

LICENSE AGREEMENT AND WATER RIGHTS AGREEMENT

This 20 year License Agreement and Water Rights Agreement with another 20 years negotiable agreement entered into on June 21, 1977, by and between HENRY STORNETTA and GLORIA STORNETTA, Grantors and POINT ARENA WATER WORKS, Grantee.

W I T N E S S E T H :

IN CONSIDERATION of the terms, covenants and conditions herein expressed, to be kept and performed by the respective parties hereto, it is mutually agreed by the parties as follows:

RECITALS:

1. Grantors are the owners of the property herein described.

2. Grantee is a privately owned water works, regulated by the California Public Utilities Commission.

3. Grantee has drilled a well on Grantors' property, and desires to transport water by pipeline from the well to Grantee's water storage tank in the City of Point Arena, California.

4. The parties hereto wish to reduce their understanding of their respective rights to writing.

NOW, THEREFORE, IT IS HEREBY AGREED:

1. Grantors convey to Grantee the following:

a. The right to drill and maintain in perpetuity a well at a point approximately 300 feet southerly of the Garcia River and 50 feet westerly of Windy Hollow Road and to take an amount of water from that well sufficient to meet the requirements of Grantee, provided, however, that, except in cases of fire emergency where no limit will apply, Grantee will not take more than an average of 100 gallons per minute on a 24 hour day basis (i.e. a total of 144,000 gallons per day). If the well now in existence proves insufficient for any reason, Grantee has the right to improve, by deepening or otherwise, such well mutually agreeable to Grantors and Grantee.

b. An easement, 20 feet wide from the well across Grantors' property at a place to be located for the purpose of laying and maintaining a pipeline and electrical transmission

line necessary to transport water. The pipeline and electrical transmission line are to be buried. After the pipeline is installed it will be surveyed by Grantee.

c. An easement over the ground within 100 foot diameter from the well for the purpose of ingress and egress to and from and for maintaining the well and appurtenant facilities.

2. Grantors agree to cooperate with Grantee to facilitate Grantee's implementation and operation of the rights conveyed. This includes, without limitation, the filing of all necessary applications with the governmental bodies; it also includes the obligation to cooperate with Grantee in the application for an appropriative water right with a point of diversion at the well if it should be determined that the water being taken from the well is subject to control by the State of California.

3. Grantee has paid Grantors a consideration in cash for the rights herein conveyed to Grantee.

4. Grantee agrees to indemnify and hold harmless Grantors from any and all costs and damages caused by Grantee's exercise of the rights herein conveyed.

5. This agreement will terminate if Grantee, or its successor in interest, cease to serve water to the City of Point Arena.

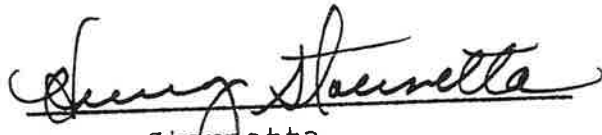
6. If the rights herein granted terminate, or cease to be used for any continuous period of time greater than 5 years, Grantee will, if requested by Grantors, remove all physical

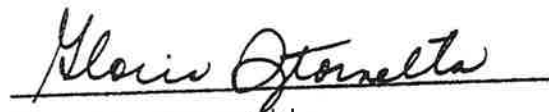
facilities placed on the surface of the land of Grantors pursuant to this agreement. If Grantee fails to remove such facilities Grantors may do so at the expense of Grantee.

7. If either party hereto is made a party without its fault to any litigation brought by or against the other party, such second party agrees to pay the costs, expenses and reasonable attorney fees of such first party. In the event of any litigation between the parties hereto, the prevailing party in such litigation shall be entitled to recover from the other party its costs, expenses and reasonable attorney fees.

8. Grantors have the right to use the well also as long as it does not interfere with the Grantee's operation.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first hereinabove set forth.

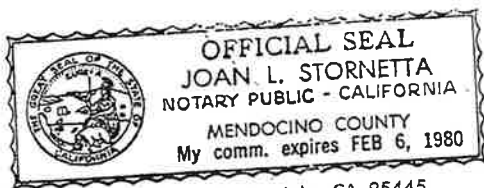

Henry Stornetta


Gloria Stornetta

POINT ARENA WATER WORKS

STATE OF CALIFORNIA
COUNTY OF Mendocino

SS.



Highway 1 North, Gualala, CA 95445

ON June 27, 1977,
before me, the undersigned, a Notary Public in and for said County and State,
personally appeared Henry Stornetta, Gloria Stornetta
and William Hay Jr.

known to me to be the persons whose names are subscribed to the within
instrument, and acknowledged to me that they executed the same.

Notary's Signature

Type or Print Notary's Name Joan L. Stornetta

SUPPLEMENT TO LICENSE AGREEMENT AND WATER RIGHTS AGREEMENT

This supplement to the License Agreement and Water Rights Agreement executed by and between HENRY STORNETTA, GLORIA STORNETTA AND WILLIAM HAY, JR. on June 21, 1977 is for the following purposes:

RECITALS:

1. The original agreements acknowledge that a cash consideration had been paid but made no specific provision for any further payment over the term of the agreements.

2. Both Grantor and Grantee have given consideration to their relationship under the terms of the agreements after a period of twelve years and mutually understand that a period of eight years remains before consideration of any negotiation for the additional twenty years under the terms of the original agreements.

3. Both Grantor and Grantee wish to have all terms of the original agreements remain unchanged and to include only a provision for payments relating to the remaining eight years of the original agreements.

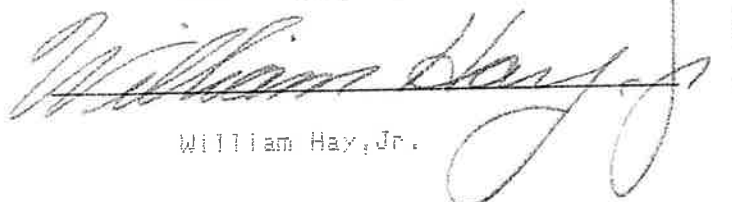
NOW, THEREFORE, IT IS AGREED:

4. Effective as of July 1, 1988, Grantee shall make payment of One Hundred Dollars (\$100.00) per month or a total of One Thousand Two Hundred Dollars (\$1,200.00) per year for all of those rights as set forth in the original agreements entered into on June 21, 1977.

IN WITNESS THEREOF, the parties have executed this agreement on the ____ day of _____, 1989.


Henry Stornetta


Gloria Stornetta


William Hay, Jr.