

San Gorgonio Pass Water Agency

DATE: September 15, 2025

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Emmett Campbell, Senior Water Resources Planner

SUBJECT: Adopt Resolution 2025-07 Approving the Property and Facility Exchange Agreement Between the San Gorgonio Pass Water Agency and the South Mesa Water Company

RECOMMENDATION

Adopt Resolution 2025-07 Approving the Property and Facility Exchange Agreement (“Agreement”) Between the San Gorgonio Pass Water Agency (“SGPWA” or “Agency”) and the South Mesa Water Company (“SMWC”) to Facilitate the Exchange of Property for Mutual Benefit and Consideration of the Parties.

PREVIOUS CONSIDERATIONS

- October 7, 2024 – Board of Directors adopted the Mitigated Negative Declaration for the County Line Road Recharge Basin and Turnout Project.
- October 21, 2024 – Board of Directors approved the American Rescue Plan Act funding agreement with Riverside County for the County Line Road Recharge Basin and Turnout Project.
- January 6, 2025 – Board of Directors approved a professional services agreement with CRM Tech for Archeological and Paleontological services for the County Line Road Recharge Basin and Turnout Project.
- May 5, 2025 – Board of Directors approved a paving agreement with the City of Calimesa to be completed in conjunction with the County Line Road Recharge Basin and Turnout Project.
- May 19, 2025 – Board of Directors approved a construction management services professional services agreement with Land Engineering Consultants, Inc., for the County Line Road Recharge Basin and Turnout Project.
- June 16, 2025 – Board of Directors authorized staff to advertise construction bids for the County Line Road Recharge Basin Project.
- August 4, 2025 – Board of Directors rejected all bids for the County Line Road Recharge Basin Project and instructed staff to rebid the project.

BACKGROUND AND ANALYSIS

The County Line Recharge (“CLR”) Basin Project represents a significant infrastructure investment by the San Geronio Pass Water Agency (“SGPWA” or “Agency”) to enhance regional groundwater sustainability and long-term water reliability. As the project transitions into construction, the Agency is finalizing property and facility arrangements necessary to support the project.

South Mesa Water Company (“SMWC”) recently replaced and abandoned a 14-inch steel pipeline located within County Line Road. SGPWA supported this effort through gap funding, with the understanding that the abandoned line would later be repurposed. The Agency now intends to assume ownership of the facility and convert it into a raw water pipeline to convey imported State Water Project (“SWP”) supplies to the CLR Basin site on 4th Street.

To facilitate this exchange, SGPWA will convey approximately one (1) acre of its 4th Street property to SMWC for future reservoir development. In addition, SMWC will grant SGPWA permanent easements along County Line Road and 4th Street to ensure long-term access, operation, and maintenance of Agency facilities.

These mutual conveyances are documented in the Agreement, which has been reviewed by legal counsel. Adoption of Resolution No. 2025-07 will approve the Agreement, authorize execution of all related documents, and confirm that no additional CEQA review is required.

CEQA ANALYSIS

A Mitigated Negative Declaration (“MND”) was prepared, noticed, and circulated pursuant to the California Environmental Quality Act (“CEQA”) (Public Resources Code, §21000 et seq.) and the State CEQA Guidelines (14 CCR §15000 et seq.) for the CLR Project. The Agency, acting as Lead Agency under CEQA, adopted the MND (SCH #2024080294) and Mitigation Monitoring and Reporting Program for the CLR Project on October 7, 2024. The Agency has reviewed and considered the information contained in the adopted MND and all supporting documentation, copies of which are on file at the Agency’s office and are incorporated by reference as though set forth fully herein. Based on this review, the Agency finds that any comments received regarding the Agreement have been examined and determined to not modify the significant conclusions of the MND. Further, based on the substantial evidence set forth in the record, including but not limited to the previously adopted MND, the Agency finds that none of the conditions set forth in State CEQA Guidelines section 15162 and Public Resources Code section 21166 trigger the need for subsequent environmental review. The Agreement is contemplated in the previously adopted MND and simply seeks to further implement the Project.

STRATEGIC PLAN NEXUS

The Property and Facility Exchange Agreement helps advance various aspects of the Agency’s Strategic Plan, including:

- Strategic Goal 1: Align with the current and future water landscape, supporting the region's long-term needs by diversifying the local supply portfolio and advancing water sustainability.
 - ✓ Objective 2 – Establish relationships and expand collaborative opportunities at the local, regional, state, tribal, and federal levels that will enhance the water supply in the region.
 - ✓ Objective 6 – Expand water banking, local and abroad, for future utilization.
 - ✓ Objective 9 – Sustain infrastructure investment to provide a robust regional water distribution and storage system.

- Strategic Goal 2: Ensure a reliable delivery system that advances efficiency and resiliency.
 - ✓ Objective 2 – Develop additional recharge facilities to support conjunctive use.
 - ✓ Objective 5 – Pursue the strategic acquisition of water-related assets including, water, facilities, or water rights, that align with the Agency's mission and provide long-term regional benefits by enhancing water supply reliability, operational flexibility, and resource sustainability.
 - ✓ Objective 6 – Investigate additional opportunities to increase water storage capabilities

- Strategic Goal 6: Maintain, foster, and expand collaboration with local, regional, state, tribal and federal partners to develop strategic solutions to water supply challenges and opportunities.
 - ✓ Objective 1 – Coordinate with other agencies and organizations on grants and multi-partner project opportunities.

FISCAL IMPACT

The agreement itself does not have a direct fiscal impact, although there may be de minimus costs related to conveying the property's title to SMWC. Additionally, inspections and the raw water conversion on the pipeline will be completed as part of the County Line Rd Recharge Basin Project, as mentioned in the staff report for resolution 2025-06.

The General Fund Budget (the Green Bucket) for FY 2025-26 includes the line item 'County Line Recharge' (line #68) under Plans & Construction in the Consulting and Engineering Services section. The amount budgeted is \$100,000 in order to finalize plans and other items necessary to begin construction. As of August 31, 2025, no funds have been expended for this line item.

ACTION

Adopt Resolution 2025-07 Approving the Property and Facility Exchange Agreement Between the San Gorgonio Pass Water Agency and the South Mesa Water Company to Facilitate the Exchange of Property for Mutual Benefit and Consideration of the Parties.

ATTACHMENTS

1. Resolution 2025-07 Approving the Property and Facility Exchange Agreement Between the San Gorgonio Pass Water Agency and the South Mesa Water Company to Facilitate the Exchange of Property for Mutual Benefit and Consideration of the Parties
 - a. Attachment A: Property and Facility Exchange Agreement

RESOLUTION NO. 2025-07

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY APPROVING THE PROPERTY AND FACILITY EXCHANGE AGREEMENT BETWEEN THE SAN GORGONIO PASS WATER AGENCY AND THE SOUTH MESA WATER COMPANY TO FACILITATE THE EXCHANGE OF PROPERTY FOR MUTUAL BENEFIT AND CONSIDERATION OF THE PARTIES AND FINDING NO FURTHER ENVIRONMENTAL REVIEW IS REQUIRED PURSUANT TO PUBLIC RESOURCES CODE SECTION 21166 AND STATE CEQA GUIDELINES SECTION 15162

WHEREAS, the San Gorgonio Pass Water Agency (“**Agency**”) and the South Mesa Water Company (“**Company**”) (together, the “**Parties**”) are negotiating to enter into that certain Property and Facility Exchange Agreement (“**Agreement**”) to among other things, facilitate the exchange of certain real property owned by Agency and pipeline owned by Company for mutual benefit and consideration of the Parties; and

WHEREAS, Agency and Company are each members of the Yucaipa Sustainable Groundwater Management Agency (“**GSA**”), which recently adopted a Groundwater Sustainability Plan (“**GSP**”); and

WHEREAS, the GSP indicates among other things, the need for recharge capability within the Calimesa Subbasin and Management Area to increase recharge to said area and help manage storage declines resulting from drought conditions and from pumping above the sustainable yield; and

WHEREAS, Agency is the owner of certain real property comprised of vacant land, consisting of approximately 6.90 acres, commonly referred to as APN 411-150-027, located at Fourth Street, between County Line Road and West Avenue L, in the City of Calimesa, County of Riverside, California (“**Property**”) which Company desires to acquire approximately 1 acre to develop as a reservoir to develop additional water system storage capacity for provision of water services to its shareholders,

WHEREAS, Company owns a 14” diameter steel pipeline (“**Pipeline**”) within the parties’ respective service territories and in proximity to the Property which it has abandoned and which Agency desires to acquire along with certain easements interests from Company to among other things, access, maintain, repair, install the Pipeline, into the Agency’s system to better service its customers; and

WHEREAS, a Mitigated Negative Declaration (“**MND**”) was prepared, noticed, and circulated pursuant to the California Environmental Quality Act (“**CEQA**”) (Public Resources Code, §21000 et seq.) and the State CEQA Guidelines (14 CCR §15000 et seq.); and

WHEREAS, the Agency, acting as Lead Agency under CEQA, adopted the MND (SCH #2024080294) and Mitigation Monitoring and Reporting Program for the Project on October 7, 2024; and

WHEREAS, the Property is classified as exempt surplus land under the Surplus Land Act (Government Code §§ 54220 et seq.); and

WHEREAS, pursuant to CEQA, when taking subsequent discretionary actions in furtherance of a project for which a MND has already been adopted, the Lead Agency is prohibited from requiring a subsequent or supplemental EIR or negative declaration unless at least one of the circumstances identified in Public Resources Code section 21166 or State CEQA Guidelines section 15162 are present; and

WHEREAS, following independent review of all the information regarding the Agreement, the previously adopted MND, all oral and written testimony submitted to the Agency in relation to the Agreement, and all other information in the administrative record, the Agency has determined that, pursuant to the Public Resources Code § 21166 and State CEQA Guidelines § 15162, no further environmental review is required for the Agreement because it falls within the scope of the Project evaluated in the previously adopted MND (SCH #2024080294); and

WHEREAS, the Parties desire to enter into the Agreement to facilitate the exchange of the Pipeline and Property for mutual benefit and consideration; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Incorporation of Recitals. The foregoing recitals are true and correct and are incorporated herein and made an operative part of this Resolution.

Section 2. Findings. The Agency has reviewed and considered the information contained in the adopted MND and all supporting documenting, copies of which are on file at the Agency's office and are incorporated by reference as though set forth fully herein. Based on this review, the Agency finds that any comments received regarding the Agreement have been examined and determined to not modify the significant conclusions of the MND. Further, based on the substantial evidence set forth in the record, including but not limited to the previously adopted MND, the Agency finds that none of the conditions set forth in State CEQA Guidelines section 15162 and Public Resources Code section 21166 trigger the need for subsequent environmental review. The Agreement is contemplated in the previously adopted MND and simply seeks to further implement the Project.

Section 3. Approval of Property and Facility Exchange Agreement. SGPWA's Board of Directors hereby approves the Agreement attached hereto as *Attachment A*.

Section 4. Severability. If any provision of this Resolution is held invalid, the remainder of the Resolution shall not be affected by such invalidity, and such portions of this Resolution are severable.

Section 5. *Custodian of Records.* The documents and materials that constitute the record of proceedings on which these findings are based are located at 1210 Beaumont Avenue, Beaumont, CA 92223. The custodian of these records is Kevin Walton, Board Secretary.

Section 6. *Effective Date.* This Resolution shall become effective immediately upon its adoption.

Passed and adopted by the San Geronio Pass Water Agency on this _____ day of September 2025 by the following vote:

AYES:

NOES:

ABSENT:

Maricela Cabral
Board Clerk

Attachment A: *Agreement*

PROPERTY AND FACILITY EXCHANGE AGREEMENT

This Property and Facility Exchange Agreement (“**Agreement**”) is made this ____ day of _____, 2025 (the “Effective Date”), by and between SAN GORGONIO PASS WATER AGENCY, a California public water agency (“**Agency**”), and SOUTH MESA WATER COMPANY, a California non-profit corporation (“**Company**”). Agency and Company may individually be referred to as a “party” or collectively as the “parties.” In consideration of the following and other good and valuable consideration, including the mutual covenants and promises contained in this Agreement, the parties agree as follows:

1. **BACKGROUND**

a. Agency and Company are each members of the Yucaipa Sustainable Groundwater Management Agency (“**GSA**”), which was established in accordance with the requirements of the Sustainable Groundwater Management Act of 2014. The GSA recently adopted a Groundwater Sustainability Plan (“**GSP**”) for the Yucaipa Subbasin and timely submitted the GSP to the California Department of Water Resources. The GSP indicates there is a need for recharge capability within the Calimesa Subbasin and Management Area as set forth more fully in the GSP. New spreading basins, including one on the Property (as defined below), would increase recharge to said area and would help manage storage declines resulting from drought conditions and from pumping above the sustainable yield.

b. Agency is the owner of the real property comprised of vacant land, consisting of approximately 6.90 acres, commonly referred to as APN 411-150-027, located at Fourth Street, between County Line Road and West Avenue L, in the City of Calimesa, County of Riverside, California (the “**Property**”). The Property is more particularly described or depicted in **Exhibit “A,”** attached hereto and made part of this Agreement.

c. Company holds historical, prior and paramount rights, titles and interests, including blanket easement rights within its service territory including the Property, to, but not limited to, lawfully place, replace, construct, reconstruct, relocate, enlarge, operate, control, inspect, repair, maintain, and protect its water rights and interests and its water production, transmission and distribution facilities and infrastructure. Company further owns a fourteen-inch (14”) diameter steel pipeline (“**Pipeline**”) which is located within the parties’ respective service territories and in proximity to the Property, and more particularly described in **Exhibit “B,”** attached hereto and made part of this Agreement. Company has developed new pipelines and related infrastructure to replace, and no longer require use of, the Pipeline.

d. Company desires to acquire approximately one (1) acre of the Property (the “**Reservoir Property**”), more particularly described in **Exhibit “C,”** attached hereto and made part of this Agreement, from Agency upon which it desires to develop additional water system storage capacity for provision of water service to its shareholders.

e. Agency desires to acquire the Pipeline and certain easement interests from Company in order to incorporate the Pipeline into Agency’s system.

f. The Property is classified as exempt surplus land under the Surplus Land Act (Government Code §§ 54220 et seq.), pursuant to the Agency’s resolution 2025-07.

g. The parties desire to enter this Agreement to facilitate the exchange of the Pipeline and Reservoir Property for mutual benefit and consideration in accordance with the terms and conditions herein.

2. EXCHANGE

a. Pursuant to the terms and conditions set forth herein, (i) Agency agrees to transfer the Reservoir Property to Company, together with all easements, rights of way, privileges, appurtenances and other rights pertaining thereto and (ii) Company agrees to transfer the Pipeline to Agency, together with certain easements, subject to the Company Prior Rights as set forth in this Agreement.

3. CONSIDERATION

a. As consideration for the acquisition of the Reservoir Property, Company agrees to convey the Pipeline and certain easement interests to Agency in exchange for the Reservoir Property.

b. As consideration for the acquisition of the Pipeline and certain easement interests, Agency agrees to convey the Reservoir Property to Company in exchange for the Pipeline and certain easement interests.

4. INSPECTION PERIOD

a. Company shall have the right to inspect the Reservoir Property and Agency shall have the right to inspect the Pipeline prior to the Closing (as defined in Section 10 herein). The right of inspection for the parties shall commence upon the effective date of this Agreement, and extend for 120 days (“**Inspection Period**”). Agency may elect not to acquire the Pipeline for any reason or for no reason during the Inspection Period by providing Company with written notice of its intention not to acquire the Pipeline (and easement interests) prior to the end of the Inspection Period. Company may elect not to acquire the Reservoir Property for any reason or for no reason during the Inspection Period by providing Agency with written notice of its intention not to acquire the Reservoir Property prior to the end of the Inspection Period. If either party makes such an election, this Agreement will terminate and the parties shall have no further obligation except for any specific obligations that expressly survive. If neither party makes such election, the Agreement shall continue and be effective upon satisfaction of all Conditions Precedent (as defined in Section 8 herein.) If one party elects to terminate, this Agreement shall terminate, and the parties shall have no further obligation to each other except for such obligations which expressly survive.

b. **Agency’s Right to Inspect.** Agency, and its employees, agents and designees, shall have the right of ingress and egress over and across the land within which the Pipeline is located during the Inspection Period during normal business hours to make any inspections and improvements to the Pipeline deemed necessary by Agency to evaluate the Pipeline and consummate Closing. Agency shall be responsible to provide any necessary notices and meet any applicable requirements of the Cities of Calimesa and Yucaipa, respectively, relating to traffic

control or related requirements to conduct such inspections within County Line Road. Agency shall indemnify and hold Company harmless from any liability arising out of the entry of Agency and/or Agency's agents or technical advisors in or around the Pipeline prior to Closing or any activities or work performed under this Agreement. Agency agrees to indemnify Company against, and to hold and save Company harmless from, all claims, demands, suits, actions, damages, obligations, liabilities, losses, costs and expenses, including but not limited to reasonable attorneys' fees and court costs, as a result of the inspections; provided, however, that Agency will not be obligated to indemnify Company with respect to Company's own acts or omissions. The foregoing indemnity shall survive termination of this Agreement and Closing. Agency shall not suffer or permit any mechanic's or materialmen's or other lien to stand against Pipeline in connection with any labor, materials or services furnished or claimed to have been furnished by or on behalf of Agency in connection with or as a result of any Inspections. If any such lien shall be filed against Pipeline, Agency shall cause such lien to be discharged or bonded within thirty (30) days after such filing. Following any Inspections, Agency shall restore Pipeline, roadways and other surface and subsurface areas to substantially its physical condition as existed prior to such inspection (except for any changes to the Pipeline caused by the Company, or its agents or employees), notwithstanding any ordinary wear and tear and street work done by the Cities of Yucaipa and Calimesa, or other responsible third parties, respectively, to the roadways over the Pipeline.

c. **Company's Right to Inspect.** Company, its employees, agents and designees, shall have the right of ingress and egress over and across the Property during normal business hours to perform any work deemed commercially reasonably necessary by Company to evaluate the Agency Property. Company shall make no borings or conduct a Phase II environmental report without Agency's prior written approval. Prior to any entry on the Property, Company or its consultant shall at its sole cost obtain a policy of liability insurance with a combined single limit in an amount not less than One Million Dollars (\$1,000,000); Agency shall be named an additional insured on said policy; and Company or its consultants shall furnish to Agency a certificate of insurance confirming such coverage. Company shall indemnify and hold Agency harmless from any liability arising out of the entry of Company and/or Company's agents or technical advisors on the Property prior to Closing or any activities or work performed under this Agreement. Company agrees to indemnify Agency against, and to hold and save Agency harmless from, all claims, demands, suits, actions, damages, obligations, liabilities, losses, costs and expenses, including but not limited to attorneys' fees and court costs, as a result of the inspections; provided, however, that Company will not be obligated to indemnify Agency with respect to Agency's own acts or omissions. The foregoing indemnity shall survive termination of this Agreement and Closing. Company shall not suffer or permit any mechanic's or materialmen's or other lien to stand against the Reservoir Property in connection with any labor, materials or services furnished or claimed to have been furnished by or on behalf of Company in connection with or as a result of any inspections. If any such lien shall be filed against the Reservoir Property, Company shall cause such lien to be discharged or bonded within thirty (30) days after such filing. Following any Inspections, Company shall restore the Reservoir Property to substantially its physical condition as existed prior to such inspection (except for any changes to the Reservoir Property caused by Agency, or its agents or employees).

d. Creation of the Reservoir Property as a Lawful Parcel. During the Inspection Period, Company and Agency shall attempt in good faith to reach agreement upon the exact size

and configuration of the Reservoir Property. After Company and Agency have agreed upon the exact size and configuration of the Reservoir Property, Company and Agency shall consult with one another concerning conditions required by the parties in furtherance of causing the Reservoir Property to be created as a separate legal parcel. The Closing shall be subject to the establishment of the Reservoir Property as a separate legal parcel.

e. Rezoning of the Reservoir Property. Company shall use commercially reasonable efforts, at no cost or expense to Agency, to cause the Reservoir Property to be rezoned after Closing. Agency, at no cost or expense, shall reasonably cooperate with Company in such efforts. Company shall seek approval by the City of Calimesa subject to the conditions mutually agreed upon by Agency and Company. If Company pursues the rezoning to approval, Agency shall be deemed to have approved any conditions imposed in connection with the rezoning of the Reservoir Property.

5. CEQA COMPLIANCE

Each Party shall be responsible for obtaining any and all environmental permits and approvals as may be necessary for their respective activities during the Investigation Period, or other otherwise in furtherance of the transaction contemplated by this Agreement, including, but not limited to, compliance with requirements imposed under the California Environmental Quality Act (“CEQA”). Agency shall reasonably assist Company upon written request with any reasonably permitting and approvals required for such CEQA compliance contemplated by investigation at no cost or expense to Agency.

6. AGENCY PROJECT.

Commencing on the Inspection Period, and prior to Closing, Agency, and its employees, agents and designees, shall complete the following activities (collectively, the “**Project**”):

a. Pipeline Evaluation. Agency shall inspect and evaluate the structural integrity of the 5,300-foot section of the Pipeline as described in **Exhibit “B,”** proposed for Agency’s repurposing. Agency may in its sole discretion determine whether repairs, sliplining, or other rehabilitation measures are necessary to support the Pipeline’s intended use for non-potable raw water conveyance and perform such necessary work concurrent with its inspection of the Pipeline.

b. Manhole Installation. Agency may, in its sole discretion, install manholes or access points along the Pipeline alignment to allow for ongoing inspection, maintenance, and future access.

c. Coordination with Company. Agency shall reasonably coordinate all Pipeline evaluation, repair, and access work with Company to ensure minimal disruption to existing operations and to maintain compliance with any applicable permitting requirements contemplated by Company under this Agreement.

d. Land Division and Conveyance Preparation. Agency shall complete all necessary work, including any surveys, legal descriptions, applications, and approvals required for the division of APN 411-150-027, to facilitate the conveyance of the Reservoir Property to Company as contemplated by the parties.

e. Permitting and Regulatory Compliance. Agency shall be responsible for obtaining, at its own cost, any governmental permits, approvals, or clearances necessary for the evaluation, repair, and future use of the Pipeline, and for the land division and conveyance to Company.

f. Certification of Completion. Agency shall deliver to Company a written certification confirming completion of the above conditions prior to or simultaneously with the Closing.

7. CONVEYANCE

a. Reservoir Property. Agency agrees to convey fee simple title of the Reservoir Property to Company, together with all easements, rights of way, privileges, appurtenances and other rights pertaining thereto, by duly executed grant deed (“**Deed**”) in the form attached as **Exhibit “E.”**

b. Pipeline. Company agrees to convey title to the Pipeline to Agency, by bill of sale substantially in the form attached as **Exhibit “F”** (the “**Bill of Sale**”)

c. Easement Grant. Company agrees to grant to Agency a perpetual, non-exclusive easement substantially in a form attached as **Exhibit “G”** (“**Easement**”) within the area described as **Exhibit “B”** to the Easement (the “**Easement Area**”) providing for access to and continued existence, use, operation, inspection, maintenance, repair, replacement, removal, and improvement of the Pipeline, and for the operation of Agency’s recharge activities with respect to the Property. The Easement shall be subject to and exercised in a manner that does not materially and adversely interfere with the Company Prior Rights (as defined below) and Company operations.

d. Company Prior Rights. Company shall retain entirely all historical, prior and paramount rights, titles and interests, including blanket easement rights within its service territory (“**Company Prior Rights**”). The Company Prior Rights are described primarily by instrument recorded July 14, 1910 at Book 463, page 381 of the Records of the County of San Bernardino, and subsequent conveyances to and by Company predecessors, and include but are not limited to all certain real property including all waters, water rights, water privileges, and infrastructure, together with the right of way over, upon and across all lands including any streets, alleyways, or public places adjoining or abutting upon any and all such property, for laying, constructing, maintaining and enlarging all pipes, ditches and conduits for the purpose of carrying and distributing water to any part of such lands or the conveyance of such water for use elsewhere; together with the right to enter upon such property and all of it at all times, for the purpose of inspecting, repairing, replacing, enlarging and controlling the same, all with respect to an area historically known as Subdivisions 6, 7, 8, and 9 of Yucaipa Valley. The Pipeline is located within County Line Road, which demarcates the intersection of Subdivisions 6 and 8 to the north, and Subdivisions 7 and 9 to the south.

8. CONDITIONS PRECEDENT TO CLOSING

The following are conditions precedent to the parties’ obligation to transfer the Pipeline and Reservoir Property subject to this Agreement (“**Conditions Precedent**”). In the event any

Condition Precedent is not satisfied, either party may, in its sole and absolute discretion, terminate this Agreement, subject to Section 15 of this Agreement.

a. The parties' respective inspection, review and approval, within the Inspection Period, of the physical characteristics and condition of the Reservoir Property and Pipeline, pursuant to the provisions of Section 4 of this Agreement.

b. The creation of the Reservoir Property as its own legal parcel as set forth in Section 4(d).

c. Conveyance of Title of the Pipeline to Agency by the Bill of Sale.

d. Conveyance of the Easement to Agency by Company.

e. Conveyance of Title of the Reservoir Property to Company by Deed.

f. Agency's completion of the Project.

g. The parties to this Agreement shall each have complied with each party's duties and obligations contained in this Agreement and all representations and warranties contained in or made pursuant to this Agreement by either party shall have been true and correct when made and shall be true and correct as of the Closing Date.

h. Neither party shall be in default under this Agreement.

i. When both parties have received all documents and funds identified in **Exhibit "D,"** and have received notification from each party that all conditions to Closing to be satisfied have been satisfied or waived, then, and only then, shall Closing be satisfied.

9. POST-CLOSING COVENANT.

Company shall remain responsible for responding to and marking out the location of the transferred Pipeline in accordance with applicable laws and regulations related to utility locate requests (commonly referred to as "**811 Dig Alerts**") for a period of one year following the Closing. During this period, Company shall: (i) respond to all utility locate requests within the timeframes required by applicable laws and (ii) cooperate with Agency to provide information and support as needed to ensure the continuity of compliance with utility locate obligations. After the expiration of this one-year period, Agency shall assume full responsibility for all utility locate requests related to the Pipeline.

10. CLOSING; TAXES

a. The closing of the sale and transfer of the Reservoir Property and Pipeline ("**Closing**") shall take place no later than sixty (60) days after Agency's completion of the Project pursuant to Section 6, unless agreed to in writing by the parties ("**Closing Date**").

b. Company will be responsible for paying any and all real property taxes and assessments relating to the Reservoir Property following the Closing Date.

c. Agency will be responsible for paying any and all real property taxes and assessments relating to the Pipeline following the Closing Date.

Upon written request by Company, Agency shall reasonably cooperate with Company, at no cost or expense to Agency, in Company's efforts to obtain any tax exemptions relating to the Agency Property, consistent with Company's non-profit mutual water company status. Such cooperation shall be provided for a period not to exceed one hundred eighty (180) days following the Closing Date.

11. DELIVERIES AT CLOSING

On or prior to Closing, each party shall deliver to the other the documents listed in Exhibit "D."

12. COSTS AND FEES

Each Party shall pay for its own transactional expenses related to this Agreement. Company shall be responsible for the payment of all recording taxes, documentary stamps and other charges for recording the Deed related to the Reservoir Property, the title insurance premium for Company's owner's title insurance policy (and the title search and abstract fees associated with said title insurance policy), the cost of the survey, if any, and any other third party reports obtained by Company. Each party shall pay its respective costs for its own attorneys' fees for services related to the negotiation and preparation of this Agreement and the sale and purchase of the Properties covered by this Agreement.

13. AD VALOREM TAXES

Ad valorem taxes and assessments, if any, for the tax year in which the Closing occurs are to be prorated (on the basis of a 365-day year) as of the date of Closing on the basis of the tax assessment for the tax year in which Closing occurs.

14. REPRESENTATIONS AND WARRANTIES

a. Agency. Agency makes the following representations and warranties, all of which are true as of the date of this Agreement's execution (unless otherwise specified) and shall also be true as of the Closing Date:

i. Ownership. Agency is the sole owner of fee simple title to the Reservoir Property. Agency has the legal authority and capacity to enter into this Agreement and to transfer the Reservoir Property. The execution and delivery of this Agreement and the performance by Agency of its obligations under this Agreement have been duly authorized by all requisite action and no further action or approval is required to constitute this Agreement as a binding and enforceable obligation of Agency. To the best of Agency's actual knowledge, the execution of this Agreement by the Agency will not create a default of any kind for Agency, violate any restrictions which Agency is subject to, or violate any applicable code, resolution, law, judgment, regulation, statute, decree or rule.

ii. No Action. To the best of Agency’s actual knowledge, Agency has not received written notice of any attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending against Agency related to the Reservoir Property.

iii. No Representations as to Agency Property. There are no representations, agreements, arrangements, or circumstances, oral or written, between the parties relating to the subject matter contained in this Agreement that are not fully expressed in the Agreement, and Agency has not made and does not make any representation or warranty concerning any matter or thing affecting or relating to the Reservoir Property, including but not limited to its fitness for a particular use, its physical condition or any other matter.

iv. “AS-IS”. Subject to Agency’s representations and warranties contained herein, Company’s election to acquire the Reservoir Property will be based upon and will constitute evidence of Company’s independent investigation of the Reservoir Property, its use, development potential and suitability for Company’s intended use, including (without limitation) the following: the feasibility of developing the Reservoir Property for the purposes intended by Company and the conditions of approval for any subdivision map; the size and dimensions of the Reservoir Property; the availability, cost and adequacy of water, sewerage and any utilities serving or required to serve the Reservoir Property; the presence and adequacy of current or required infrastructure or other improvements on, near or affecting the Reservoir Property; any surface, soil, subsoil, fill or other physical conditions of or affecting the Reservoir Property, such as climate, geological, drainage, air, water or mineral conditions; the condition of title to the Reservoir Property; the existence of governmental laws, statutes, rules, regulations, ordinances, limitations, restrictions or requirements concerning the use, density, location or suitability of the Reservoir Property for any existing or proposed development thereof including but not limited to zoning, building, subdivision, environmental or other such regulations; the necessity or availability of any general or specific plan amendments, rezoning, zoning variances, conditional use permits, building permits, environmental impact reports, agricultural use or restrictions and public reports, requirements of any improvement agreements; requirements of the California Subdivision Map Act, and any other governmental permits, approvals or acts (collectively “**Permits**”); the necessity or existence of any dedications, taxes, fees, charges, costs or assessments which may be imposed in connection with any governmental regulations or the obtaining of any required Permits; the presence of endangered plant or animal species upon the Reservoir Property; and all of the matters concerning the condition, use, development or sale of the Reservoir Property.

Company’s Initials: _____

Except with respect to a default by Agency hereunder (including a breach of Agency’s warranties and representations), Company at the Closing expressly waives its rights granted under California Civil Code Section 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY

AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR
OR RELEASED PARTY.”

Company’s Initials: _____

b. Company. Company makes the following representations and warranties, all of which are true as of the date of this Agreement’s execution (unless otherwise specified) and shall also be true as of the Closing Date:

i. Company is the sole record owner of the Pipeline. Company is a corporation duly organized, validly existing, in good standing under the laws of, and has the legal authority and capacity to enter into this Agreement and to transfer Pipeline. The execution and delivery of this Agreement and the performance by Company of its obligations under this Agreement have been duly authorized by all requisite action and no further action or approval is required to constitute this Agreement as a binding and enforceable obligation of Company. To the best of Company’s actual knowledge, the execution of this Agreement by Company will not create a default of any kind for Company, violate any restrictions which Company is subject to, or violate any applicable code, resolution, law, judgment, regulation, statute, decree or rule.

ii. No Action. To the best of Agency’s actual knowledge, Company has not received written notice of any attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings against Pipeline, nor are any such proceedings contemplated by Company.

iii. No Representations as to Pipeline. There are no representations, agreements, arrangements, or circumstances, oral or written, between the parties relating to the subject matter contained in this Agreement that are not fully expressed in the Agreement, and Company has not made and does not make any representation or warranty concerning any matter or thing affecting or relating to the Pipeline, including but not limited to its fitness for a particular use, its physical condition or any other matter.

iv. “AS-IS”. Subject to Company’s representations and warranties contained herein, Agency’s election to acquire the Pipeline will be based solely upon and will constitute evidence of Agency’s independent investigation of the Pipeline, its use and suitability for Agency’s intended use, including (without limitation) the following: the size and dimensions of the Pipeline; the presence and adequacy of current or required infrastructure or other improvements on, near or affecting the Pipeline; any surface, soil, subsoil, fill or other physical conditions of or affecting the Pipeline, such as climate, geological, drainage, air, water or mineral conditions; the condition of title to the Pipeline; the existence of governmental laws, statutes, rules, regulations, ordinances, limitations, restrictions or requirements concerning the use, location or suitability of the Pipeline for the Agency’s intended use; the necessity or availability of any general or specific plan amendments, rezoning, zoning variances, conditional use permits, building permits, environmental impact reports, agricultural use or restrictions and public reports, requirements of any improvement agreements; requirements of the California Subdivision Map Act, and any other governmental permits, approvals or acts (collectively **“Permits”**); the necessity or existence of any dedications, taxes, fees, charges, costs or assessments which may be imposed in connection with

any governmental regulations or the obtaining of any required Permits; and all of the matters concerning the condition, use, development or sale of the Pipeline.

Agency's Initials: _____

Except with respect to a default by Company hereunder (including a breach of Company's warranties and representations), Agency at the Closing expressly waives its rights granted under California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Agency's Initials: _____

c. Survival of Warranties. Agency and Company agree that each representation and warranty, covenant by the respective parties contained herein or made in writing pursuant to this Agreement are intended to and shall be deemed made as of the date of this Agreement or such writing and again at the Closing, shall be deemed to be material, and unless expressly provided to the contrary shall survive the execution and delivery of this Agreement, the documents identified in **Exhibit "D"** and the Closing.

d. Notice of Changed Circumstances. If either party becomes aware of any fact or circumstances which would render false or misleading a representation or warranty made by such party, then it shall immediately give notice of such fact or circumstance to the other party, but such notice shall not relieve any party of any liabilities or obligations with respect to any representation or warranty.

15. DEFAULT

a. Agency's Termination. Provided that Agency is not then in material breach of this Agreement, this Agreement shall automatically terminate without further notice or action by Agency if any Condition Precedent to Closing contained in Section 8 has not been satisfied or waived by Agency by the Closing Date.

b. Company's Termination. Provided that Company is not then in material breach of this Agreement, this Agreement shall automatically terminate without further notice or action by Company if any Condition Precedent to Closing contained in Section 8 has not been satisfied or waived by Company by the Closing Date.

16. CONDEMNATION AND DESTRUCTION

If, on or prior to the Closing Date, any portion of the Reservoir Property or Pipeline is the subject of a pending or contemplated taking by eminent domain which has not been consummated

or if the Reservoir Property or Pipeline has been materially damaged or destroyed, the party owning such property shall notify the other party within five (5) days of obtaining knowledge of such fact, and the party so notified shall have the option to terminate this Agreement upon giving written notice to the notifying party prior to Closing. In the event that a party notifies the other party of a condition under this Section, and the party receiving notification does not exercise its option to terminate this Agreement, the parties to this Agreement shall remain bound by this Agreement, the Agency Property that is the subject of the notification shall be assigned and turned over at Closing, and the party to whom the Agency Property is transferred shall be entitled to receive and keep all awards for the taking by eminent domain described in said notice or all insurance proceeds payable as a result of such destruction or damage.

17. REMEDIES

In the event of a breach by Company or by Agency, of any of their obligations under this Agreement, Agency or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. Company and Agency agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

18. NOTICES

All notices, requests, consents and other communications hereunder shall be in writing and shall be personally delivered, or delivered by overnight courier, or mailed by first class, registered or certified mail, return receipt requested, postage prepaid, or delivered by facsimile (provided that a notice delivered by facsimile shall immediately thereafter be delivered by one of the other methods permitted in this Section), as follows:

Notice to Company: South Mesa Water Company
391 W Avenue L
Calimesa, CA 92320
Attention: David Armstrong, General Manager
Phone: (909)795-2401
Facsimile: (909) 795-5299
Email: darmstrong@southmesawater.com

with a copy to: Fennemore
550 E. Hospitality Lane, Suite 350
San Bernardino, CA 92407
Attention: Derek Hoffman
Phone: (559) 446-3224
Facsimile: (559) 432-4590
Email: dhoffman@fennemorelaw.com

Notice to Agency: San Gorgonio Pass Water Agency
1210 Beaumont Ave
Beaumont, CA 92223
Attention: Emmett Campbell
Phone: (951) 845-2577
Email: Ecampbell@SGPWA.com

with a copy to: Best Best & Krieger LLP
3390 University Ave., 5th Floor
Riverside, CA 92501
Attention: Holland Stewart
Phone: (951) 826-8353
Facsimile: (951) 686-3083
Email: holland.stewart@bbklaw.com

Any such notice, request, consent or other communications shall be deemed received at such time as it is actually delivered, on the first business day following an overnight delivery, or on the fifth business day after a mailing, as the case may be. Either party to this Agreement may change the address for receiving notices hereunder by notice sent in accordance with the terms of this Section.

19. AGENCY PRE-CLOSING COVENANTS.

Agency shall comply with the covenants contained in this Section from the Effective Date through the Closing Date unless Company consents otherwise in writing, in Company's sole discretion.

a. Insurance. Agency shall maintain or cause to be maintained in full force and effect its present insurance policies for the Reservoir Property.

b. Compliance with Obligations. Agency shall fully and timely comply with all obligations to be performed by it under title and all permits, licenses, approvals and laws, regulations and orders applicable to the Reservoir Property, as applicable.

c. No Transfers. Agency shall not sell, encumber or otherwise transfer any interest in all or any portion of the Reservoir Property, or agree to do so.

d. Maintenance. At its sole cost and expense, Agency shall operate and maintain the Reservoir Property such that on the Closing Date the Reservoir Property shall be in at least as good a condition and repair as on the Effective Date, reasonable wear and tear excepted.

e. Best Efforts. Agency shall use its best efforts to cause the conditions set forth in Section 8 to be satisfied by the Closing Date, and Agency shall not take or permit any action that would result in any of the representations and warranties set forth in Section 14 becoming false or incorrect.

20. COMPANY PRE-CLOSING COVENANTS

Company shall comply with the covenants contained in this Section from the Effective Date through the Closing Date unless Agency consents otherwise in writing, in Agency's sole discretion.

a. Insurance. Company shall maintain or cause to be maintained in full force and effect its present insurance policies for the Pipeline.

b. Compliance with Obligations. Company shall fully and timely comply with all obligations to be performed by it under title and all permits, licenses, approvals and laws, regulations and orders applicable to the Pipeline, as applicable.

c. No Transfers. Agency shall not sell, encumber or otherwise transfer any interest in all or any portion of the Pipeline, or agree to do so.

d. Maintenance. At its sole cost and expense, Company shall maintain the Pipeline such that on the Closing Date the Pipeline shall be in at least as good a condition and repair as on the Effective Date, reasonable wear and tear excepted.

e. Best Efforts. Company shall use its best efforts to cause the Conditions Precedent set forth in Section 8 to be satisfied by the Closing Date, and Company shall not take or permit any action that would result in any of the representations and warranties set forth in Section 14 becoming false or incorrect.

21. BROKER

The parties warrant to each other that no broker is entitled to commission for the exchange of the Reservoir Property and Pipeline contemplated by this Agreement, and that each party will indemnify and hold the other party harmless of any demands, claims or other obligations asserted by any person for a brokerage commission through such party.

22. MISCELLANEOUS

a. Governing Law. This Agreement shall be governed by and interpreted by the laws of California.

b. Entire Agreement. This Agreement represents the entire agreement between the parties and supersedes any and all other agreements or understanding whether written or verbal and may not be changed unless in writing and fully executed by both Company and Agency.

c. Survival of Representations and Warranties. All representations and warranties made in this Agreement shall survive Closing for one (1) year.

d. Time of the Essence. Both parties specifically agree that time is of the essence to this Agreement with respect to the performance of the obligations of the parties under this Agreement.

e. Assignment; Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

f. Standstill. While this Agreement is in effect, Agency will maintain the Reservoir Property in its current condition and in compliance with applicable laws. While this Agreement is in effect, Company will not actively market, sell or encumber the Pipeline in any manner, will not accept, negotiate or entertain any other offers for the Pipeline and will maintain the Pipeline in its current condition and in compliance with applicable laws.

g. Captions and Interpretations. Paragraph titles or captions contained in this Agreement are inserted as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or any provision hereof. No provision in this Agreement is to be interpreted for or against either party because that party or its legal representative drafted such provision.

h. Business Days. In the event any period of time provided for in this Agreement ends on a day other than a business day on which banks are generally open for a full day for business, such ending date shall automatically be extended to the next business day.

i. Counterparts; Electronic/Facsimile Signatures. This Agreement may be executed in two or more separate counterparts, each of which, when so executed and delivered, shall constitute an original, and all such counterparts shall together constitute one and the same instrument, and any party may execute this Agreement by executing any one or more of such counterparts. Signatures delivered electronically or by facsimile shall be as binding as original signatures.

j. Severability. If any provision of this Agreement, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

k. Further Assurances. Each of the parties shall execute and deliver any and all additional papers, documents and other assurances and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations under this Agreement and to carry out the intent of the parties.

l. Exhibits. All exhibits attached hereto and referred to herein are incorporated herein as though set forth at length.

m. No Obligation To Third Parties. Execution and delivery of this Agreement shall not be deemed to confer any rights upon, directly, indirectly or by way of subrogation, nor obligate either of the parties hereto to, any person or entity other than each other.

n. Waiver. The waiver by any party to this Agreement of the breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach, whether of the same or another provision of this Agreement.

o. Interpretation. This Agreement has been negotiated at arm's length and between persons (or their representatives) sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law (including California Civil Code § 1654 and any successor statute) or legal decision that would require interpretation of any ambiguities against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

p. Professional Fees. In the event legal action is commenced to enforce or interpret any of the terms or provisions of this Agreement, the prevailing party in such action shall be entitled to an award of reasonable attorney's fees and costs incurred in connection with the prosecution or defense of said action. In addition, the prevailing party shall be entitled to recover any actual accounting, engineering or other professional fees reasonably incurred in said action or proceeding.

[Signatures on following page]

IN WITNESS WHEREOF, Company and Agency have executed this Agreement as of the Effective Date.

AGENCY:

San Geronio Pass Water Agency,
a California public water agency

By: _____

Name: _____

Title: _____

Approved as to form:

Best Best & Krieger, LLP

Holland Stewart, General Counsel

COMPANY:

South Mesa Water Company,
a California non-profit corporation

By: _____

Name: _____

Title: _____

Approved as to form:

Fennemore

Derek Hoffman,
Attorney for South Mesa Water Company

EXHIBIT A

Description of the Property

The land referred to is situated in the unincorporated area of the County of Riverside, State of California, and is described as follows:

APN: 411-150-027

EXHIBIT “A” – LEGAL DESCRIPTION

PARCEL 1:

PARCEL A AS SHOWN ON LOT LINE ADJUSTMENT 14-01, AS EVIDENCED BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-15112, OF OFFICIAL RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THOSE PORTIONS OF BLOCK 199, 216, AND 217 OF SUBDIVISION NO. 9 OF PART OF YUCAIPA VALLEY, IN THE CITY OF CALIMESA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 9, PAGE 3 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT BEING THE INTERSECTION OF THE WEST LINE OF 4TH STREET (SHOWN AS FIRST AVENUE ON SAID MAP), SAID 4TH STREET HAVING A HALF WIDTH OF 30.00 FEET, AND THE SOUTH LINE OF SAID BLOCK 199;

THENCE NORTH, ALONG THE WEST LINE OF SAID 4TH STREET, 309.66 FEET;

THENCE NORTH 89°53'15" WEST, LEAVING THE WEST LINE OF SAID 4TH STREET, 627.30 FEET TO THE WEST LINE OF SAID BLOCK 199;

THENCE SOUTH, ALONG THE WEST LINE OF SAID BLOCK 199, 310.29 FEET TO THE SOUTHWEST CORNER OF SAID BLOCK 199;

THENCE WEST, ALONG THE NORTH LINE OF SAID BLOCK 216, A DISTANCE OF 230.00 FEET TO THE EAST LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO THEODORE A. OLDEN AND EDITH OLDEN BY DEED FILED FOR RECORD MARCH 25, 1952 AS INSTRUMENT NO. 12611 IN THE OFFICE OF THE RECORDER OF SAID COUNTY;

THENCE SOUTH, ALONG SAID EAST LINE, 180.00 FEET TO THE SOUTHEAST CORNER OF SAID PARCEL;

THENCE EAST, ALONG THE NORTH LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO FLOYD R. SUTTON BY DEED FILED FOR RECORD MARCH 25, 1952 AS INSTRUMENT NO. 12631 IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, A DISTANCE OF 230.00 FEET TO THE NORTHEAST CORNER OF SAID PARCEL;

THENCE NORTH, ALONG THE EAST LINE OF SAID BLOCK 216, A DISTANCE OF 48.00 FEET TO THE SOUTH LINE OF THE NORTH 132.00 FEET OF SAID BLOCK 217;

THENCE EAST, ALONG SAID SOUTH LINE, 460.48 FEET;

THENCE NORTH 71.36 FEET;

THENCE EAST 66.82 FEET;

THENCE NORTH 60.64 FEET TO THE SOUTH LINE OF SAID BLOCK 199;

THENCE EAST, ALONG SAID SOUTH LINE, A DISTANCE OF 100.00 FEET TO THE POINT OF BEGINNING.

PARCEL 2:

AN EASEMENT AND RIGHT OF WAY FOR ROAD AND PUBLIC UTILITY PURPOSES OVER THE PORTION OF SAID LOT 216 PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE CENTER LINE OF AVENUE A AS SHOWN ON SAID MAP, 415 FEET NORTH OF THE INTERSECTION OF THE CENTER LINE OF AVENUE A WITH THE CENTER LINE OF IOWA AVENUE; THENCE EAST 660 FEET TO A POINT ON THE EAST LINE OF SAID LOT; THENCE NORTH ALONG THE EAST LINE OF SAID LOT, 15 FEET TO THE NORTHEAST CORNER OF THE PARCEL CONVEYED TO FLOYD R. SUTTON BY THE DEED HEREINABOVE REFERRED TO THENCE WEST ALONG THE NORTH LINE OF SAID PARCEL 230 FEET, MORE OR LESS TO THE SOUTHEAST CORNER OF THE PARCEL CONVEYED TO THEODORE A. OLDEN AND EDITH OLDEN BY DEED HEREINABOVE REFERRED TO; THENCE NORTH ALONG THE EAST LINE OF SAID PARCEL 10 FEET; THENCE WEST 430 FEET TO A POINT IN THE CENTER LINE OF AVENUE A; THENCE SOUTH ALONG THE CENTER LINE OF AVENUE A, 25 FEET TO THE POINT OF BEGINNING.

EXCEPTING FROM SAID EASEMENT THE PORTION THEREOF INCLUDED IN AVENUE "A".

EXHIBIT B

Description of the Pipeline

EXHIBIT B

EXISTING 14" STEEL PIPELINE



SCALE: 1"=600'

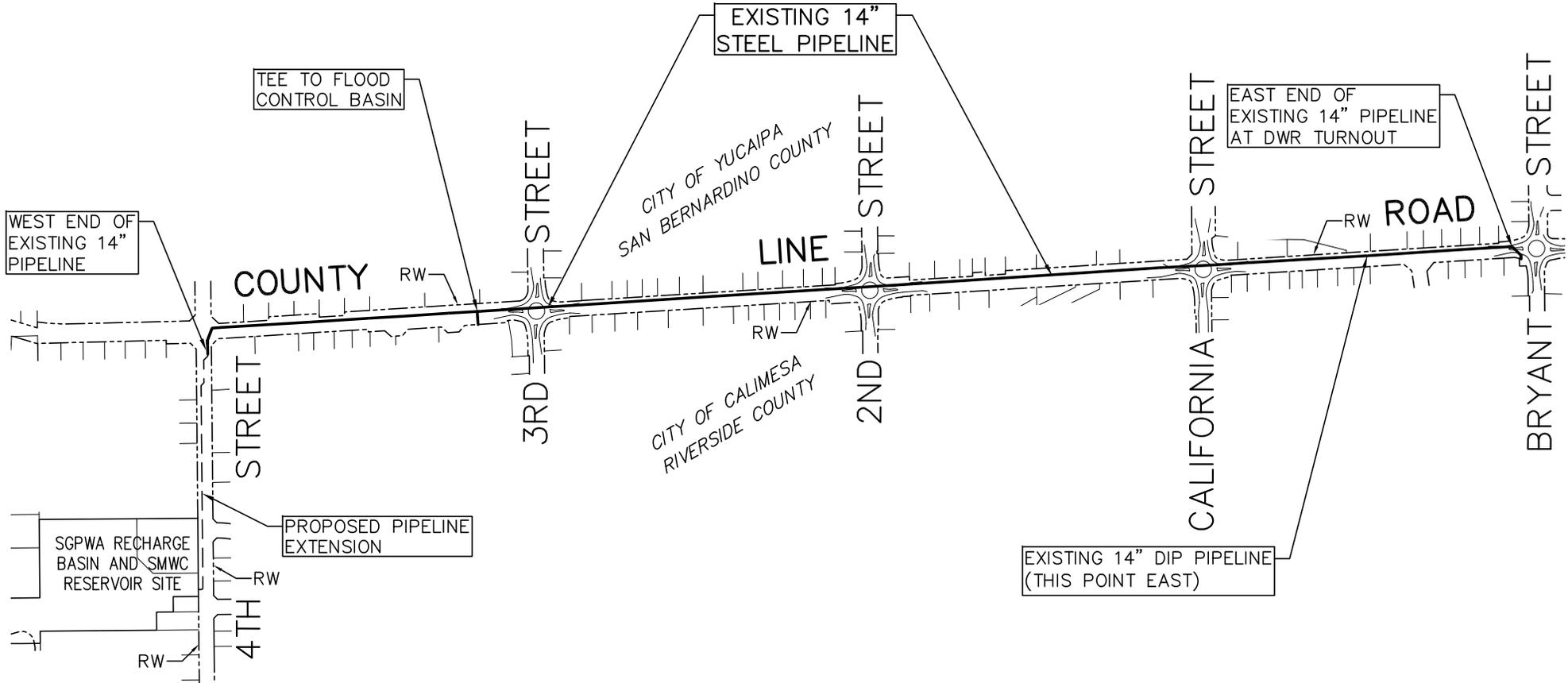


EXHIBIT C

Description of Reservoir Property

EXHIBIT “C” – LEGAL DESCRIPTION

PARCEL 1:

THAT PORTION OF BLOCK 199 OF SUBDIVISION NO. 9 OF PART OF YUCAIPA VALLEY, IN THE CITY OF CALIMESA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 9, PAGE 3 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE WEST LINE OF 4TH STREET (FORMERLY FIRST AVENUE) AS SHOWN ON SAID MAP, HAVING A HALF-WIDTH OF 30.00 FEET, AND THE SOUTH LINE OF SAID BLOCK 199;

THENCE ALONG THE WEST LINE OF SAID 4TH STREET NORTH 00°31'19" WEST, AS PER RECORD OF SURVEY RECORDED IN BOOK 162, PAGE 3 OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, A DISTANCE OF 92.62 FEET TO THE **POINT OF BEGINNING**;

THENCE LEAVING SAID WEST LINE SOUTH 89°28'41" WEST, A DISTANCE OF 178.87 FEET;

THENCE NORTH 45°31'19" WEST, A DISTANCE OF 88.47 FEET;

THENCE NORTH 00°31'19" WEST, A DISTANCE OF 154.40 FEET TO A POINT ON THE NORTH LINE OF PARCEL A AS SHOWN ON THE LOT LINE ADJUSTMENT 14-01, AS EVIDENCED BY DOCUMENT RECORDED JANUARY 14, 2015 AS INSTRUMENT NO. 2015-15112, OF OFFICIAL RECORDS;

THENCE ALONG SAID NORTH LINE NORTH 89°36'06" EAST, A DISTANCE OF 241.43 FEET TO A POINT ON THE WEST LINE OF SAID 4TH STREET;

THENCE ALONG SAID WEST LINE SOUTH 00°31'19" EAST, A DISTANCE OF 216.44 FEET TO THE **POINT OF BEGINNING**.

SAID PARCEL CONTAINS 1.16 ACRES, MORE OR LESS.

ACCESS EASEMENT:

AN EASEMENT FOR INGRESS AND EGRESS PURPOSES OVER AND ACROSS THAT PORTION OF SAID BLOCK 199 DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE WEST LINE OF 4TH STREET (FORMERLY FIRST AVENUE) AS SHOWN ON SAID MAP, HAVING A HALF-WIDTH OF 30.00 FEET, AND THE SOUTH LINE OF SAID BLOCK 199;

THENCE ALONG SAID WEST LINE OF 4TH STREET NORTH 00°31'19" WEST, AS PER RECORD OF SURVEY RECORDED IN BOOK 162, PAGE 3 OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, A DISTANCE OF 92.62 FEET;

THENCE LEAVING SAID WEST LINE SOUTH 89°28'41" WEST, A DISTANCE OF 178.87 FEET;

THENCE NORTH 45°31'19" WEST, A DISTANCE OF 71.32 FEET TO A POINT HEREINAFTER REFERRED TO AS POINT A;

THENCE CONTINUING NORTH 45°31'19" WEST, A DISTANCE OF 17.15 FEET;

THENCE NORTH 00°31'19" WEST, A DISTANCE OF 94.64 FEET TO A POINT HEREINAFTER REFERRED TO AS POINT B;

THENCE CONTINUING NORTH 00°31'19" WEST, A DISTANCE OF 59.76 FEET TO A POINT ON THE NORTH LINE OF SAID PARCEL A;

THENCE ALONG SAID NORTH LINE SOUTH 89°36'06 WEST, A DISTANCE OF 20.00 FEET;

THENCE LEAVING SAID NORTH LINE SOUTH 00°31'19" EAST, A DISTANCE OF 162.73 FEET;

THENCE SOUTH 45°31'19" EAST, A DISTANCE OF 105.04 FEET;

THENCE NORTH 89°28'41" EAST, A DISTANCE OF 87.16 FEET;

THENCE SOUTH 00°31'19" EAST, A DISTANCE OF 72.60 FEET TO A POINT ON THE SOUTH LINE OF SAID BLOCK 199;

THENCE ALONG SAID SOUTH LINE NORTH 89°29'21" EAST, A DISTANCE OF 100.000 FEET TO THE POINT OF BEGINNING.

SAID EASEMENT CONTAINS 0.37 ACRES, MORE OR LESS.

DRAINAGE EASEMENT 1:

AN EASEMENT FOR DRAINAGE FACILITY PURPOSES WITH RIGHT OF INGRESS AND EGRESS OVER AND ACROSS THAT PORTION OF SAID BLOCK 199 LYING WITHIN A STRIP OF LAND 15.00 FEET IN WIDTH, THE CENTERLINE OF SAID STRIP BEING DESCRIBED AS FOLLOWS:

BEGINNING AT SAID POINT A;

THENCE SOUTH 46°18'53" WEST, A DISTANCE OF 85.34 FEET TO THE POINT OF TERMINUS;

THE SIDELINES OF SAID STRIP ARE TO BE PROLONGED OR SHORTENED TO TERMINATE IN THE SOUTHWEST LINE OF THE PREVIOUSLY DESCRIBED PARCEL 1.

SAID EASEMENT CONTAINS 0.03 ACRES, MORE OR LESS.

EXHIBIT D

Closing Deliverables

1. Deliverables at Closing Required of Agency

- (a) A fully executed Deed;
- (b) Fully executed versions of any other documents as are reasonably required by the Company to evidence Agency's existence and authority to convey the Agency Property to Company, and as may be required to close, but which do not increase Agency's liability or obligations hereunder; and
- (c) Any other documents specifically called for hereunder not yet delivered.

2. Deliverables at Closing Required of Company

- (a) A fully executed Bill of Sale and Easement Agreement;
- (b) Fully executed versions of any other documents as are reasonably required by the Agency to evidence Company's existence and authority to convey the Agency Property to Agency, and as may be required to close, but which do not increase Company's liability or obligations hereunder; and
- (c) Any other documents specifically called for hereunder not yet delivered.

EXHIBIT E

Grant Deed

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

**EXEMPT FROM RECORDING FEES PURSUANT
TO GOVERNMENT CODE SECTION 27383**

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APN: _____

Grant Deed

The undersigned Grantor(s) declare(s): City of _____ is exempt from property taxes
Documentary transfer tax is \$0.

- Computed on full value of property conveyed, or
- Computed on full value less value of liens and encumbrances remaining at time of sale.
- Unincorporated area City of _____ and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

SAN GORGONIO PASS WATER AGENCY, a California public water agency

hereby GRANT(S) to

SOUTH MESA WATER COMPANY, a California non-profit corporation

the following described real property in the City of _____, County of _____,
State of California:

SEE ATTACHED EXHIBIT A

Dated: _____, 20____

SAN GORGONIO PASS WATER AGENCY,
a California public water agency

By: _____
Name: _____
Title: _____

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
COUNTY OF _____)

On _____, 20__ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature: _____ (seal)

EXHIBIT F

Bill of Sale

This Bill of Sale (the "Bill of Sale") is made as of _____, by South Mesa Water Company, a California non-profit corporation ("Transferor").

FOR VALUABLE CONSIDERATION, as set forth in that certain Property and Facility Exchange Agreement dated _____, (the "Agreement"), Transferor hereby sells, transfers, assigns and delivers to San Gorgonio Pass Water Agency, a California public water agency ("Transferee"), that certain approximately five-thousand three hundred (5,300) feet long, fourteen-inch (14") diameter, steel Pipeline as more fully described in Exhibit B to the Agreement and also attached as "**Exhibit 1**" hereto.

1. Transferor at any time at or after the date of this Bill of Sale shall execute, acknowledge and deliver any further documents and instruments of transfer necessary for the purpose of granting and confirming to Transferee, or reducing to Transferee's possession, any or all of the Pipeline.

2. This Bill of Sale shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

DATED: _____, 2024.

TRANSFEROR:

South Mesa Water Company,
a California non-profit corporation

By: _____
Name: _____
Title: _____

EXHIBIT G

Easement

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

San Gorgonio Pass Water Agency
1210 Beaumont Ave
Beaumont, CA 92223
Attention: Emmett Campbell

SPACE ABOVE THIS LINE FOR RECORDER'S USE; NO RECORDING FEE
REQUIRED (GOV. CODE, § 6103)

EASEMENT AGREEMENT

This EASEMENT AGREEMENT ("Easement") is entered into as of _____, by and between South Mesa Water Company, a California non-profit company ("Grantor"), and San Gorgonio Pass Water Agency, a public agency of the State of California ("Grantee").

RECITALS

A. Grantor holds historical, prior and paramount rights, titles and interests, including blanket easement rights within its service area including County Line Road in the City of Calimesa, California ("Grantor Prior Rights"), as more particularly described in that certain Property and Facility Exchange Agreement dated _____, 2025 ("Agreement") by and between Grantor (as Company) and Grantee (as Agency) and all documents of record referenced therein. Grantor Prior Rights include, but are not limited to, all certain real property including all waters, water rights, water privileges, and infrastructure, together with the right of way over, upon and across all lands including any streets, alleyways, or public places adjoining or abutting upon any and all such property, for laying, constructing, maintaining and enlarging all pipes, ditches and conduits for the purpose of carrying and distributing water to any part of such lands or the conveyance of such water for use elsewhere; together with the right to enter upon such property and all of it at all times, for the purpose of inspecting, repairing, replacing, enlarging and controlling the same. The Property (as defined in the Agreement) is located within Grantor's service territory.

B. Grantor owns and operates certain pipelines and other related facilities which are located adjacent, and in proximity, to the Property. Grantor has upgraded and replaced existing water mains within and along County Line Road. Grantor has a certain existing water main ("Pipeline") located within County Line Road in proximity to the Property, which as of the date of this Easement, is abandoned in place. Grantee intends to repurpose the Pipeline to convey imported water to its planned recharge facility to be developed on the Property ("Project").

C. Grantee requires a perpetual easement over a portion of the Property and also within County Line Road for the use, access, operation, maintenance, and repair of the Pipeline and for certain water recharge infrastructure, including pipelines and related facilities on or near County Line Road, as further depicted in Schedule "1" attached hereto and incorporated herein by reference (the "Easement Area").

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

1. Grant of Easement.

a. County Line Road. Grantor hereby grants to Grantee, and its agents, consultants, contractors, employees, or volunteers (collectively, "Grantee Parties"), a perpetual, non-exclusive easement in, over, under, across, and through the Easement Area across County Line Road where the Pipeline is currently located (as depicted in Schedule 1), for access, use, operation, inspection, maintenance, repair, removal, replacement, and improvement of the Pipeline, together with ingress and egress at all times, by foot or vehicle, including the right to excavate, place any necessary equipment and supplies on the Property, and perform any other activities reasonably necessary, to support Grantee's Project.

b. 4th Street. Grantor further grants Grantee and the Grantee Parties, a perpetual, non-exclusive easement in, over, under, across, and through the Easement Area on 4th Street (as depicted in Schedule 1) for access, installation, repair, maintenance, and repair/replacement of the Pipeline and associated facilities, together with ingress and egress at all times, by foot or vehicle, including the right to excavate, place any necessary equipment and supplies on the Property, and perform any other activities reasonably necessary, to support Grantee's Project.

2. Use and Coordination. Grantee's use of the Easement Area shall be subject to the Grantor Prior Rights, including its existing blanket easement rights and any operational needs. The parties shall coordinate in good faith regarding the location, method, and timing of any activities conducted by Grantee within the Easement Area to minimize conflicts and avoid unreasonable interference with Grantor's use of the Property and Grantor's water system.

3. Grantor Obligations. Grantor shall not at any time hereafter: (i) grant to any third parties any easements over, under, upon, across or through the Easement Area which would interfere with Grantee's use of the Easement as provided in this Agreement or (ii) permit any activities that would preclude Grantee's use of or the Easement Area.

4. Relocation of Pipeline. In the event Grantee elects to relocate any portion of the Pipeline, Grantee shall coordinate such relocation with Grantor to facilitate the process. Grantor shall cooperate in good faith with Grantee and take all reasonable actions necessary to support the relocation in a manner consistent with the needs of Grantee's Project. In the event Grantor requires the relocation of any portion of the Pipeline, such relocation shall be conducted in a manner that does not interfere with Grantee's rights under this Easement and Grantor shall take all reasonable actions necessary to support the relocation in a manner

consistent with the needs of Grantee's Project. In the event Grantor requires relocation of any portion of the Pipeline, Grantor and Grantee shall negotiate in good faith regarding assignment of costs and expenses for such relocation under the circumstances, including but not limited to cooperatively exploring potential grant funding.

5. **Perpetual Nature.** This Easement shall be perpetual in nature, shall run with the Property, and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
6. **Non-Interference.** Grantor shall not construct or allow any improvements, structures, or obstructions within the Easement Area that would materially interfere with Grantee's rights or access, and shall not unreasonably restrict Grantee's use of the Easement Area for the purposes set forth in this Agreement.
7. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Easement as of the date first above written.

AGENCY:

San Geronio Pass Water Agency,
a California public water agency

By: _____
Name: _____
Title: _____

Approved as to form:

Best Best & Krieger, LLP

Holland Stewart, General Counsel

COMPANY:

South Mesa Water Company,
a California non-profit corporation

By: _____
Name: _____
Title: _____

Approved as to form:

Fennemore

Derek Hoffman,
Attorney for South Mesa Water Company

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)

COUNTY OF _____)

On _____, 20____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature: _____ (seal)

CERTIFICATE OF ACCEPTANCE
(Pursuant to California Government Code §27281)

This is to certify that the interest in real property conveyed by the Grant of Easement dated _____, 2025 from SOUTH MESA WATER COMPANY, a California non-profit company, Grantor, to the SAN GORGONIO PASS WATER AGENCY, a California public water agency, Grantee, is hereby accepted by order of the Board of Directors on _____, 2025, and delegated certification to the undersigned officer on behalf of Grantee pursuant to authority conferred by Resolution No. _____ adopted by the Board of Directors of the San Gorgonio Pass Water Agency, on _____, 2025 and the Grantee consents to recordation thereof by its duly authorized officer.

Dated _____

SAN GORGONIO PASS WATER AGENCY

By: _____
Lance Eckhart, General Manager

ATTEST:

By: _____

SCHEDULE 1
Property Depiction

[See attached]

Exhibit G



City of Calimesa, County of Riverside, California



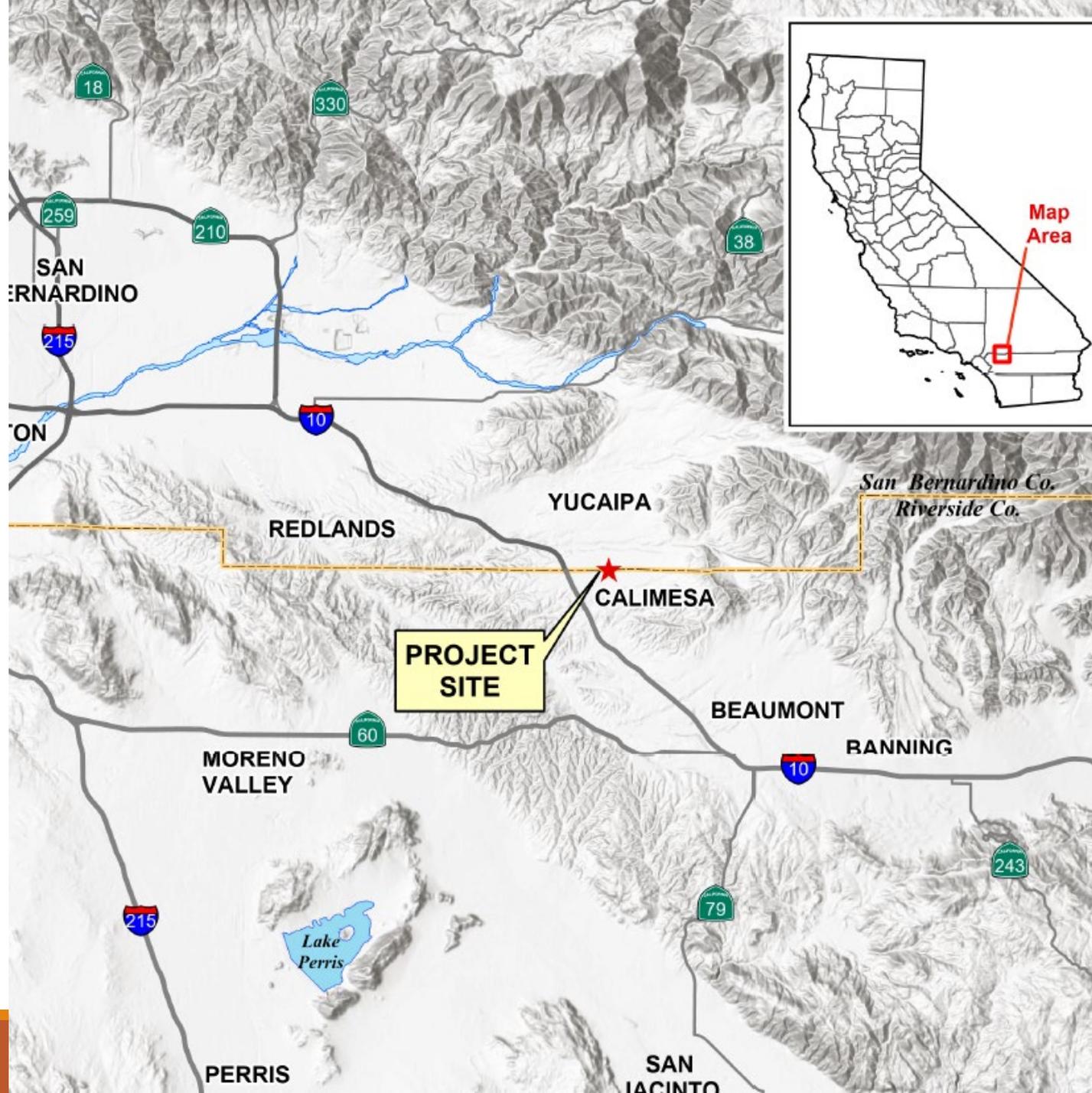
SCHEDULE 1 EASEMENT AREA

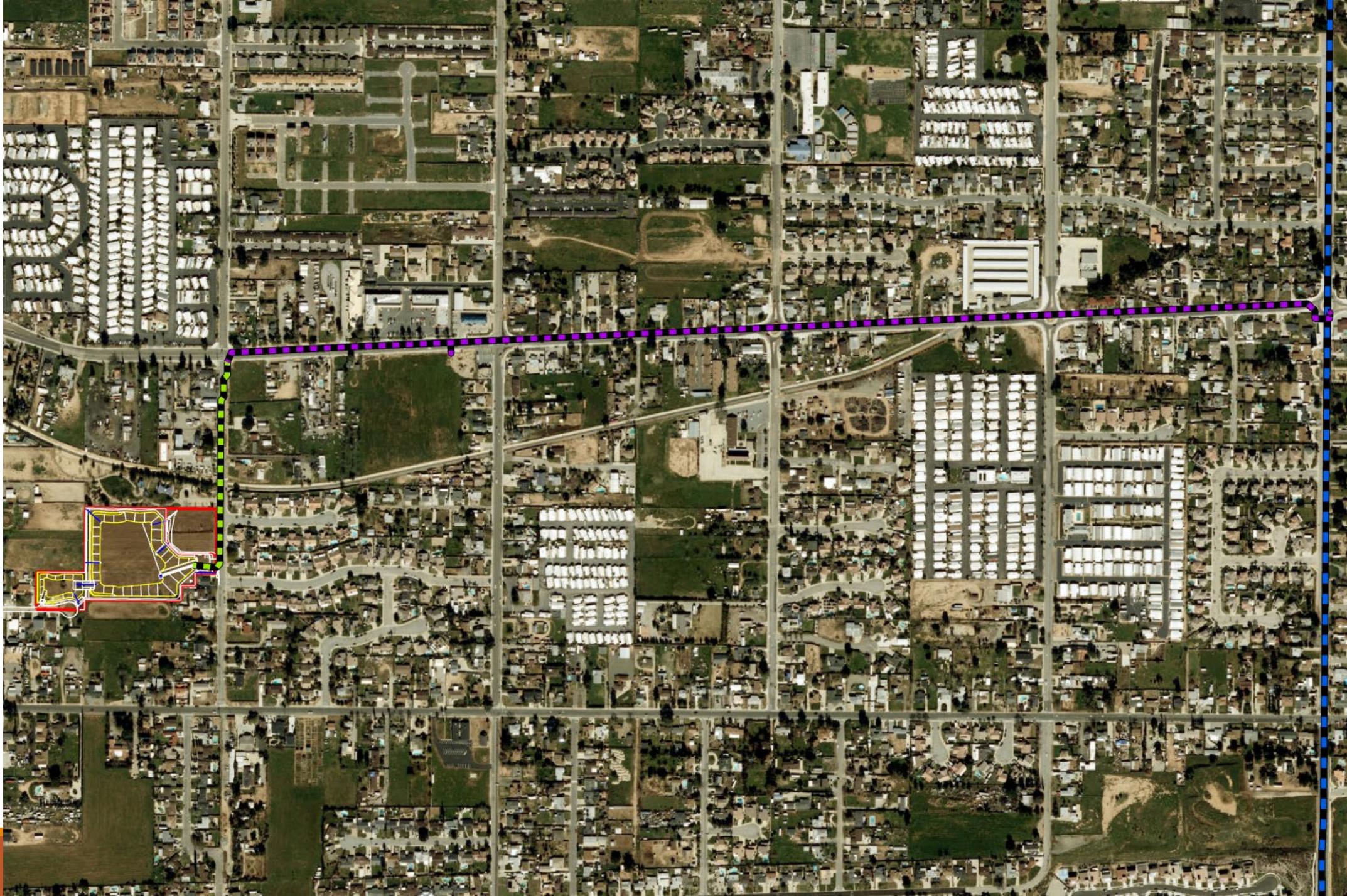




Property and Facility Exchange Agreement Between the San Geronio Pass Water Agency and the South Mesa Water Company

SEPTEMBER 15, 2025

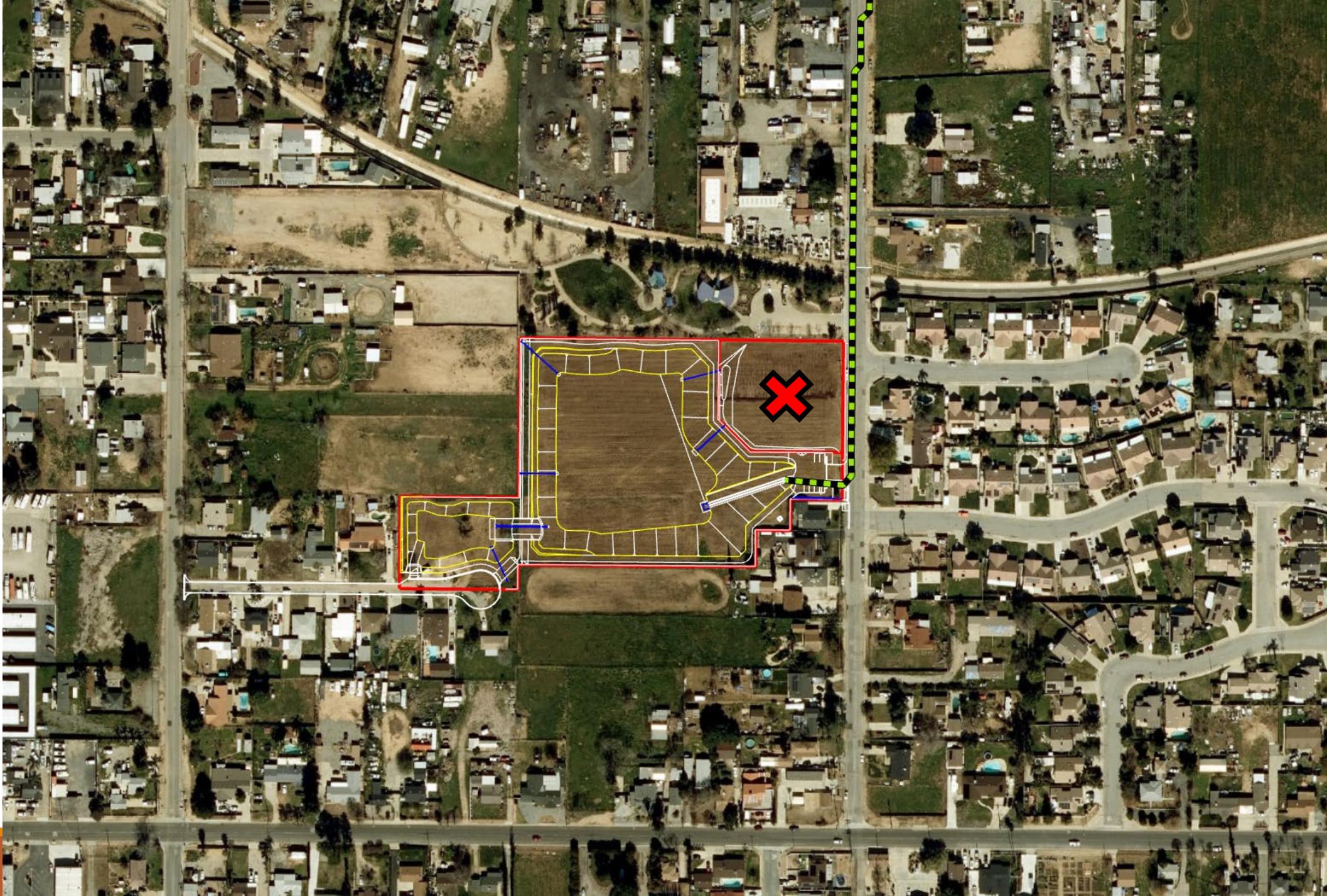


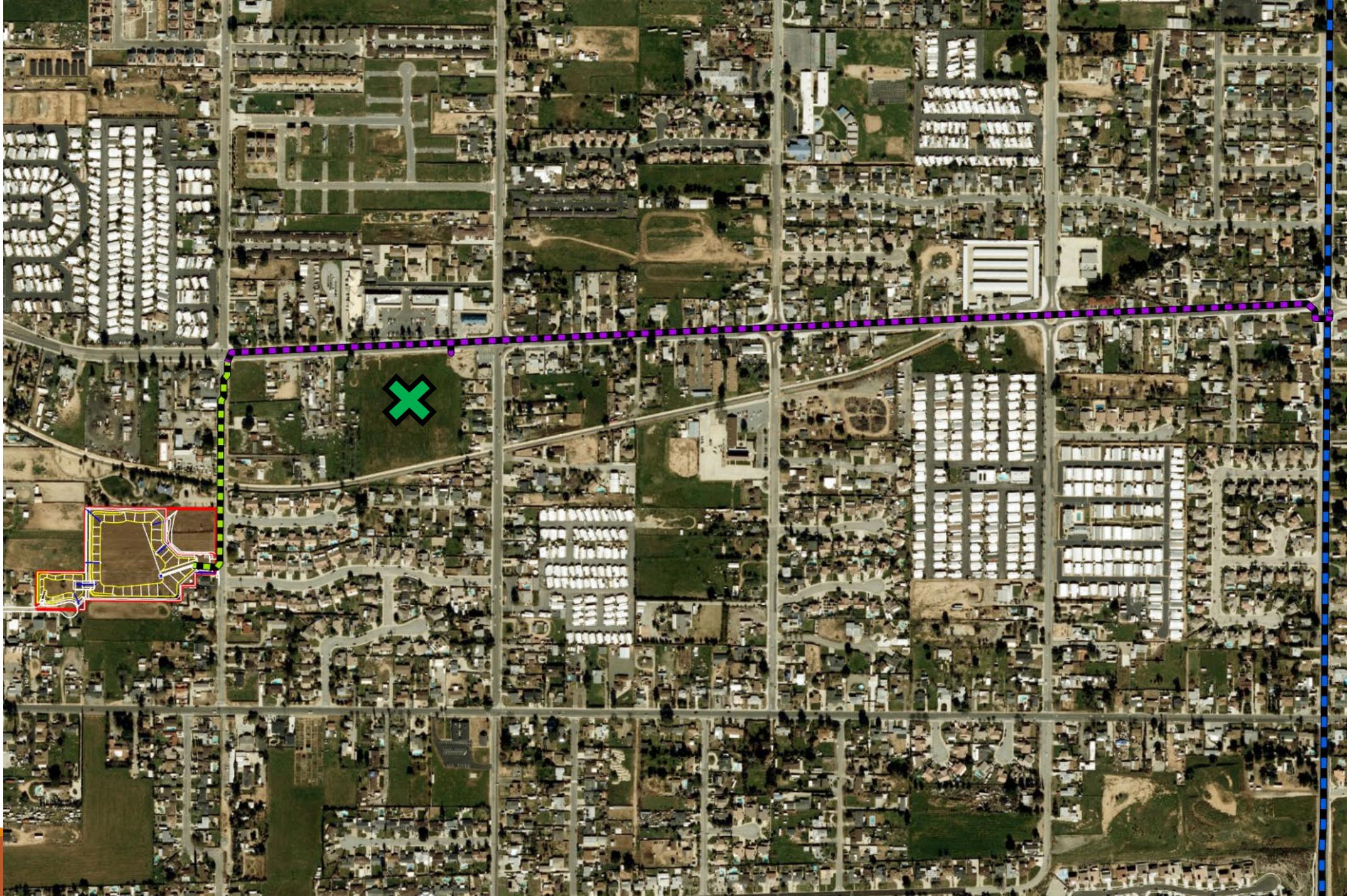


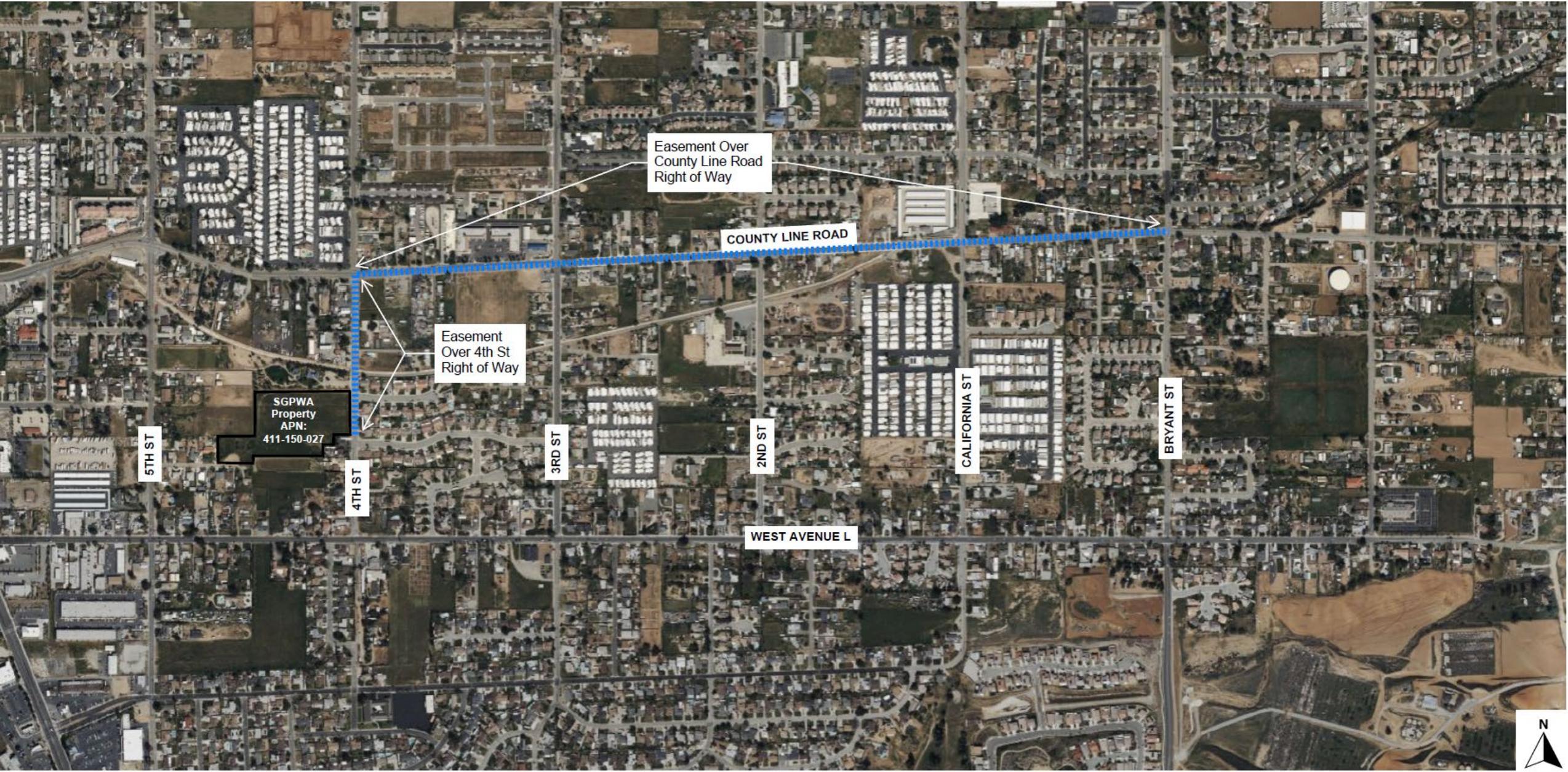
SMWC has recently completed their pipeline replacement project

- An existing 14" pipeline in County Line Rd was replaced with larger diameter pipes to meet SMWC customer needs
- SGPWA assisted with the Gap Funding for this project
- As a part of the County Line Rd Recharge Basin Project, SGPWA will convert this pipe into a raw water pipeline
- SMWC will convey this pipe to SGPWA in exchange for approximately 1 ac of land on the SGPWA 4th St property
- Additionally, SMWC will convey permanent easements along the project footprint to ensure continued access to install, replace, and maintain the pipeline









SGPWA
Property
APN:
411-150-027

Easement Over
County Line Road
Right of Way

Easement
Over 4th St
Right of Way

COUNTY LINE ROAD

5TH ST

4TH ST

3RD ST

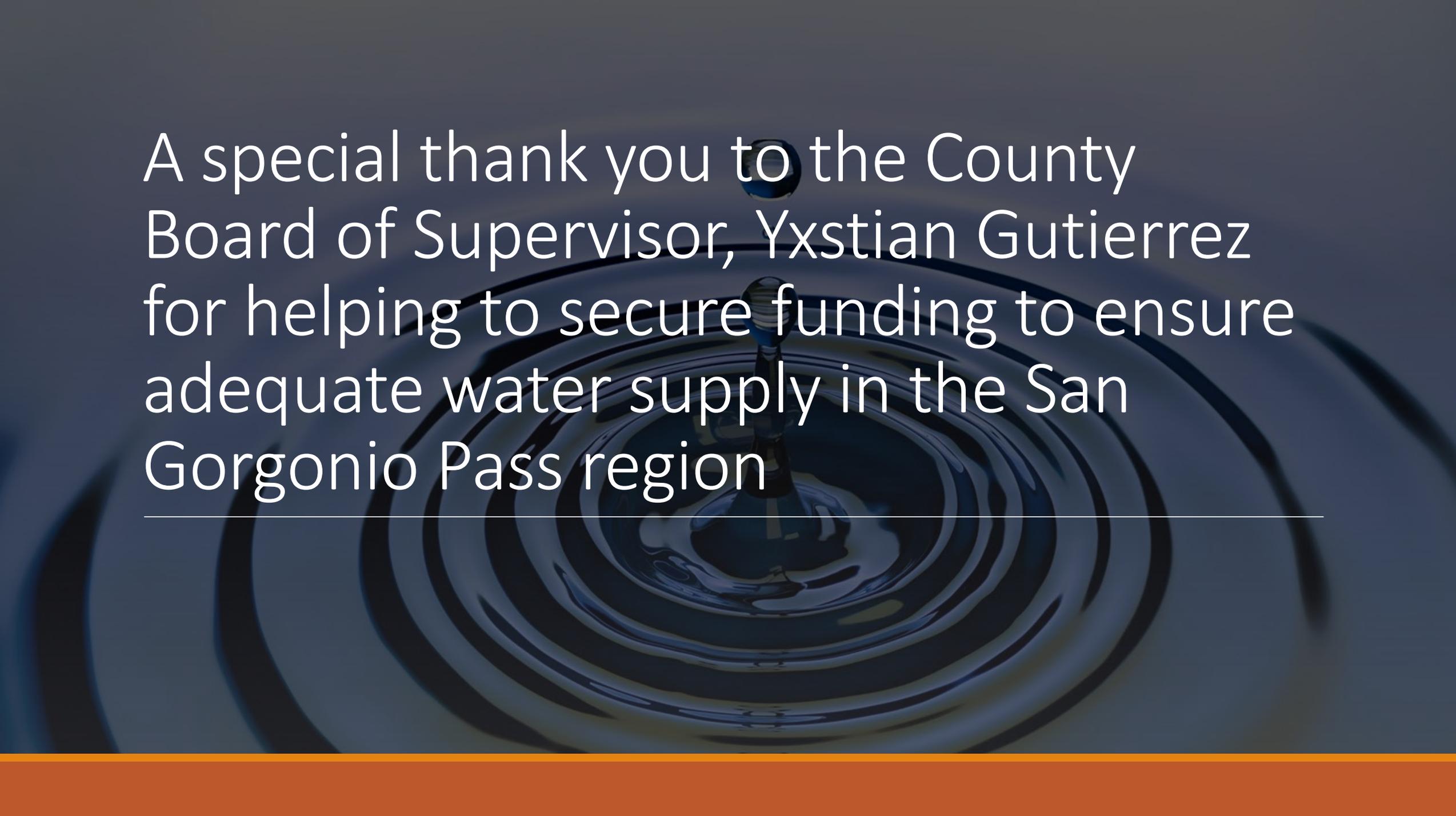
2ND ST

CALIFORNIA ST

BRYANT ST

WEST AVENUE L





A special thank you to the County Board of Supervisor, Yxstian Gutierrez for helping to secure funding to ensure adequate water supply in the San Gorgonio Pass region

Recommendation

Adopt Resolution 2025-07 Approving the Property and Facility Exchange Agreement Between the San Geronio Pass Water Agency and the South Mesa Water Company to Facilitate the Exchange of Property for Mutual Benefit and Consideration of the Parties