

## EXHIBIT 18-F

### AGREEMENT REGARDING FRONT-LOADING DELIVERY OF WATER

This Agreement Regarding Front-Loading Delivery of Water (“**Agreement**”) made by and between D.B.O. Development No. 30, a California limited liability company (“**D.B.O.**”) and California-American Water Company, a California corporation (“**CAW**”), hereinafter individually a “**Party**,” and collectively, the “**Parties**,” is entered into with respect to the following:

WHEREAS, CAW, a public utility regulated by the California Public Utilities Commission (“**CPUC**”), owns and operates wells and infrastructure and a water distribution system which serves properties located within the Seaside Basin and generally on the Monterey Peninsula;

WHEREAS, D.B.O. is the owner and developer of property within the CAW water service area and is the successor in interest to D.B.O. Development No. 27, a California limited liability company;

WHEREAS, the Amended Decision governing the Seaside Basin Adjudication matter in the case of *California American Water v. City of Seaside, et al.* (Monterey County Superior Court, Case No. M66343) filed on February 9, 2007 (“**Amended Decision**”) established that D.B.O. has the right and title to produce and use a percentage of the Operating Safe Yield and Natural Safe Yield of Seaside Basin water as described more fully in the Amended Decision;

WHEREAS, on or about December 3, 2014, in its Notice to All Seaside Groundwater Producers, the Seaside Groundwater Basin Watermaster (“**Watermaster**”) declared that, under the Amended Decision, D.B.O. was entitled to produce 422.96 acre-feet (“**AF**”) of water in water year 2015, which amount includes 238.88 AF of “free” carryover credit and 152.52 AF of “not-free” carryover credit from previous water years, plus the 2015 base allocation of 31.56AF;

WHEREAS, D.B.O. calculates that, after the final triennial ten percent reduction mandated under the Amended Decision in approximately 2021, its share of the Natural Safe Yield of the Seaside Basin would be no less than 15.72 AF per year, calculated by applying D.B.O.’s weighted average under Table 1 of the Amended Decision of 1.27 percent to the lower value of the estimated Natural Safe Yield of the Coastal Subarea of the Seaside Basin (1,973 AF per year, as stated in Amended Decision sections II.B.1 and III.A.17) reduced by 735 AF per year, the amount of water available to Alternative Production Allocation producers in the Coastal Subarea (743 AF per year under Table 2 of the Amended Decision reduced by 8 AF per year per conversion of 8 AF per year by Cypress Pacific Investors, LLC, formerly Calabrese, approved by the Watermaster on January 27, 2014);

WHEREAS, D.B.O. anticipates that it will file an application or applications with the appropriate local jurisdiction or jurisdictions for the necessary permits, approvals, and entitlements to develop such real property owned or controlled by D.B.O., by a company affiliated with D.B.O., and/or by any other persons or entities designated by D.B.O., and located

## EXHIBIT 18-F

at one or more addresses and on one or more assessor's parcel numbers within CAW's Seaside Basin water service area, as DBO may designate from time to time (individually a "**D.B.O. Property**" or collectively "**D.B.O. Properties**"). Said permits, approvals, and entitlements are hereinafter referred to as the "**Permits**";

WHEREAS, CAW and D.B.O. intend to file one or more co-applications with the Monterey Peninsula Water Management District ("**WMD**") requesting one or more amendments to the CAW water distribution system permit as and if required to account for the lease by D.B.O. of up to fifteen (15) AF per year of D.B.O.'s Court-adjudicated entitlement to Seaside Basin water to CAW for the purpose of moving the production of such water to the inland wells operated by CAW and for delivery of such water by CAW to one or more of the D.B.O. Properties; and

WHEREAS, the Parties enter into this Agreement: (1) to make clear that they intend to comply with the terms of the Amended Decision, as clarified by the Monterey Court in its ruling on April 29, 2009, subsequent order filed on May 11, 2009, in Monterey County Superior Court, case number M66343, and any subsequent order of the court in said case; (2) to ensure operationally that only Seaside Basin water is produced and stored for the benefit of the D.B.O. Properties in advance of the D.B.O. demand for such water at any D.B.O. Property, and (3) to provide assurance (in addition to accounting and reporting requirements) that there will be no temporal or other impact on waters produced or stored from other sources, including, without limitation, the Carmel River.

NOW THEREFORE, the Parties agree as follows:

1. Leased Water/Commencement of Lease. D.B.O. agrees to lease up to a maximum of fifteen (15) AF per year of its allocated water production under the Amended Decision to CAW at no charge ("**Lease**" or "**Leased Water**") for delivery to and use on one or more D.B.O. Properties. The Lease shall commence upon the occurrence of all of the following events: i) upon issuance of the Permits and satisfaction of the conditions of approval for the first D.B.O. Property to be served pursuant to this Agreement; ii) satisfaction of the conditions set forth in Section 6 of this Agreement; and iii) issuance of a water permit by the WMD for the new or increased uses on the D.B.O. Property pursuant to the Permits. CAW agrees the Leased Water may only be used to serve the D.B.O. Properties in accordance with the terms and conditions of this Agreement.

2. Commencement and Terms of Service. With respect to each D.B.O. Property to be served with Leased Water pursuant to this Agreement, D.B.O. shall provide CAW with written notice, sufficiently in advance to enable CAW to produce water in accordance with Section 3, specifying: i) the address/location and owner of the D.B.O. Property; ii) the expected date for the meter to be set (if applicable); iii) the expected date for initiation of water service by CAW or increased water use by the D.B.O. Property; and iv) the amount of Leased Water to be provided (which amount shall be exclusive of any baseline for past water use on said D.B.O. Property as recognized and documented by an appropriate methodology acceptable to the WMD and the State Water Resources Control Board ("**SWRCB**"), currently the lesser of either the actual average metered annual water use for a water year from the last five years of records or the amount calculated from the fixture unit count). CAW shall have no obligation to serve any

## EXHIBIT 18-F

D.B.O. Property under this Agreement until it receives such notice. Service to any D.B.O. Property pursuant to this Agreement shall be subject to all of CAW's tariffs as authorized by the CPUC, including the conditions of and the rates charged for service.

3. Production of Leased Water. CAW agrees to initially produce the Leased Water for each D.B.O. Property from its inland Seaside Wells at least 30 calendar days prior to either: i) the setting of a meter for the D.B.O. Property; or ii) if the D.B.O. Property to be served already has a meter, commencement of any increased use on said D.B.O. Property. CAW will store the amount of Leased Water so produced in a CAW storage facility deemed appropriate by CAW. Thereafter, CAW shall, as frequently as necessary, produce the Leased Water in an amount that exceeds the amount of water actually delivered to the D.B.O. Properties pursuant to this Agreement.

4. Interpretation. The Parties intend that any production, export, delivery, or use of water pursuant to this Agreement shall be in accordance and consistent with the Amended Decision and that nothing in this Agreement shall be construed to require either Party to violate the terms of the Amended Decision. Further, nothing in this Agreement shall be construed to prohibit the "mixing of molecules" from different sources or supplies of water, which is a practice recognized and allowed by California law and by the Amended Decision, as clarified by the Monterey Court on April 29, 2009, and memorialized in the court's May 11, 2009, Order.

5. Accounting and Reporting. CAW will account for and report the production of the Leased Water in accordance with Section 11 of the *Rules and Regulations of the Seaside Groundwater Basin Watermaster* as it may be amended from time to time. D.B.O. understands and agrees, and will so instruct the Watermaster, that under no circumstances shall production by CAW of the Leased Water for use on any D.B.O. Property served pursuant to this Agreement be deducted from CAW's production rights under the Amended Decision.

6. Conditions Precedent. The application of this Agreement to any D.B.O. Property shall be conditional on all of the following:

- a. Approval of a moratorium exception by the CPUC or the written approval of an authorized official of the SWRCB, as required to allow CAW to produce and deliver Leased Water to the D.B.O. Properties pursuant to this Agreement;
- b. Compliance with Section 9.0 of the *Rules and Regulations of the Seaside Groundwater Basin Watermaster* as it may be amended from time to time with respect to the assignment or transfer to CAW of a portion of D.B.O.'s production allocation for purposes of this Agreement;
- c. Approval of any amendment or amendments to the CAW water distribution system permit by the WMD (or, alternatively, issuance of said permit or authorization granted by order of an applicable court) necessary to allow CAW to produce and deliver Leased Water to such D.B.O. Property;
- d. Acceptance and approval by CAW of any conditions restricting or regulating CAW water systems operations imposed by the WMD on its approval and/or issuance of any amended CAW water distribution system permit or other permit

## EXHIBIT 18-F

necessary to allow service to such D.B.O. Property, which acceptance and approval by CAW shall not be unreasonably withheld; and

- e. The provision of Leased Water to such D.B.O. Property will not cause the total deliveries of Leased Water to all D.B.O. Properties under this Agreement to exceed fifteen (15) AF per water year as defined in the Amended Decision.

In the event any of the foregoing conditions is not satisfied with respect to any particular D.B.O. Property, the failure of such condition or conditions shall not affect the validity or enforceability of this Agreement with respect to any other D.B.O. Property.

7. Cooperation. D.B.O. and CAW mutually agree to provide such notification and cooperation to one another as may be necessary to achieve the purposes and implementation of this Agreement. The Parties shall provide further assurances in writing or other documentation as necessary in order to achieve the purposes and implementation of this Agreement.

8. Termination. This Agreement may be terminated upon mutual written agreement of the Parties. Further, CAW may terminate this Agreement as to D.B.O. Properties proposed to be served hereunder that have not received all necessary Permits prior to the date of termination if ordered to do so by the CPUC.

9. Cost Allocation. Costs to implement this Agreement will be paid as follows:

- a. Except as provided in Section 10 below, CAW will pay all costs to request and obtain any CPUC or SWRCB approval for an exception to the CPUC moratorium to allow CAW to produce and deliver Leased Water to the D.B.O. Properties, including but not limited to preparation of any required Advice Letter and supporting documentation.

- b. D.B.O. will pay any application fees and all other fees and costs charged by the WMD related to the application to the WMD for any amendment or amendments to the CAW water distribution system permit necessary to allow CAW to provide Leased Water to the D.B.O. Properties, including but not limited to consultant fees and any fees and costs related to compliance with the California Environmental Quality Act.

- c. Notwithstanding any other provision of this Agreement, and except as provided in Section 10 below, each Party shall be responsible for its own legal costs and attorney's fees associated with performance of the Agreement, including but not limited to all costs and fees related to drafting, review, and editing of applications, preparation and submittal of any application to the CPUC for a moratorium exception, preparation and submittal of any application to the WMD for any amendment or amendments to the CAW water distribution system permit, monitoring of the CPUC and WMD processes for review and approval of the moratorium exception and amendment of the CAW water distribution system permit, and compliance with any and all CPUC and WMD requirements.

- d. Notwithstanding any other provision of this Agreement, and except as provided in Section 10 below, neither D.B.O. nor CAW shall be responsible for paying costs associated with any time expended on the performance or implementation of this Agreement by any officer, director, manager, attorney, representative, agent, or employee of the other Party.

## EXHIBIT 18-F

### 10. Indemnification.

a. D.B.O. agrees that, to the fullest extent permitted by law, CAW shall be fully protected from any loss, injury, damage, claim, lawsuit, cost, expense, attorney's fees, litigation costs, defense costs, court costs, or any other cost arising out of or in any way related to an Indemnified Claim as defined in Section 10(b), below. Accordingly, the provisions of this Section 10 are intended by the Parties to be interpreted and construed to provide the fullest protection possible under the law to CAW with respect to such Indemnified Claims. D.B.O. acknowledges that CAW would not enter into this Agreement in the absence of this commitment from D.B.O. to indemnify, defend, and hold harmless CAW as set forth herein.

b. To the fullest extent permitted by law, D.B.O. shall defend, indemnify and hold harmless CAW and its directors, officers, employees and agents (individually an "**Indemnified Party**" and collectively "**Indemnified Parties**") from any claim, action, or proceeding to attack, challenge, set aside, void, or annul: (i) the entering into, making, or performance of this Agreement; or (ii) any governmental or regulatory approval related to implementation or performance of this Agreement (individually an "**Indemnified Claim**" and collectively "**Indemnified Claims**"). D.B.O.'s obligation to indemnify applies regardless of whether a liability is caused or contributed to by any act or omission of an Indemnified Party unless it is finally adjudicated that the liability is a result of the sole active negligence or sole willful misconduct of an Indemnified Party. The indemnification includes any damages, fees and/or costs awarded against an Indemnified Party, and costs of suit, attorney's fees, and other costs, liabilities and expenses incurred by an Indemnified Party in connection with an Indemnified Claim, including any costs incurred as a result of an indemnification obligation imposed by a governmental or regulatory entity as part of an approval process.

c. D.B.O.'s duty to defend is a separate and distinct obligation from its duty to indemnify and shall arise immediately upon submittal to D.B.O. of notice of an Indemnified Claim in any form or at any stage of the Indemnified Claim, whether or not liability is established. CAW shall have the right to approve defense counsel, all significant decisions concerning the manner in which the defense is conducted, and any and all settlements, which approvals shall not be unreasonably withheld. The obligation to defend extends through final judgment, including exhaustion of any appeals; or, alternatively, through final settlement of the claim. If it is finally adjudicated that liability was caused by the sole active negligence or sole willful misconduct of one of the Indemnified Parties, D.B.O. may submit a claim to CAW for reimbursement of reasonable attorney's fees and defense costs which claim shall be paid by CAW within 90 days from submittal. CAW shall also have the right, at any stage of the Indemnified Claim and at its own election, to conduct its own defense. This Section survives the completion or termination of this Agreement.

d. Notwithstanding any other provision of this Agreement, in the event any Indemnified Claim is threatened or asserted so as to give rise to D.B.O.'s indemnification obligation under this Section 10, D.B.O. shall have the unilateral right at any time, with or without CAW's consent, to agree to rescind or vacate any governmental or regulatory approval by any public agency that is necessary in order for CAW to commence producing and delivering Leased Water to a D.B.O. Property pursuant to this Agreement, including but not limited to any amendment to the CAW water distribution system permit by the WMD, provided that such

## EXHIBIT 18-F

rescission or vacation does not materially increase or adversely affect CAW's obligations or operations. For example, D.B.O. shall not have the unilateral right to rescind or vacate any such approval if CAW has lawfully commenced producing and delivering Leased Water to the implicated D.B.O. Property. Prior to agreeing to rescind or vacate any such approval, D.B.O. shall provide CAW with written notice of its intent to rescind or vacate the approval and the Parties shall meet and confer on whether a material increase in or adverse effect on CAW's obligations or operations would result from the proposed rescission or vacation.

11. Assignment. D.B.O. may not assign its rights or delegate its obligations hereunder, in whole or in part, without the prior written consent of CAW, which may be given or withheld in CAW's sole and absolute discretion. Notwithstanding the foregoing:

a. D.B.O. shall have the unilateral right to designate the D.B.O. Properties to receive Leased Water under this Agreement without the consent of CAW, notwithstanding the fact that neither D.B.O. nor its affiliate companies may be the record owner of such D.B.O. Property; and

b. D.B.O. may assign all of its rights and obligations hereunder to any person or entity ("Assignee") without the consent of CAW if D.B.O. has permanently sold 51% or more of its Base Water Right as defined in the Amended Decision and transferred its voting power to the Assignee in accordance with the Amended Decision and Section 9.0 of the Watermaster's Rules and Regulations, provided that all of the following conditions are satisfied: (i) D.B.O. is not in default under this Agreement; (ii) there are no amounts currently owing from D.B.O. to CAW under Section 10 of this Agreement; (iii) there are no pending or threatened Indemnified Claims; (iv) no Indemnified Claims has been identified that is probable of being asserted; and (v) such assignment is for a legitimate business purpose and not principally for the purpose of avoiding the restrictions on assignment otherwise applicable under this Section 11. For purposes of this Section 11.b, an unasserted Indemnified Claim would be considered "probable of being asserted" only when the prospect of it being asserted seems reasonably certain (i.e., supported by extrinsic evidence strong enough to establish a presumption that it will happen) and the prospects of non-assertion seem slight.

c. D.B.O. may assign all of its rights and obligations hereunder to any Assignee if: (1) D.B.O. has received the advance written approval of CAW, which approval shall not be unreasonably withheld or delayed; and (2) D.B.O. has permanently sold 51% or more of its Base Water Right as defined in the Amended Decision and transferred its voting power to the Assignee in accordance with the Amended Decision and Section 9.0 of the *Rules and Regulations of the Seaside Groundwater Basin Watermaster* as it may be amended from time to time. Under this Subsection 11.c, written approval shall be deemed "unreasonably delayed" if a substantive written response is not delivered to D.B.O. within 30 calendar days after delivery to CAW of a written request for approval. The Parties shall deliver documents under this Subsection 11.c in accordance with Section 12, Notices. If CAW does not deliver a substantive written response to D.B.O. within said 30-day period, the assignment shall be deemed approved by CAW.

d. If this Agreement is assigned or an assignment is requested pursuant to Subsection 11.b or 11.c above, D.B.O shall deliver supporting documentation to CAW, which shall include documentation consistent with the Amended Decision and Section 9.0 of the *Rules*

## EXHIBIT 18-F

*and Regulations of the Seaside Groundwater Basin Watermaster* as it may be amended from time to time, showing the transfer to Assignee of 51% or more of D.B.O.'s Base Water Right as defined in the Amended Decision, the transfer of D.B.O.'s voting power to the Assignee, and an instrument duly executed by Assignee by which Assignee assumes (as of the effective date of such assignment) observance and performance of, and agrees to be bound by, all of the terms, covenants and conditions of this Agreement to be performed and observed by D.B.O. ("**Assignment Documents**"). If this Agreement is assigned pursuant to Subsection 11.b, the Assignment Documents shall include a written statement signed by a duly authorized representative of D.B.O. certifying that all of the conditions set forth in Subsection 11.b have been satisfied and D.B.O. shall deliver the Assignment Documents to CAW within 30 calendar days of the effective date of the assignment. If CAW objects to the proposed assignment on the grounds that the conditions set forth in Subsection 11.b have not been met, CAW shall notify D.B.O. in writing of such objection and the specific facts it contends support its objection within 14 calendar days after receipt of the Assignment Documents from D.B.O. If CAW fails to provide D.B.O. with written notice of such objection and facts within 10 calendar days after receipt of the Assignment Documents from D.B.O. CAW shall be deemed to have waived its right to contest the assignment under Subsection 11.b. In the event CAW so notifies D.B.O., D.B.O. shall have the right, at its sole discretion, to respond to CAW's contention in any matter it deems appropriate, including but not limited to any one or more of the following: (i) provide further information or documents to CAW related to the issue of whether the conditions of Subsection 11.b have been met; (ii) request CAW's approval of the assignment pursuant to Subsection 11.c; (iii) withdraw or rescind the assignment; or (iv) pursue any legal remedies to enforce its rights of assignment under Subsection 11.b. If an assignment of this Agreement is requested pursuant to Subsection 11.c, D.B.O shall deliver the Assignment Documents to CAW with D.B.O.'s written request for approval of the assignment.

12. **Notices.** Any notice, consent, approval or disapproval to be given or other document to be delivered by any Party to the other or others hereunder may be delivered in person to the addressee identified below, or may be delivered by Federal Express, other private commercial delivery or courier service for next business day delivery, or may be deposited in the United States mail, duly certified or registered, return receipt requested, with postage prepaid, and addressed to the Party for whom intended, as follows:

If to CAW:

Eric Sabolsice  
General Manager  
511 Forest Lodge Road, Suite 100  
Pacific Grove, CA 93950  
Email: Eric.Sabolsice@amwater.com

If to D.B.O.:

Ted Lim  
DBO Development  
10 Harris Court, Suite B-1  
Monterey, CA 93940  
TLim@oroscogroup.com

## EXHIBIT 18-F

With a copy to: Donald B. Orosco  
DBO Development  
10 Harris Court, Suite B-1  
Monterey, CA 93940  
DOrosco@oroscogroup.com

And with a copy to: David C. Sweigert  
Fenton & Keller  
Post Office Box 791  
Monterey, CA 93942-0791  
Email: DSweigert@fentonkeller.com

Notice may also be given by electronic mail ("Email") to any Party at the respective Email address given above provided receipt of such transmission shall be confirmed by follow-up notice within 72 hours by another method authorized above. Any Party hereto may from time-to-time, by written notice to the other, designate a different address or person which shall be substituted for the one above specified. Any notice shall be deemed served or delivered upon actual receipt or first attempted delivery (as shown by the records of the U.S. Postal Service or private delivery service) at the address listed above.

13. Amendment. This Agreement may only be amended by a document in writing signed by the Parties hereto.

14. Authority. The persons executing this Agreement on behalf of the Parties hereto warrant that: (i) such Party is duly organized and existing; (ii) they are duly authorized to execute and deliver this Agreement on behalf of said Party; and (iii) by so executing this Agreement such Party is formally bound to the provisions of this Agreement.

15. Governing Law; Disputes.

- a. The Agreement shall be interpreted in accordance with California law, without giving effect to choice of law provisions. Headings used in this Agreement are for convenience only and are not to be used in the construction or interpretation of this Agreement.
- b. The Parties agree that in the event of litigation, exclusive venue shall be in Monterey County, California.
- c. In the event of any legal action or other proceeding between the Parties regarding this Agreement (an "Action"), the prevailing Party shall be entitled to the payment by the losing Party of the prevailing Party's reasonable attorney's fees, court costs and litigation expenses, as determined by the court.
- d. Likewise, the prevailing Party in any Action shall be entitled, in addition to the amounts set forth in Section 15(c) above, to the payment by the losing Party of the prevailing Party's reasonable attorney's fees, court costs and litigation expenses incurred in connection with: (i) any appellate review of the judgment rendered in



**EXHIBIT 18-F**


the Action; and (ii) any proceeding to enforce a judgment in such Action. It is the intent of the Parties that the provisions of this Section 15(d) shall be distinct and severable from the other rights of the Parties, shall survive the entry of judgment and shall not be merged into such judgment.

16. No Third Party Beneficiaries. This Agreement is made and entered into solely for the benefit of D.B.O. and CAW and no other person shall have any right of action under or by reason of this Agreement.

IN WITNESS WHEREOF, this Agreement is executed by the parties in duplicate on the dates set forth herein below.

**CALIFORNIA-AMERICAN WATER  
COMPANY**

Date: 9/24/15

By:   
Eric Subolsice, Director Operations  
Print Name and Title

**D.B.O. DEVELOPMENT NO. 30, LLC**  
A California limited liability company

By: THE OROSCO FAMILY TRUST  
dated June 28, 1977, as amended, Member

Date: 9/17/15

  
Donald B. Orosco, Co-Trustee

Date: 9/17/15

  
Mary Kay Orosco, Co-Trustee

By: LYLES DIVERSIFIED, INC.,  
a California corporation, Member

Date: 9/17/2015

  
Gerald V. Lyles, Senior Vice President