

FEE AND SERVICES AGREEMENT

TERM SHEET

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The following outlines the terms of the Fee and Services Agreement:

1. The Fee and Services Agreement by and among the Rancho Murieta Community Services District ("District" or "RMCS D"); Cosumnes River Land, LLC ("Gardens I & II"); and Rancho Murieta Properties, LLC ("Rancho North") collectively the (Owners), and as to RMCS D and Owners (the "Parties").
2. Owners own Gardens I which includes the proposed 83 room hotel on parcel 8 ("The Murieta Inn") as shown on February 7, 2013 updated composite site plan by Baker Williams Engineering, and the proposed 24 unit extended stay project on parcel 7.
3. Owners wish to confirm provisional "will serve letters" and that water service will be available to The Murieta Inn and extended stay facilities in accordance with the provisions of items 5, 6, 7 and 8 below. Owners also own and have approved entitlements for the properties known as Gardens II (Residential-78 lots-reduced from 95), the balance of Gardens I (Retail/Commercial) along with approximately 800 acres of property in the District formerly owned by the Pension Trust Fund for Operating Engineers and Rancho North Properties, LLC.
4. Owners are willing to pay their fair share of Core actual costs (roughly 31.165%), based on treatment capacity of the core (4.813 mgd), plus up to an additional eight percent (8%) of the Core actual costs ("Funds Advanced") as requested by the District, subject to reimbursement by the District, for future water system capacity and expansion and Core capacity necessary for the potential decommissioning of Water Treatment Plant #2. Reimbursement to Owners of the Funds Advanced shall be due when WTP #2 is de-commissioned.
5. Owners agree to initially pay \$180,000 to the District in exchange for the District issuing provisional will serve letters for 30 EDUs initially earmarked for the hotel and extended stay facility and which may be used throughout Owners' properties based on scheduling and need. Owners acknowledge that land use approvals are ultimately under the authority and control of Sacramento County and

that the District only issues “vested” will serves upon final maps approved by Sacramento County.

The District Engineer has determined that there is currently sufficient water capacity in the District’s water treatment plant system to authorize issuance of the 30 EDUs provisional will-serve letters.

The issuance of the provisional will serves is predicated on payment of \$180,000 upon signing of this Fee and Services Term Sheet.

6. Owners agree to pay the District 31.165% for its share of the Core Facilities, plus an amount equal to the amount District would need to pay for its fair share (31.165%) beyond \$3,000,000 (the Funds Advanced) combining District Core Facility share of 31.165%, Districts 31.165% share of GE engineering services and freight, and District’s 1.5 mgd of filtration capacity. Owners’ agreement to fund the excess beyond \$3,000,000 is not to exceed 8% of said core costs unless mutually agreed. This will be based upon the Construction Manager’s “guaranteed maximum budget” (“GMB”) of the Core Water Treatment Plant facilities for a 4.813 mgd plant, [expandable to 6.0mgd]. Owners agree to post acceptable Letter of Credit with the District for the Owners combined share, not to exceed 31.165% plus the excess District costs (to be determined, but not to exceed 8% of Core Facility Costs) for a combined maximum of 39.2% of Core Water Treatment Plant facilities. The Letter(s) of Credit shall be provided to the District by the time the WTP projected bid opening date (currently anticipated to be February 1, 2014). Any adjustment to the Letter(s) of credit necessary based on the final GMB shall be provided to the District before District’s issuing a notice to proceed. Scope of GMB will be based on the District’s acceptance and award of one of two bid alternatives; A) being an accelerated construction schedule with project completion by December 2014; or B) being a traditional construction schedule with project completion by June 2015. Cost allocation worksheets with capacities and various bid scenarios are provided for clarification and attached as examples. District acknowledges Owners intent to fund District’s share of project costs greater than \$3,000,000 and in return Owners , and Retreats, shall not be required to participate in developer financing of District’s fair share of the WTP project as contemplated in the 670 Financing and Services Agreement sec 1.3.

7. Owners also agree to fund their pro-rata share of the cassettes, modules and filter costs for Owners' initial capacity needs currently estimated at 500,000 gpd, and Owners will provide to the District, at least one year in advance of any future needs, (beyond the initial 500,000 gallons of capacity), timely notification(s) when Owners require additional capacity beyond the initial capacity defined above. Owners to deposit funds for such incremental additional filtration capacity (based on the estimated number of gallons needed) for cassettes, filtration modules, taxes and installation services, and any other related costs, on a fully funded basis, in advance of services requests made to District for any Owners' properties, or before making transfers of capacity to purchasers of Owner's property, at Owners direction. In calculating the incremental capacity costs, Owners shall be given credit for the initial payment of \$180,000. District and Owners agree all Core Facility costs are to be included in Core Facilities to be shared as part of the advance funding.
8. Once the Water Treatment Plant expansion retro-fit and upgrade is completed, Owners shall have secured up to 1.5mgd of firm core capacity allocated to them for their properties and will be permitted to transfer their core capacity to other properties (which have received tentative map approvals from Sacramento County). Owners will pay the District in advance for the filtration capacity to match the transferred core capacity, and shall receive confirmation of such "will-serves" for the transferred capacity from the District upon request. To the extent there is surplus core capacity available beyond the projected needs of the Owners, the District, at their sole discretion, may decide to utilize the surplus capacity for its future needs and reimburse the Owners the Funds Advanced. Reimbursement of the Funds Advanced will be escalated annually from date of project completion based on the Engineering News Record index. District acknowledges this will most likely be implemented to provide for the decommissioning of Water Treatment Plant #2.
9. District agrees to verify available capacity as part of Owner's application to Sacramento County to amend restrictive conditions of approval as to provisional will serves as it relates to District's existing capacity as confirmed by peer review. Copy of the DRAFT peer review is attached, demonstrating District's ability to serve.

10. With respect to Gardens I & II, the Parties wish to cap reimbursement for previously constructed infra-structure (PCI) at \$5900 per EDU payable by Gardens to the District at the time water permits are issued. This reimbursement of \$879,100 (149 EDU x \$5900) shall be full satisfaction to District for PCI from the Owners for Gardens I & II.
11. Owners shall negotiate in a timely manner and in good faith with RM205 LLC and SHF Corporation regarding reimbursement amount for previously constructed infrastructure (PCI) for Rancho North Properties. Implementation of this Terms Sheet or the definitive agreement shall not be conditioned upon successful conclusion of negotiations, nor be reason for denial of District services.
12. With respect to all of the aforementioned properties, Owners agree to pay the following standard District fees: a) Capital Improvement fee; b) Water Augmentation fee (less Recycled Water credit if applicable); c) Water meter installation fee d) Water and Sewer Inspection Fees; and e) other customary plan checking fees charged by the District for each subdivision plan review and services extension(s), and for each project submitted to Sacramento County Planning Department for tentative map processing and environmental review that District normally reviews as part of the entitlement process: These fees are documented and established in District Code and will be charged according to the fees in place at the time of water permit issuance. Nothing in this section shall prevent the District from adopting, in compliance with State law, future taxes, fees and or charges which may be charged against the properties. District agrees to cooperate with Owner's future requests for property owner initiated zone assessments (taxes), as per California Government Code Sections 61140-61144.
13. Owners agree to pay, at time of water permit issuance, a "Security Impact" fee for Gardens I and II of \$750 per residential lot (or per EDU for commercial/retail). Owners acknowledge that the District Board of Directors intends to consider adopting one (or more) policy statement(s), as to the implementation and use of this Security Impact fee. District may consider that security improvements of a public nature consistent with the policy, installed by the Owners are subject to in

lieu offset. District and Owner agree to work cooperatively with RMA and a future Commercial Owners Association of Gardens I/II to implement this policy statement.

14. Owners agree to pay, at time of water permit issuance, a "Security Impact" fee for Rancho North of \$1200 per residential lot. Owners acknowledge that the District Board of Directors intends to consider adopting one (or more) policy statement(s), as to the implementation and use of this Security Impact fee. District may consider that security improvements of a public nature consistent with the policy, installed by the Owners are subject to in lieu offset. District and Owner agree to work cooperatively with RMA and/ or the Rancho North Property Owners Association to implement this policy statement.
15. Owners acknowledge that previous studies have indicated additions to winter impoundments for secondary treated wastewater (storage) may be necessary based upon future build-out conditions. Owners have entered into negotiations with their tenant (JATC) regarding work on certain portions of the wastewater treatment facilities, which may be necessary for construction of such additions to storage. District and Owners agree to work cooperatively to develop plans and specifications for the improvements on the property in a timely manner. However, final specifications, timing and method of construction, including the use of JATC or a bona fide licensed contractor, shall be at the District's sole discretion. District acknowledges that an early determination of need and funding by the Owners for design engineering is important for the Owners to secure tenant's assistance in constructing if agreed to by Owners and at the sole discretion of the District.
16. Owners agree to convey the Landowners Van Vleck Ranch irrigation easement to District in conjunction with Rancho Murieta 670, LLC. District shall cause reimbursement funds received by District from each Reimbursing Landowners (Lakeview and Riverview) as to the Van Vleck Landowner irrigation easement previously acquired by Murieta Gardens Shopping Center and others (Rancho Murieta 670 LLC), to be paid to Cosumnes River Land, LLC by District, in the proportion as shown on exhibit H-2 from the 670 FSA, within 30 days of receipt of such payments to District. District agrees to utilize good faith efforts to maintain the RM670 Landowner Irrigation

easement in good standing, once it is conveyed, as a prudent emergency reserve for wastewater disposal in case of plant upset or other unanticipated situation(s) or need.

District further acknowledges that RMCC, and other lands have first rights under a written agreement between District, RMCC and Rancho North(RMP, LLC) to all of the recycled water that can be beneficially used for the golf courses and other irrigation. Owners agree to pay the Gardens I & II fair share of the Van Vleck Ranch irrigation system project costs, if and when District determines that the permanent facility is necessary.

17. As a part of the Water Supply Augmentation fee program, District acknowledges that it has identified, for the last 20 years, a project to construct a commercial raw water delivery loop to increase the amount of potable water available for drought protection and water augmentation. However, the IWMP Update (2010) eliminates the need for this commercial loop and the District is in the process of replacing/re-identifying the projects contemplated by the Water Supply Augmentation Fee and may, at its sole discretion, consider a commercial recycled water conveyance project for inclusion for funding under the Water Augmentation Supply fee program.
18. Owners acknowledge that District has adopted a recycle water policy, ordinance and standards and agree to abide thereby. The District policy directs the implementation and use of recycled water for future development where economically feasible. Owners acknowledge the use of recycled water is the owners responsibility for wastewater disposal and water supply augmentation demand reduction.
19. Gardens I & II agree to deposit with District a one-time payment of Two Hundred Twenty Five Dollars (\$225.00) for each lot or Commercial EDU, a total payment of Thirty-three Thousand Seven Hundred Fifty Dollars (\$33,750) for its fair share of the estimated cost of maintaining such facilities to serve the property during the useful life of the RM670 Landowner irrigation facilities. Payment shall be due at water permit issuance.

20. District agrees to cooperate with Owner's future requests for property owner initiated zone assessments (taxes), as per California Government Code Sections 61140-61144 for financing of project related costs for this Fee and Services Agreement or other future community projects.
21. By agreeing to enter into this agreement, the Owners agree to pay these aforementioned fees and costs in exchange for the District providing water, sewage, security, and drainage services to the properties.
22. The parties agree that the Owners' water capacity secured through payment of the fees specified in this Term Sheet and the Owners' ability to transfer its water capacity as provided in this Term Sheet shall be vested to Owners and shall not expire.
23. This Term Sheet will be replaced with a binding Fee and Services Agreement no later than February 1, 2014.
24. This agreement will expire on December 31, 2034. One ten year extension may be granted upon mutual agreement.

IN WITNESS WHEREOF, the Parties hereto execute this Term Sheet:

December 31, 2013

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

By:



Gerald E. Pasek,

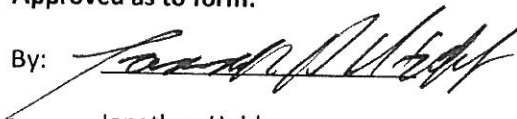
President, Board of Directors

"DISTRICT"

APPROVED BY THE BOARD OF DIRECTORS AT ITS MEETING ON THE 18 DAY OF December 2013

Approved as to form:

By:



Jonathan Hobbs,

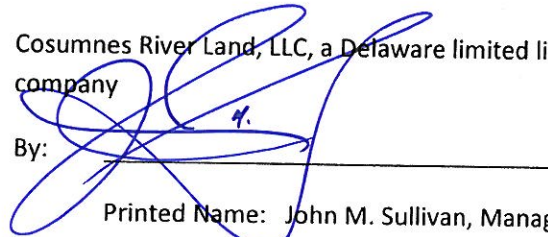
District Counsel

(AS A NON-BINDING TERM SHEET)

12/31, 2013

Cosumnes River Land, LLC, a Delaware limited liability company

By:



Printed Name: John M. Sullivan, Manager

Authorized Signatory

12.31, 2013

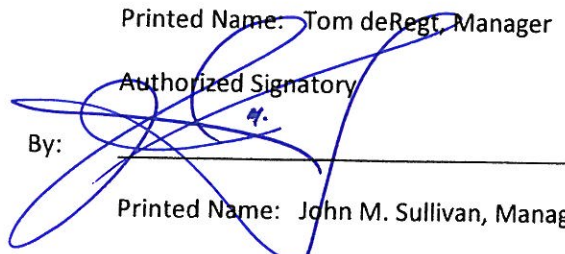
Rancho Murieta Properties, LLC, a Delaware limited liability company

By:

Printed Name: Tom deRegt, Manager

Authorized Signatory

By:



Printed Name: John M. Sullivan, Manager

Authorized Signatory

IN WITNESS WHEREOF, the Parties hereto execute this Term Sheet:

_____, 2013

RANCHO MURIETA COMMUNITY SERVICES
DISTRICT

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

By: _____

Gerald E. Pasek,
President, Board of Directors

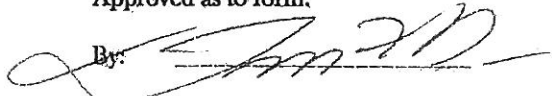
"DISTRICT"

Approved as to form:

By: _____

Jonathan Hobbs,
District Counsel

Approved as to form:

By: 

Greg Dyer,
Counsel for Owners

_____, 2013

Cosumnes River Land, LLC, a Delaware limited liability
company

By:  _____

Printed Name: John M. Sullivan, Manager

Authorized Signatory

"Gardens I & II"

"OWNERS"

IN WITNESS WHEREOF, the Parties hereto execute this Term Sheet:

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

By: _____

Gerald E. Pasek
President, Board of Directors

DISTRICT

Approved as to form:

By: _____
Jonathan Hobbs
District Counsel

_____, 2013

Cosumnes River Land, LLC, a Delaware limited liability company

By: _____

Printed Name: John M. Sullivan, Manager
Authorized Signatory

12.24
_____, 2013

Rancho Murieta Properties, LLC, a Delaware limited liability company

By: *Tami deRest*

Printed Name: Tami deRest, Manager
Authorized Signatory

By: _____

Printed Name: John M. Sullivan, Manager
Authorized Signatory



RANCHO MURIETA CSD WATER TREATMENT PLAN EXPANSION AND UPGRADE

	Gallons per day	CSD	CFD #1	RN
	4,813,375	1500000	1813375	1500000
		31.163%	37.674%	31.163%
				4,813,375
				100.0000%
Filtration gallons		1500000	1813375	500000
		39.335%	47.553%	13.112%
				3,813,375
				100.0000%
Core	8,500,000	2,648,869	3,202,262	2,648,869
GE	572,200	178,316	215,569	178,316
	9,072,200	2,827,185	3,417,831	2,827,185
Filters	1,427,800	561,628.48	678,962.03	187,209.49
	10,500,000	3,388,813	4,096,793	3,014,394
				10,500,000
Excess		(388,813)		388,813
				3,403,207

Section 6.
Example(s) Interactive



Department of Community Development -
Planning and Environmental Review

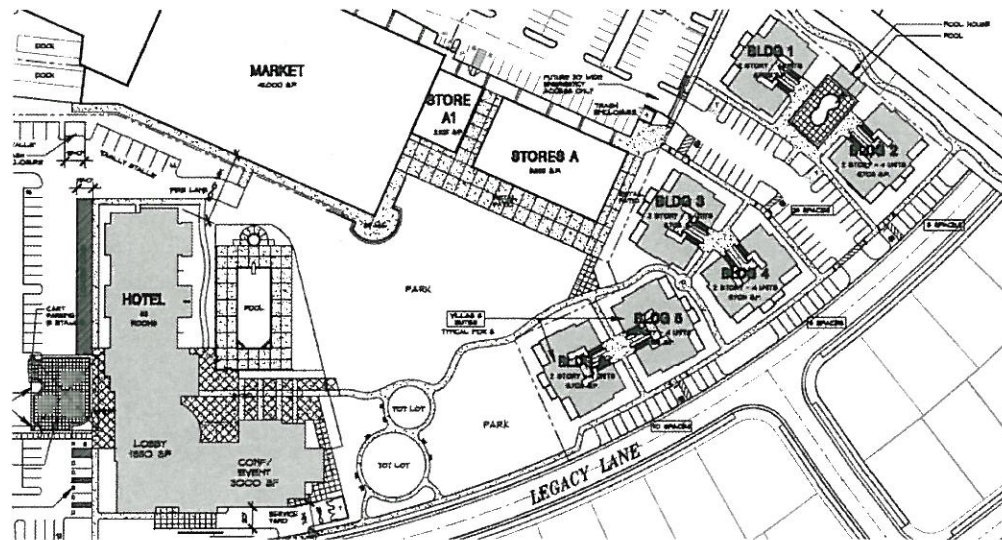
Water Availability Review

for Rancho Murieta Community Services District



Background

Rancho Murieta Community Services District (referred to as RMCS D or District, herein) has been approached for water and other utility services by Cosumnes River Land LLC for Murieta Gardens I lot #7 and lot #8 which consists of an 83-room hotel and a 24 unit extended stay/condominium facility referred to herein as the "Project" shown as "hotel" and Building 1-6 below:



The Project is currently in the planning, environmental review and entitlement approval process with Sacramento County. The District has issued a conditional "Will Serve" letter for the Project for water service. As water supply availability is a concern for the Project, MWH was engaged by Sacramento County to peer review the basis for the District's Will Serve determination. Water systems are regulated by the California Department of Public Health (DPH) through a permitting and inspection program. DPH has established and recognized system operating standards, criteria and methods. Public agencies such as the District have discretion on establishing local operating practices, preferences and their ability or conditions for providing new water service.

Summary of Findings

The District's estimated average day water demand for the Project is 30 equivalent dwelling units (EDUs), which by District policy equates to 22,500 gallons per day. MWH reviewed the proposed land uses and using approximately 7.5 acres as the service area, estimates the range of water demands for the Project from 7,525 to 15,050 gallons per day. Therefore, the District's estimate of water demand for the Project appears conservative. For context, an additional average demand of 22,500 gallons per day on the District's system is **less than 1% of its total average day water demand**. Considering the District's current instrumentation and measurement accuracy ranges, these additional Project demands may not even be measurable or noticeable.

The District uses 3.2 mgd as its estimate of current maximum day demand (MDD). In reviewing District operational data since 2002, MWH finds that a MDD of 3.2 mgd accounts for over 90% of the maximum daily demands on record in the last 10 years. While there are many ways to estimate and calculate MDD, absent more detailed data on diurnal system demands from automated instrumentation, a MDD of 3.2 mgd appears appropriate. The District's MDD of 3.2 mgd approximately equals its current sustained water treatment plant capacity of 3.2 mgd. However, the combined design capacity of the plants is 3.5 mgd and the District has operated the plants as high as 3.6 mgd for brief periods, so the Project demands can be accommodated by the existing treatment plants under MDD conditions.

The District uses a system peaking factor of 2.1 which is used in computing water distribution sizing criteria and storage requirements. 30 EDUs of additional water demand equate to an additional peak daily demand of 47,250 gal/day. Typical system peaking factors range from 1.5 to 1.8 in the Sacramento region, so the District's 2.1 peaking factor appears to be comparatively high.

The District has two water storage reservoirs totaling 4.2 million gallons to serve its gravity (3.0 mg) and pressure (1.2 mg) zones, respectively. Reservoirs are usually sized to serve peak hour or fire flow demands plus diurnal storage needs. The District has determined its current storage needs to meet total system peak hour demands is 1.27 million gallons of storage. The Project will be served by the gravity pressure zone which needs 0.93 million gallons and the pressure zone needs 0.34 million gallons. In estimating future storage needs in its gravity pressure zone, the District estimates it will need 1.28 million gallons of storage to serve all future land uses, including the Project, which is less than half of current storage capacity of 3.0 million gallons. MWH did not review the District's storage system operations in detail, but from inspection and experience, it appears the District has substantial storage capacity now and into the future which will facilitate service to the Project.

In reviewing RMCSD's recent water demand history, existing treatment plant capacity, system-wide water storage availability and gravity pressure zone storage availability, both average day and peak water demands of the Project can be accommodated by the District's existing water system. The District has adequate existing water rights and raw water supplies available to meet current and planned future demands. The District's existing water supply system, including diversion capacity, raw water storage, treatment, pumping, transmission and potable water storage, and considering current instrumentation, appear sufficient in combination to meet the additional demands imposed by the Project.

The District has completed a long-term water supply planning effort and is currently implementing water management practices, policies and projects to address current and future water needs. The District recognizes its treatment plants are aging and nearing capacity during peak demand periods, and has taken steps to upgrade and expand their water delivery capacity. Planned system improvements will increase the District's capacity buffer:

1. Water treatment plant process upgrade and capacity expansion project at Plant #1. This project is currently in the final design phase, a contractor has been selected and procurement documents have been executed with equipment vendors. The project is scheduled to start construction in 2014 with completion in 2015.

2. A new groundwater well to provide a backup/emergency supply source which will significantly increase the District's water supply reliability. Groundwater system improvements are currently under design and intended for construction in 2014.

Note: MWH noticed in reviewing the District's water demand and production data, it appears the District's system "peaks" from its treatment plants given their varying flows over time, as opposed to peaking from its storage reservoirs. While this practice is perfectly acceptable, current operational practices indicate the District may not be using (or have the ability to use) its existing storage capacity to the fullest extent in combination with its treatment plants in meeting peak demands. A system review and optimization effort with additional instrumentation and a supervisory control and data acquisition (SCADA) system would likely help the District better use its existing assets and could increase overall system capacity and efficiency.

1. Introduction

Rancho Murieta Community Services District (RMCS D) was formed in 1982 to provide water supply, wastewater, storm drainage and flood control services to the community of Rancho Murieta. The area served by the District encompasses approximately 3,500 acres in Sacramento County, California as shown in **Figure 1**. Land uses within this service area provide for the development of approximately 2,000 acres for single-family residences, townhouses, apartments, duplexes and manufactured homes.

MWH was engaged by the Sacramento County Planning Department to provide peer review services for water supply availability to serve a proposed 83-room hotel and 24 unit extended stay/condominium facility (Project) within. As RMCS D has prepared several technical documents¹² over recent years, MWH is relying on published information, personal communications and direct observation in this peer review. MWH has not collected data independently, nor were we retained for independent data validation. Accordingly, this peer review is based on, and limited to, the accuracy of information provided by others.

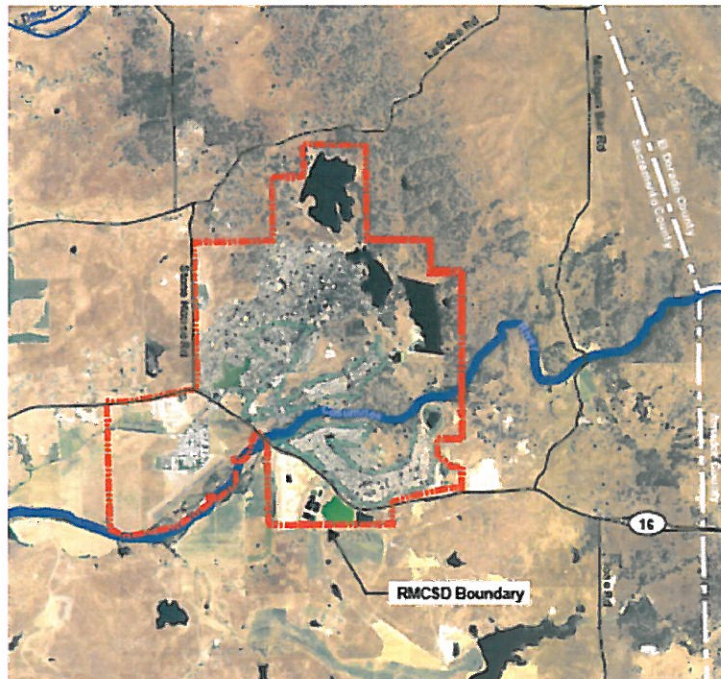


Figure 1 Rancho Murieta Community Services District Boundary and Key Water Resource Facilities

¹ 2010 Integrated Water Master Plan Update October 18, 2010, prepared by Brown and Caldwell

² "Attachment A"-- Data/calculations prepared and provided September 10, 2013 by RMCS D.

2. Water Resources and Raw Water System

RMCS D has a permitted water right (#16762) to divert water from the Cosumnes River seasonally (Nov 1 to May 31) under certain river flow conditions. The water supply is delivered at Granlee's Dam through an intake to a combination high/low service pump station which lifts water to three storage reservoirs (Calero, Chesbro, and Clementia)- see **Figure 2**. In addition to other use limitations, the total amount of water taken from the Cosumnes River cannot exceed 6,368 acre-feet per year (AF/YR) at a maximum

allowable diversion rate (to storage) of 46 cfs. The combined storage capacity of the aforementioned reservoirs is 5,132 AF of which 4,732 AF is useable. For perspective, this storage volume is more than double RMCS D's current annual average water consumption. Raw water is diverted through an intake structure and directed to either Calero, Chesbro, or Clementia reservoirs. These reservoirs serve as the raw water supply for both of the water treatment plants (Plant #1 and Plant #2).

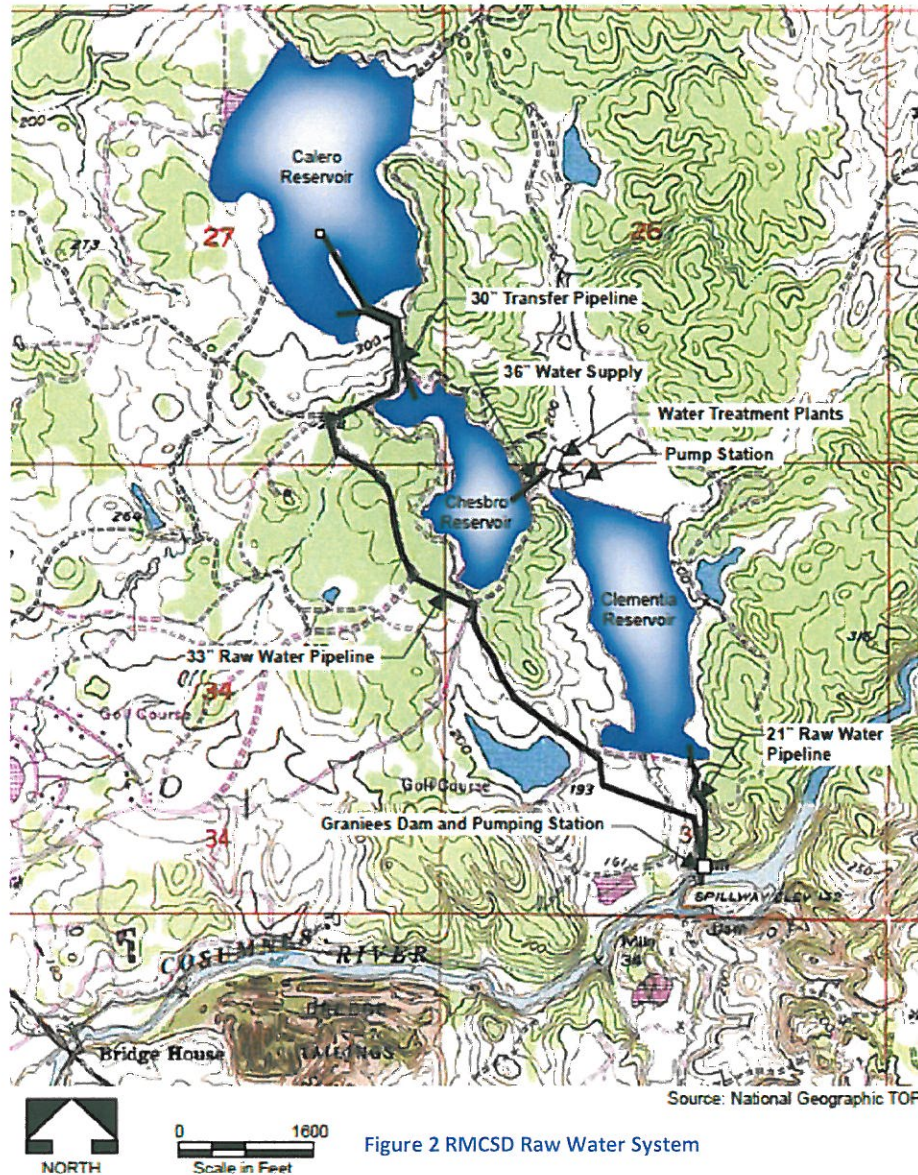


Figure 2 RMCS D Raw Water System

3. Water Treatment and Distribution System

RMCSO owns, operates and maintains two existing conventional water treatment plants: Plant 1 (1978) (see Figure 3) operates at a maximum 1.2 mgd flow rate and Plant 2 (1987) at a maximum flow rate of 2.0 mgd. While Plant #1 was originally designed for 1.5 mgd, subsequent modifications to its filtration system increased filter headloss and reduced its sustained capacity to 1.2 mgd due to hydraulic limitations. While Plant #1 can be (and has) operated at flow rates higher than 1.2 mgd reduces efficiency, requiring frequent filter backwashing that consumes more energy than desired.

Both plants use conventional flocculation, sedimentation, granular dual media filtration, disinfection and have been able to produce sufficient treated water to meet recent historical maximum day system demands of 3.2 mgd. The hotel's projected average day demand of 0.022 mgd (0.047 mgd peak) should not create any challenges from a treatment plant capacity perspective.



Figure 3 RMCSO WTP #1 (right) and #2 (left)

Due to age of existing facilities and anticipated demand growth within its service area, RMCSO is currently in the process of implementing a treatment capacity expansion project to increase treatment capacity of Plant #1 to 3.5 mgd initially, with an ultimate capacity of 6.0 mgd with 2.0 mgd of redundancy. The current design includes the demolition of the existing conventional filtration processes and addition of submerged low-pressure membrane filters at Plant #1. The District has selected the Construction Manager at-risk delivery method, estimates beginning construction in 2014 and anticipates having the expanded capacity available in 2015.

Raw water flows by gravity from the aforementioned raw water storage reservoirs into and through both plants. Treated water is then stored in clearwells, and then finished/potable water is gravity fed or pumped into the distribution system. The distribution system includes 2 pressure zones:

- The lower ("gravity") pressure zone currently has 1909 customer connections with a 3 MG storage tank;
- The upper ("pressure") pressure zone currently has 675 customer connections with a 1.2 MG storage tank

Existing storage volumes are robust, and are currently appear more than sufficient to meet existing District service needs. For instance, there are low demand periods during the year when District operations staff need to manipulate plant and reservoir operations to reduce the detention time in order to maintain proper levels of chlorine residual. The addition of the hotel and its 0.022 mgd of average day demand should not create any challenges from a distribution system storage perspective.

The District is also in the process of completing a new groundwater extraction well to provide a backup/emergency potable water supply for the community. The new well (or wells), with a target capacity of approximately 370 gpm (600 AF/yr), will be located in the western area of the system and will pump into the lower pressure zone. The new well is anticipated to be available for service in late 2014 or 2015.

4. Customer Water Demands

A summary of key information developed by others³ for current and future buildout (2030) conditions in RMCS D considering a range of growth scenarios that affect raw water supply, treatment, delivery capacity and potable water demands. The graph in **Figure 4** illustrates estimated the growth of average day water demands over time, noting that little demand growth is expected before 2015, with a range of possible demands estimated thereafter. For planning purposes, RMCS D assumed the medium growth scenario for its planning purposes. Assuming SB X7-7⁴ compliance will be achieved by 2020, raw water supply and water treatment capacity needs may be as much as 20 percent lower than build-out estimates compared to baseline water use estimates. The water demands associated with the subject (proposed) hotel are included within these customer demand estimates.

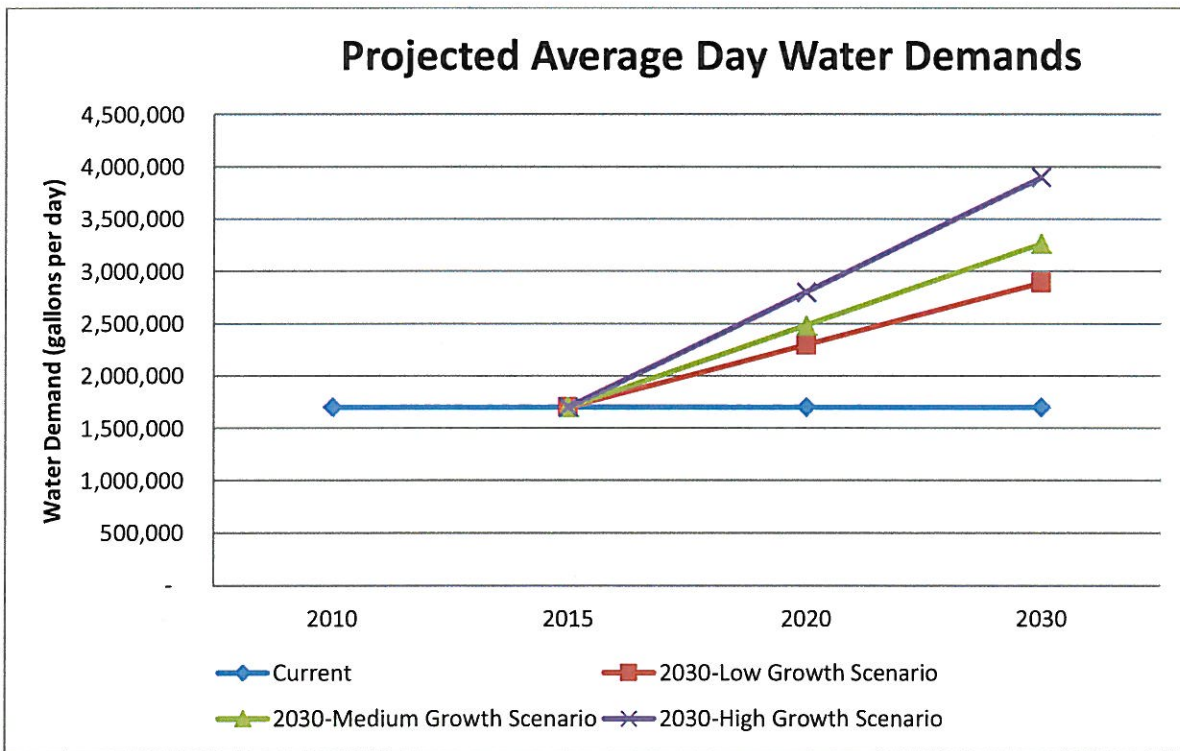


Figure 4—Projected average day water demands at 2030 considering different growth scenarios

³ 2010 Integrated Water Master Plan Update October 18, 2010, prepared by Brown and Caldwell

⁴ Senate Bill X7-7 (often referred to as “20 by 2020”) was enacted in November 2009, requiring all water suppliers to increase water use efficiency efforts and reduce baseline water demands by 20 percent, by the year 2020.

5. Planned Future Improvements

In planning its future water needs, the District has adopted and is in the process of implementing policies and projects to improve and fund its water management practices (policy) and upgrade/expand its physical assets considering current and future needs (projects):

- Re-adopt District Board Policy 90-2 to determine conservation level and number of units served and trigger for when new augmentation supplies are needed (Policy).
- Select appropriate augmentation projects and size, including prudent reserve; set the new fee (Project).
- Refine water shortage contingency plan to better define timing of drought stages, related to raw water reservoir levels, early warning forecasts, etc (Policy).
- Expand/upgrade Water Treatment Plant (WTP) and Wastewater Reclamation Plant (WWRP) phase planning, as well as recycled water transmission and storage facilities (Project).
- Complete new groundwater well as a backup/emergency supply.
- Develop direction for future studies and policy changes (Policy).
- Pursue CDPH approval of Clementia Reservoir for drinking water supply in times of drought (Project).

The District has implemented and maintains an active water conservation program within its service area. The policy measures listed above are consistent with demand reduction practices regionally and statewide, to conform with SB X7-7 targets. Accomplishing these demand reduction targets appears likely and may reduce the need for future infrastructure capacity expansions.

6. Conclusion

RMCSO owns, operates and maintains a robust, yet aging water supply system that should have sufficient capacity to accommodate the Project, both from a source of supply, treatment capacity and distribution standpoint. The District has investigated and planned for its future water system needs and system replacements/upgrades and is actively implementing those improvements.

In preparing this report MWH relied upon published information, personal communications and direct observation. MWH has not collected data independently, nor were we retained for independent data validation. Accordingly, this peer review is based on, and limited to, the accuracy of information provided by others.

**Rancho Murieta CSD
 Financing and Services Agreement
 Exhibit H-2: All 670 Properties included
 Van Vleck Ranch Easement Reimbursement- Illustrative purposes only**

670	EDU	Property	PERCENT OF \$ COLLECTED	PAID	DUE	SHORT	LONG	Percent overpaid
22.238	149	Murieta Ga	44.35	1,063,975	684,628		379,347	55.4
14.776	99	Warmingto	32.433	732,295	454,880		277,415	60.99
14.776	99	Woodside	2.5	476,270	454,880		21,390	4.70
12.537	84	Retreats	20.715	563,138	385,953		177,185	45.91
14.776	99	Lakeview		242,830	454,882	212,052		
20.896	140	Riverview		-	643,285	643,285		
99.999	670		99.998	3,078,509	3,078,509	855,337	855,337	

Footnote:
 The developers and landowners have an expectation that the cost participation is roughly shown in the attached table subject to District review and approval at the time the documentation is provided and subsequently calculated by the fund manager.