit A for the applicable year).

ii. The Company shall also have the option, in its sole discretion, at any time in or after Year 1 on Exhibit A of purchasing up to 300 AF from the first 3,000 AF of supplemental water acquired by the NCSD from the City in addition to the quantities shown in Exhibit A, provided that the aggregate amount of water purchased by the Company in any calendar year shall not exceed 700 AF. The Company shall also have the option, if it has not purchased all of the 300 AF from the first 3,000 AF of supplemental water acquired by NCSD, to purchase the balance up to 300 AF from any additional water acquired by NCSD from the City pursuant to the MOU, provided that the price paid by the Company to NCSD for such water shall be the same as the price paid by NCSD to the City. Nothing in this Section 2 shall limit the ability of the parties to agree to purchase by the Company of additional supplemental water beyond 300 AF on such terms as may be agreed to by the parties.

iii. The Company shall exercise its option to purchase additional supplemental water pursuant to this Section 2(c) no later than 10 business days before the last day on which NCSD may request the purchase of additional supplemental water from the City. If the Company makes such election, NCSD shall sell such additional supplemental water to the Company.

iv. If at any time during the term of this Agreement NCSD has the opportunity to sell supplemental water to a third party for a specific period which, if exercised by NCSD, would render it unable to fulfill a request by the Company for all or part of the additional supplemental water pursuant to Section 2.c.iii during that period (i.e., NCSD has existing, binding commitments to sell supplemental water such that the proposed additional sale of supplemental water would leave NCSD with less than 300 AF available for purchase by the Company during that period from the first 3,000 AF of supplemental water, then NCSD shall so notify the Company in writing, specifying the amount of the 300 AF that would be unavailable (the "Unavailable Portion") and the terms of the sale, including the time period for which the water would be unavailable ("Specified Period") if NCSD proceeded with the sale. Upon receipt of such notice, the Company shall have 60 days within which to notify NCSD in writing whether or not it elects to purchase the Unavailable Portion during the Specified Period. If the Company declines to purchase the Unavailable Portion for the Specified Period, or fails to respond within 60 days, NCSD shall be free to sell the water to the third party. If the Company elects to purchase the Unavailable Portion, the purchase shall be, at the Company's option, either on the same terms as those of the proposed sale or on the terms set forth in this Agreement, provided that the purchase shall be for at least the Specified Period.

3. Payments. In consideration of the obligations of NCSD under this Agreement, the Company shall make the following payments to NCSD.

a. Purchase Price for Water.

The Company shall pay a fixed price of \$1,250 per AFY for each acre foot of supplemental water purchased under this Agreement. NCS D's election of a fixed price or variable price under the MOU for supplemental water purchased by NCS D from the City shall not affect the price per AF to be paid by the Company. Pursuant to Section 3.4 of the MOU, NCS D will be obligated to make quarterly payments to the City. NCS D agrees to provide the Company with invoices for supplemental purchased water (including the Company's share of the cost of operation, maintenance and replacement of the turnout and transmission pipeline pursuant to Sections 3.b.ii and 3.b.iii) and the Company agrees to pay NCS D for supplemental purchased water quarterly and in arrears (within 30 days of receipt of such invoices) consistent with the schedule in Section 3.4 of the MOU. Company agrees to fix, prescribe and collect rates, fees and charges which will be sufficient to cover payments to NCS D as required by this Agreement, and NCS D shall have the right to specifically enforce this requirement. The Company, as a whole, is obligated to make all payments required by this Agreement to NCS D, notwithstanding any individual default by its constituents or others in the payment to the Company of fees, charges, taxes, assessments, tolls or other charges levied or imposed by the Company.

b. Capital Costs; Operational, Maintenance and Replacement Expenses.

i. The Company agrees to pay a percentage share ("Capital Cost Percentage") of the Capital Costs and Replacement Costs (each as defined below) of the turnout and transmission pipeline to be constructed for the delivery of water by the City to NCS D under the MOU. For these purposes, "Capital Costs" are the initial costs of installation of the turnout and transmission pipeline, including planning, engineering, construction, construction management and financing costs. "Replacement Costs" are the costs of obtaining and installing equipment, accessories, or appurtenances which are necessary during the useful life of the turnout and transmission pipeline to maintain the capacity and performance of the system. NCS D has provided to the Company a written engineer's estimate of the Capital Costs, and a description of the basis for the estimate, for the Company's review.

ii. *PL* The Company's Capital Cost Percentage shall initially be 13.9% of the Capital Costs and 13.9% of the Replacement Costs, subject to adjustment pursuant to Section 3.b.ii, provided, however, that in no event shall the Company's Capital Cost Percentage exceed 13.9% unless the Company elects to take additional supplemental water (beyond 417 AFY) pursuant to Section 2.c.ii, in which case the Capital Cost Percentage shall be adjusted as prescribed in Section 3.b.iii. The Company shall pay its Capital Cost Percentage to NCS D no later than 90 days prior to commencement of construction of the turnout and transmission pipeline. NCS D shall maintain a separate fund for projected Replacement Costs and shall include the Company's share of such costs on the invoices provided under Section 3.a. NCS D shall maintain all funds received on account of anticipated Replacement Costs in a segregated reserve account as trustee for the Company and shall maintain records of such costs in accordance with generally

acceptable accounting principles, which shall be available for inspection and review by the Company at any time on reasonable notice.

iii. The Company's Capital Cost Percentage shall be adjusted if, at any time during the term of this Agreement, NCS D purchases more than 3,000 AFY of supplemental water, in which event the Company's Capital Cost Percentage shall be recalculated by dividing 417 AF by the maximum number of acre-feet of water purchased by the NCS D in any year. (By way of example, if the maximum amount of water purchased by NCS D in any year during the term of this Agreement is 6,000 AF, then the Company's percentage share shall be adjusted to 6.95% [$417 \div 6,000 = 0.0695$] and the Company shall receive, at its sole option, a reimbursement or a credit in the amount of the difference between all amounts contributed by the Company to date for capital costs and replacement costs and the amounts that would have been due using a 6.95% Capital Cost Percentage). If at any time during the term of this Agreement, the Company elects to purchase more than 417 acre feet per year of supplemental water pursuant to Section 2. c. ii., the Capital Cost Percentage shall be recalculated by dividing the maximum amount purchased by the Company by the maximum amount purchased by NCS D in any year, and the Company shall pay to NCS D the amount of any resulting increase in its share of capital costs on or before the end of the six month period (January through June or July through December) in which it purchases the additional supplemental water. The Company shall also be credited (or, at its option, reimbursed) its pro rata share (based on the applicable Capital Cost Percentage) of any fees, charges or other amounts received by NCS D from other developments outside of the NCS D boundaries for Capital Costs Replacement Costs. At the Company's election, any credits described in this Section 3.b.iii may be applied either against its share of future Replacement Costs or against payments for operations and maintenance pursuant to Section 3.b.iv, provided that the Company shall provide NCS D with at least 90 days' prior written notice of its intention to apply credits against any amounts payable to NCS D. If the Company elects to receive reimbursement of any amounts described in this Section 3.b.iii, such reimbursements shall be paid within 60 days after, as applicable, the date NCS D actually receives the funds from which the reimbursement is due or the end of the six month period (January through June or July through December) in which NCS D purchases more than 3,000 acre feet per year of supplemental water.

iv. In addition, the Company agrees to make quarterly payments, in arrears, to NCS D equal to its percentage share of the overall cost of operations and maintenance of the turnout and transmission pipeline ("Operations Cost Percentage"). The Company's Operations Cost Percentage shall be calculated by dividing the amount of water purchased by the Company during the applicable quarter by the amount of water purchased by NCS D from the City during that quarter; provided, however, that in no event shall the Company's Operations Cost Percentage exceed 13.9% of the costs of operations and maintenance of the turnout and transmission pipeline unless the Company elects to purchase additional water (beyond 417 AFY) under Section 2.c.ii, in which case the Operations Cost Percentage shall be adjusted to reflect the additional amount

purchased. NCSD shall maintain records of such costs in accordance with generally accepted accounting principles. NCSD shall make all such records available for inspection and review by the Company at any time on reasonable notice.

v. NCSD shall provide prompt advance notice to the Company of any anticipated material change in any line item of the cost of operations, maintenance, financing or replacement of the turnout and transmission pipeline. In case of any dispute as to the amount of any such expense, the parties will attempt to resolve such dispute in good faith.

4. Deliveries and Reduction in Pumping.

a. Deferral of Delivery. Notwithstanding any other provision of this Agreement, in consideration of NCSD's agreement to reduce pumping of water from certain wells in accordance with Section 4.c, the Company agrees that its purchased supplemental water will not be physically delivered in a pipeline to the Company water system except in the case of an emergency condition as defined in Section 4.d below. Instead the Company will allow NCSD to retain the Company's purchased supplemental water to offset and reduce the pumping of certain NCSD wells in the vicinity of the Company's water system as provided in Section 4.b.

b. NCSD's Reduction in Pumping. In consideration of the Company's agreement to allow NCSD to retain supplemental water purchased and sold under this Agreement, NCSD will reduce pumping of wells listed on Exhibit B to this Agreement (the "Subject Wells") to a level equal to the historical annual aggregate pumping volume for the Subject Wells minus at least the supplemental water volume purchased by the Company under this Agreement. Exhibit B sets forth the historic pumping volume for the Subject Wells. The intent of this provision is to protect the supply of groundwater available to the Company by reducing NCSD's pumping of groundwater in the same vicinity by at least the amount of supplemental water purchased by the Company, and NCSD agrees not to drill additional wells in the same vicinity (except as necessary to replace existing wells or otherwise to maintain production capacity at the levels permitted in this Section 4.b) or take any other action that would diminish or deprive the Company of the benefit of this provision. By April 1 of each calendar year, NCSD shall provide production records for the previous year to the Company for the Subject Wells showing that NCSD has implemented the required reductions. If NCSD receives supplemental water from Santa Maria, but fails to achieve the aggregate required level of reduction in pumping from the Subject Wells generated by the receipt of the supplemental water, or fails to provide production records providing reasonable evidence of such reduction in any year, then the shortfall in required reduction shall be added to the next year's required reduction in pumping from the Subject Wells until the shortfall is cured. If, in the area described in this Section 4.b, either party proposes to drill any new well, or to significantly increase the production capacity of an existing well (as, by way of example and without limitation, by increasing the size or capacity of pumps), it shall consider the best practicable measures for doing so with the least substantial impact to the ability of the other party to operate its existing wells or to groundwater storage. Such measures may include, without limitation, changing the location or depth of the well, or changing the rate

or schedule of pumping. To the extent practically feasible, the party proposing to drill the new well or significantly increase production capacity of an existing well shall implement such measures; provided, however, that nothing in this Section 4.b shall require the Company to implement any measure that would impede, slow down or materially affect the development of The Woodlands, or shall limit the ability of the Company to pump sufficient water to supply the needs of The Woodlands at full build out.

c. Delivery in Case of Emergency.

i. In the event of an emergency condition that results in the complete or partial loss of the Company's well supplies, as determined by the Company in its sole discretion, the Company reserves the right to receive its allocation of supplemental water directly from the inter-tie. An "emergency condition" means (i) a severe and unanticipated shortfall of sufficient water to meet the ordinary needs of the Company's users, (ii) a failure of the water otherwise available to the Company to meet the water quality standards applicable to it, or available to other NCS D users in the same general area as The Woodlands, (iii) fire or similar catastrophe reasonably necessitating mutual aid, (iv) any other condition the Company and NCS D reasonably deem in writing to be an emergency condition for purposes of this Agreement, and (v) any combination of the conditions described in the foregoing clauses (i) through (iv).

ii. In case of an emergency condition, the Company agrees to pay to NCS D the fair and equitable cost of wheeling the supplemental water through NCS D's water distribution system for delivery to the Company tie-in. The NCS D shall submit a written estimate of the cost of water wheeling for review and reasonable approval by the Company; provided that NCS D shall not delay the delivery of purchased supplemental water on account of this process if, in light of the emergency condition, to do so would result in a risk of damage or harm to persons or property within the Company's service area. If Company does not object to the estimate of wheeling costs within 72 hours of receipt, Company shall be deemed to agree to and accept the costs reflected in the estimate.

iii. NCS D shall be responsible for ensuring that the supplemental water delivered to the Company is of the same quality as water that NCS D delivers to its residential customers and shall meet all federal, state, and local laws and regulations as amended from time to time. NCS D agrees to indemnify and hold the Company harmless from any claims arising out of any acts or omissions taken by NCS D or the City with respect to water quality.

iv. Upon delivery of supplemental water to Woodlands Inter-tie, the Company shall thereafter be responsible for the control, conveyance, distribution and delivery of the supplemental water to its customers and NCS D shall have no further obligation or responsibility therefor. The Company shall have no responsibility of any kind for

supplemental water purchased under this Agreement but retained by NCSD under Section 4.a.

d. Mutual Aid. The parties shall use their best efforts to enter into an agreement regarding provision of aid and assistance to each other in the event of an emergency or other event that disrupts the ability of either party to continue to provide adequate water to meet the ordinary needs of its existing users.

e. No Ownership or Sale. Nothing in this Agreement is intended to or shall be construed to cause the Company to be deemed to be the owner or seller of any portion of the additional supplemental water.

5. Conditions Precedent. The rights and obligations of the parties to construct improvements and to purchase and sell water under this Agreement shall become effective upon satisfaction of the following conditions:

a. the receipt of all approvals, authorizations, decisions and consents from any court and any federal, state or local governmental agency, and the satisfaction of all other requirements or conditions that are or may be required for the delivery of water by the City to NCSD under the MOU;

b. the receipt of all necessary approvals, authorizations, decisions and consents from any court and any federal, state or local governmental agency (including, without limitation, any required approvals, authorizations, decisions or consents in connection with a change in place of use of State Water Project water) that are or may be required to implement the terms and provisions of this Agreement.

NCSD and the Company shall each use its best efforts to cause the conditions over which it has control and responsibility by agreement or by law to be satisfied, provided that neither party shall be required to incur expenses to satisfy any duties or obligations of the other or of any third party. NCSD and the Company will each keep the other informed of developments or other material information related to the satisfaction of these conditions.

6. Term.

a. Term and Extension. This Agreement shall begin on the date first above written and shall continue through and terminate on June 30, 2035, unless the MOU remains in effect beyond such date to reflect terms under which the City extends its contract for State Water Project water with the Central Coast Water Authority, whereupon the term of this Agreement shall be extended for the same period. Prior to such extension of the MOU, the parties shall meet and confer for the purpose of determining (i) whether the terms of the proposed extension include a materially higher cost of supplemental water; and (ii) whether there are alternative sources of equivalent amounts of supplemental water available on more favorable terms. If the terms of the proposed extension would include a materially higher cost of supplemental water, the parties shall meet and negotiate in good faith the terms under which the Company will continue to

participate in the cost of the supplemental water in the amounts and pursuant to the other provisions of this Agreement. Prior to the end of the current term of the MOU (June 30, 2065), the parties shall meet and negotiate in good faith regarding (i) a possible extension of the MOU on terms reasonably acceptable to the parties; or (ii) the acquisition of an equivalent amount of supplemental water from another source on terms reasonably acceptable to the parties.

b. Term of MOU. NCS D agrees not to request or demand early termination of its rights, under the MOU without the Company's prior written consent, which shall not unreasonably be withheld or delayed.

7. Water Rights. This Agreement or its performance shall not create any water rights or any water supply entitlements for any period of time beyond the term of this Agreement. Notwithstanding any provision of this Agreement to the contrary, the delivery and sale of supplemental water by NCS D, the purchase and distribution of supplemental water by the Company and the retention of supplemental water by NCS D shall not constitute or give rise to a prescriptive right, public trust claim, or any other water right or claim in favor of NCS D, the Company or the customers or users of either of them or any third party, including any other party to the Stipulation.

8. Force Majeure. If, by reason of acts of God, earthquakes, droughts, floods, storms, explosion, fires, labor troubles, strikes, insurrection, riots, acts of the public enemy, or federal, state, or local law, order, rule or regulation, or any public emergency or disaster, the City is prevented from delivering, in whole or in part, supplemental water to NCS D as provided in the MOU and the City reduces delivery to NCS D of supplemental water as permitted by the MOU, NCS D may reduce the amount of supplemental water that it sells and that the Company purchases under this Agreement by up to the same percentage that the City reduces water delivery to NCS D.

9. Indemnity.

a. NCS D and its successors and assigns shall hold harmless, defend and indemnify the Company, Woodlands Ventures, LLC, and their directors, officers, employees, agents, successors and assigns (all of which are herein referred to as the "Company Indemnified Parties") from and against all liabilities, obligations, claims, damages, losses, actions, judgments, suits, costs and expenses, including but not limited to reasonable attorneys' fees (collectively, "Damages") that may be imposed on, incurred by, or asserted against any Company Indemnified Parties as a result of (i) a breach of NCS D's obligations under this Agreement; (ii) the conduct of NCS D's operations associated with the delivery of Supplemental Water to the tie-in to the Company's distribution system and (iii) the water quality matters described in Section 4.d.iii. Notwithstanding the foregoing, in no event shall NCS D be liable to indemnify a Company Indemnified Party for any Damages to the extent attributable to the negligence, gross negligence or willful misconduct of the Company. This indemnification shall survive termination of the Agreement.

b. The Company, its successors and assigns, shall hold harmless, defend and indemnify NCSO, its officials, employees, agents, successors and assigns (all of which are herein referred to as the "NCSO Indemnified Parties") from and against all liabilities, obligations, claims, damages, losses, actions, judgments, suits, costs and expenses, including but not limited to reasonable attorneys' fees (collectively, "Damages") that may be imposed on, incurred by, or asserted against any NCSO Indemnified Parties as a result of (i) a breach of the Company's obligations under this Agreement; or (ii) the conduct of the Company's retail distribution system and the delivery of supplemental water to the Company's customers. Notwithstanding the foregoing, in no event shall the Company be liable to indemnify a NCSO Indemnified Party for any Damages resulting from the negligence or the gross negligence or willful misconduct of NCSO or for any third party claim brought in connection with regulatory approvals obtained (or claimed to be needed) by NCSO. This indemnification shall survive termination of the Agreement.

10. Notices. All notices or other communications required or desired to be given pursuant to this Agreement shall be in writing and shall be hand-delivered, or mailed by certified mail, return receipt requested, or sent by a reputable overnight courier service providing delivery confirmation. Each such notice or communication shall be deemed to be duly given when hand-delivered, or three (3) days after being mailed in any depository maintained by the United States Postal Service, with prepaid postage, certified, return receipt requested or one (1) day after being deposited for next day delivery with Federal Express or other reputable courier. Each such notice or communication shall be addressed to the Parties at their respective addresses set forth below.

Nipomo Community Services District
Attn: General Manager
148 South Wilson Street
Nipomo, CA 93444

Woodlands Mutual Water Company
Attn: Manager
31200 Via Colinas, Suite 200
Westlake Village, CA 91362

with copies to:

Richards, Watson & Gershon
Attn: James Markman
1 Civic Center
P.O. Box 1059
Brea, CA 92822

Bingham McCutchen LLP
Attn: Geoffrey L. Robinson
1333 N. California Blvd., Suite 210
Walnut Creek, CA 94596

Either party may change its address for notices under this Agreement by written notice given in accordance with this section.

11. Miscellaneous

a. Entire Contract. This Agreement contains the entire contract between the parties hereto, and oral statements or prior written matters not specifically incorporated herein shall have

no force and effect. No variations, modifications, or changes hereof shall be binding on either party hereto unless set forth in a document executed by such parties or a duly authorized agent, officer or representative thereof. This Agreement is intended to be consistent with the terms of the Stipulation. Any inconsistency with respect to the rights and obligations of NCSD and the Company between the terms of this Agreement and the terms of the Stipulation shall be interpreted in light of such intent.

b. Assigns. This Agreement shall inure to the benefit of and be binding on the parties hereto and their respective legal representatives, successors, and assigns. Notwithstanding the generality of the foregoing, any assignment of this Agreement, or the rights or obligations hereunder, shall not be effective unless approved, in writing, by all the parties hereto, which approval can be withheld in the parties' sole and absolute discretion. Notwithstanding the foregoing, the rights and obligations of the Company shall be unaffected by the sale or transfer of interests in the real property comprising The Woodlands and the appurtenant interests of owners in the Company.

c. Terminology. The captions beside the section numbers of this Agreement are for reference only and shall not modify or affect this Agreement in any manner whatsoever. Wherever required by the context, the singular shall include the plural, and the plural shall include the singular.

d. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

e. Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the party responsible for drafting this Agreement shall not be employed in the interpretation of this Agreement or any amendments hereto.

f. Fees and Costs.

i. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party or parties may be entitled. The phrase "prevailing party" shall include a party who receives substantially the relief desired, whether by settlement, dismissal, summary judgment, judgment or otherwise.

ii. Except as expressly provided in this Agreement, the parties hereto shall bear their own legal and engineering fees, expenses and costs in connection with this Agreement.

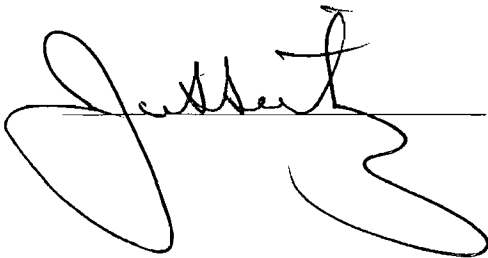
g. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall, for all purposes, be deemed an original, but which together shall constitute one and the same instrument.


h. Further Assurances and Cooperation. Each party to this Agreement shall at its own expense perform all acts and execute all documents as may be necessary or appropriate to fulfill its obligations under this Agreement. The parties shall cooperate and take all such actions as may be reasonably necessary to carry out the purposes of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as set forth below:

Nipomo Community Services District, a
California independent special district

Approved as to form:

A large, stylized handwritten signature in black ink, written over a horizontal line.

By 
Name: _____
Its: _____

The Woodlands Mutual Water Company of
San Luis Obispo, a California nonprofit
mutual benefit corporation

By _____
Name: _____
Its: _____

Exhibit A

<u>Column 1</u>	<u>Column 2</u> Nipomo Supplemental Water Minimum (AF)	<u>Column 3</u> Company share (AF)	<u>Column 4</u> Nipomo Supplemental Water Maximum (AF)	<u>Column 5</u> Company share (AF)
Year				
1	600	100	3,000	417
2	685	114.1	3,000	417
3	770	128.3	3,000	417
4	855	142.4	3,000	417
5	940	156.6	3,000	417
6	1,025	170.8	3,000	417
7	1,072	178.6	3,000	417
8	1,119	186.4	3,000	417
9	1,166	194.2	3,000	417
10	1,213	202.1	3,000	417
11 to Y2035	1,260	210	3,000	417

Exhibit B - Historical Pumping Volumes of Subject Wells

Well Designation	2004 Pumping Volume (ac-ft)	2005 Pumping Volume (ac-ft)	2-Year Average Pumping Volume (ac-ft)
Sundale Well	1,108.32	962.12	1,035.22
Knollwood Well	31.11	282.59	156.85
Via Concha Well	582.14	601.10	591.62
Bevington Well	217.72	15.55	116.64
Blacklake Well No. 3	149.71	107.86	128.78
Blacklake Well No. 4	326.52	201.59	264.06
Eureka Well	455.01	591.70	523.36
TOTAL	2,870.54	2,762.51	2,816.52

The reduction in well production should focus on wells closest to the Woodlands development.
 The above list is arranged in order of proximity to the Woodlands with the closest well at the top (Sundale).