



Rural Development
United States Department of Agriculture
Business * Housing * Utilities
Michael M. Reyna, State Director

Jeffrey A. Hays
Community Development Manager
45-691 Monroe Street, Suite 1
Indio, CA 92201-3943
Ph: (619) 342-4624 FAX: (619) 347-4074

October 8, 1996

Lois Barker, Manager
Cedarpines Park MWC
P.O. Box 9259
Cedarpines Park, CA 92322

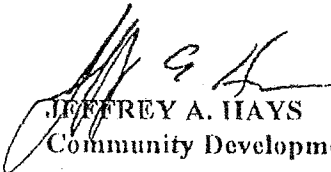
RE: Loan Closing Documents

Dear Lois:

Enclosed are your copies of the loan closing documents.

If I can answer any questions please contact me at (619) 342-4624.

Sincerely,


JEFFREY A. HAYS
Community Development Manager

Rural Development is an Equal Opportunity Lender
Complaints of discrimination should be sent to: Secretary of Agriculture
Washington, D.C. 20250

EXHIBIT C

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

State CALIFORNIA			
County SAN BERNARDINO			
Case No. 04-036-0950612820			
FINANCE OFFICE USE ONLY			
F	LN	LC	IA

- KIND OF LOAN:
 ASSOCIATION - ORGANIZATION
 HOUSING - ORGANIZATION
 PUBLIC BODY
 OTHER MUTUAL WATER COMPANY

Date SEPTEMBER 25, 19 96

FOR VALUE RECEIVED, CEDARPINES MUTUAL WATER COMPANY
 (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, (herein called the "Government") at its office in _____
MORENO VALLEY, CALIFORNIA, or at such other place as the Government may hereafter designate in writing, the principal amount of One Million Six Hundred Seventy Thousand Five Hundred & no/100 dollars (\$ 1,670,500.00), plus interest on the unpaid principal balance at the rate of Four and one-half percent (4.50 %) per annum. The said principal and interest shall be paid in the following installments on or before the following dates:

\$ Accrued Interest on September 25, 19 97,
 \$ 91,644.00 on September 25, 19 98,
 \$ _____ on _____, 19 _____,
 \$ _____ on _____, 19 _____, and
 \$ 91,644.00 thereafter on the 25 of each September

until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby,

if not sooner paid, shall be due and payable Forty (40) years from the date of this note, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment of Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

RECORDING REQUESTED BY
FIRST AMERICAN TITLE INSURANCE
323 COURT ST.
SAN BERNARDINO, CA. 92401

me [U.S. Dept. of Agriculture
eel 45-691 MONROE ST., STE. 1
dress INDDIO, CA. 92201-3943

ORDER #218458M ESCROW #64920J

y &
ite

SPACE ABOVE THIS LINE FOR RECORDER'S USE

USDA
Form FmHA 1927-1 CA
(Rev. 5-96)

Position 5

CONSTRUCTION TRUST DEED

REAL ESTATE DEED OF TRUST FOR CALIFORNIA WITH ASSIGNMENT OF RENTS

THIS DEED OF TRUST is made and entered into by and between the undersigned owners: CEDARPINES PARK MUTUAL WATER

COMPANY, A CALIFORNIA CORPORATION

whose mailing address is 21853 CRESTFOREST DRIVE (P.O. BOX 9259), CEDARPINES PARK, California 92322

as trustors, herein called "Borrower," and FIRST AMERICAN TITLE INSURANCE COMPANY

whose mailing address is 323 COURT ST., SAN BERNARDINO, California 92401, as trustee,
herein called "Trustee," and the United States of America, acting through the United States Department of Agriculture,

whose mailing address is 45-691 MONROE ST., STE. 1, INDDIO, California 92201, as lender
and beneficiary, herein called the "Government," and:

WHEREAS Borrower is indebted to the Government as evidenced by one or more promissory notes or assumption agreements or any shared appreciation or recapture agreement, herein called "note" which has been executed by Borrower, contains provisions setting forth the interest rate, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and being further described as follows:

Date of Instrument

Principal Amount

SEPTEMBER 25, 1996

\$1,670,500.00

(The interest rate for limited resource farm ownership or limited resource operating farm(s) secured by this instrument may be increased as provided in the Government regulations or the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the payment thereof pursuant to the Consolidated Farm and Rural Development Act, or Title V of the Housing Act of 1949 or any other statute administered by the Government;

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should resign this instrument, this instrument shall secure payment of the note;

And this instrument also secures the recapture of any deferred principal and interest or of any interest credit and subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §§ 1472(g) or 1490a, respectively, or any amount due under any Shared Appreciation/Recapture Agreement entered into pursuant to 7 U.S.C. § 2001.

NOW, THEREFORE, in consideration of the loans Borrower grants to Trustee with power of sale the following described property at

RECORDING REQUESTED BY
FIRST AMERICAN TITLE INSURANCE
323 COURT ST.
SAN BERNARDINO, CA. 92401

mn
U.S. Dept. of Agriculture
45-691 MONROE ST., STE. 1
INDIO, CA. 92201-3943

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dress
ORDER #218458M ESCROW #64920J

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SPACE ABOVE THIS LINE FOR RECORDER'S USE

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whose mailing address is 21853 CRESTFOREST DRIVE (P.O. BOX 9259), CEDARPINES PARK, California 92322

as trustors, herein called "Borrower," and FIRST AMERICAN TITLE INSURANCE COMPANY

whose mailing address is 323 COURT ST., SAN BERNARDINO, California 92401, as trustee,
herein called "Trustee," and the United States of America, acting through the United States Department of Agriculture,

whose mailing address is 45-691 MONROE ST., STE. 1, INDIO, California 92201, as lender
and beneficiary, herein called the "Government," and:

WHEREAS Borrower is indebted to the Government as evidenced by one or more promissory notes or assumption agreements or any shared appreciation or recapture agreement, herein called "note" which has been executed by Borrower, contains provisions setting forth the interest rate, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and being further described as follows:

<i>Date of Instrument</i>	<i>Principal Amount</i>
SEPTEMBER 25, 1996	\$1,670,500.00

(The interest rate for limited resource farm ownership or limited resource operating loan(s) secured by this instrument may be increased as provided in the Government regulations or the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the payment thereof pursuant to the Consolidated Farm and Rural Development Act, or Title V of the Housing Act of 1949 or any other statute administered by the Government;

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument, this instrument shall secure payment of the note;

And this instrument also secures the recapture of any deferred principal and interest or of any interest credit and subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §§ 1472(g) or 1490i, respectively, or any amount due under any Shared Appreciation/Recapture Agreement entered into pursuant to 7 U.S.C. § 2001.

NOW, THEREFORE, in consideration of the loans Borrower grants to Trustee with power of sale the following described property at

FOR PROPERTY DESCRIPTION SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF COMPRISING TWO PAGES.

together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereto belonging, the rents, issues, and profits thereof and revenues and income therefrom (subject to the right of the Government to collect and apply the same as provided in Covenant (31) hereof); all improvements; all water, water rights, and water stock pertaining thereto; and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance or condemnation of any part thereof or interest therein-all of which are herein called "the property":

IN TRUST, NEVERTHELESS, (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, and (b) to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, the provisions of which are hereby incorporated herein and made a part hereof.

BORROWER WARRANTS the property and the title thereto unto Trustee for the benefit of the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

- (1) To pay promptly when due any indebtedness to the Government hereby secured.
- (2) To pay to the Government such fees and other charges as may now or hereafter be required by regulations of the Government and to pay or reimburse the Government or Trustee for all of Trustee's fees, costs or expenses in connection with any full or partial reconveyance or subordination of this instrument or any other transaction affecting the property.
- (3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the property.
- (4) The Government may at any time pay any other amounts including advances for payment of prior or junior liens, required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for Borrower's account. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.
- (5) All advances by the Government, including advances for payment of prior or junior liens, in addition to any advances required by the terms of the note, as described in this instrument, with interest shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.
- (6) To use the loan evidenced by the note solely for purposes authorized by the Government.
- (7) To pay when due all taxes, liens, judgments, encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges, and assessments in connection with water, water rights, and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.
- (8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government. The amount collected under any fire or other insurance policy may be applied by the Government upon the loan or any other indebtedness secured hereby in such order as the Government may determine, or at the Government's option may be released to Borrower. Such application or release will not cure or waive any default hereunder.
- (9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe; and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or, without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.
- (10) To comply with all laws, ordinances, and regulations affecting the property.
- (11) To pay or reimburse the Government or Trustee for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments, attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property.
- (12) Except as otherwise provided by the Government regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold, transferred or encumbered, voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as beneficiary hereunder, including but not limited to the power to grant consents and subordinations, and to request full and partial reconveyances, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.
- (13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) request reconveyance of portions of the property and subordinate its lien, and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government whether once or often in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property or other security instrument held by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should the parties named as Borrower die or be declared incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) without a prior hearing authorize and request Trustee to foreclose this instrument and sell the property as provided by law and (e) bring an action to foreclose this instrument, obtain a deficiency judgment, or enforce any other remedy provided by law.

(18) At the request of the Government, Trustee may foreclose this instrument by advertisement and sale of the property as provided by law, for cash or secured credit at the option of the Government, personal notice of which sale need not be served on Borrower; the lots or parcels of the property need not be sold separately or in any particular order; and at such sale the Government and its agents may bid and purchase as a stranger; Trustee may conduct such sale without being personally present, through a delegate authorized for such purpose orally or in writing and Trustee's execution of a conveyance of the property or any part thereof to any purchaser at foreclosure sale shall be conclusive evidence that the sale was conducted by Trustee personally or through such delegate duly authorized in accordance herewith.

(19) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option any other indebtedness of Borrower owing to the Government, and (f) any balance to Borrower. In case the Government is the successful bidder at foreclosure or other sale of all or any part of the property, the Government may pay its share of the purchase price by crediting such amount on any debts of Borrower owing to the Government, in the order prescribed above.

(20) All powers and agencies granted in this instrument are coupled with an interest and are irrevocable by death or otherwise; and the rights and remedies provided in this instrument are cumulative to remedies provided by law.

(21) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action must be brought, (c) prescribing any other statute of limitations, or (d) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State laws.

(22) BORROWER ACKNOWLEDGES AND AGREES THAT IF THE LEGAL OR EQUITABLE OWNERSHIP OF ANY OF THE PROPERTY IS TRANSFERRED, THE NEW OWNERS MUST APPLY TO THE GOVERNMENT FOR AND QUALIFY TO ASSUME THE LOAN ON SUCH RATES AND TERMS AS THE REGULATIONS OF THE GOVERNMENT MAY THEN ALLOW. THESE REGULATIONS SUPERSEDE ANY CONTRARY STATE LAW INCLUDING BUT NOT LIMITED TO CIVIL CODE § 2924.6.

(23) This instrument shall be subject to the present Government regulations and to its future regulations not inconsistent with the express provisions hereof.

(24) Notices given hereunder shall be sent by certified mail unless otherwise required by law, and addressed, unless and until some other address is designated to the parties hereto at their addresses given above. BORROWER REQUESTS THAT A COPY OF ANY NOTICE OF DEFAULT AND ANY NOTICE OF SALE HEREUNDER BE MAILED TO BORROWER AT THE MAILING ADDRESS STATED ABOVE.

(25) Upon full and final payment of all indebtedness hereby secured and the performance and discharge of each and every condition, agreement and obligation, contingent or otherwise, contained herein or secured hereby, the Government shall request Trustee to execute and deliver to Borrower at the above post office address a full reconveyance of the property within 60 days after written demand by Borrower, and Borrower hereby waives the benefits of all laws requiring earlier execution or delivery of such reconveyance.

(26) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, national origin, handicap, familial status or age, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, national origin, handicap, familial status or age.

(27) Borrower further agrees that the loans secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity as prohibited by 7 C.F.R. part 1940, subpart G.

(28) The Government may, from time to time, as provided by statute, or by a writing, signed, acknowledged and recorded in the office of the county recorder of the aforesaid county appoint another Trustee in place and stead of Trustee herein named, and thereupon, the Trustee herein named shall be discharged and Trustee so appointed shall be substituted as Trustee hereunder with the same effect as if originally named Trustee herein.

(29) If the property or any part thereof is leased, Borrower will pay when due all rents and any and all other charges required by said lease, will comply with all other requirements of said lease, and will not surrender or relinquish, without the Government's written consent, any of Borrower's right, title or interest in or to said household estate or under said lease while this instrument remains in effect.

(30) This instrument also secures future advances to Borrower when evidenced by notes for any loans made by the Government, subject to the same terms and conditions regarding assignment of said notes as provided in this instrument, and all references in this instrument shall be deemed to include such future notes.

(31) As additional security, Borrower hereby assigns to and confers upon the Government the power to collect the rents, issues, profits and income of the property, reserving to Borrower the right to collect and retain same prior to any default hereunder. The Government may apply said rents and other income on the loan or any indebtedness secured hereby in any order it may determine and without regard to the adequacy of security for same.

property, reserving to Borrower the right to collect and retain same prior to any default hereunder. The Government may apply said rents and other income on the loan or any indebtedness secured hereby in any order it may determine and without regard to the adequacy of security for same.

(32) Any award for damages or injury to the property, including any award for its condemnation for public use, is hereby assigned to the Government which may apply or release the money in the same manner and with the same effect as provided in Covenant (8).

(33) If any provision of this instrument or application thereof to any person or circumstance is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

SEE ATTACHED RIDER TO DEED OF TRUST OR MORTGAGE FOR ADDITIONAL COVENANTS

CEDARPINES PARK MUTUAL WATER COMPANY

BY:

[Handwritten Signature]

ROBERT FAWLEY, PRESIDENT

ATTEST:

[Handwritten Signature]
LOIS BARKER, SECRETARY

SEPTEMBER 25, 1996
(Date)

STATE OF CALIFORNIA

COUNTY OF SAN BERNARDINO.

On 9-25-96 before me PATTI M. MARTIN
(Date) (Name, Title - Notary Public)

personally appeared ROBERT FAWLEY AND LOIS BARKER
(Name(s) of Signer(s))

personally known to me - OR
 proved to me 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.

CAPACITY CLAIMED BY SIGNER

INDIVIDUAL(S)
 CORPORATE
 OFFICER(S) _____
Title(s)

PARTNER(S)
 ATTORNEY-IN-FACT
 TRUSTEE(S)
 SUBSCRIBING WITNESS
 GUARDIAN/CONSERVATOR
 OTHER: _____

SIGNER IS REPRESENTING:
Name of person(s) or entity(ies):
CEDARPINES PARK MUTUAL WATER COMPANY

Witness my hand and official seal.

[Handwritten Signature]
Signature of Notary

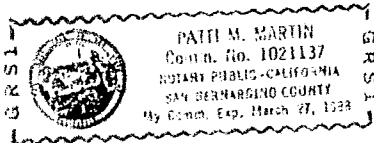


EXHIBIT "A"

PARCEL 1:

LOTS 95 AND 97, BLOCK 2, TRACT NO. 2004, CEDARPINES PARK NO. 10, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 29 OF MAPS, PAGE 63, RECORDS OF SAID COUNTY.

PARCEL 2:

LOTS 49, 50 AND 51, BLOCK "H", TRACT NO. 1895, CEDAR PINES PARK NO. 8, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 27 OF MAPS, PAGE 37, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM ALL MINERAL RIGHTS CONVEYED TO DONALD L. BULLOCK, ET UX., BY DEED RECORDED MARCH 12, 1979, IN BOOK 9640, PAGE 1189, OFFICIAL RECORDS.

PARCEL 3:

LOT 32, BLOCK "D", TRACT NO. 1895, CEDAR PINES PARK NO. 8, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 27 OF MAPS, PAGE 37, RECORDS OF SAID COUNTY.

PARCEL 4:

LOT 32, BLOCK 4, TRACT NO. 1896, CEDARPINES PARK NO. 9, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 29 OF MAPS, PAGES 61 AND 62, RECORDS OF SAID COUNTY.

PARCEL 5:

LOTS 33, 34, 35, 36, 37 AND 38, BLOCK 7, CEDARPINES PARK SUBDIVISION NO. 7, TRACT NO. 1837, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 26 OF MAPS, PAGE 58, RECORDS OF SAID COUNTY.

PARCEL 6:

LOTS 20, 21, 22, 23, 24, 25, 26, 27, 28, 86, 87, 88, 89, 90, 91, 92, 93, 95 AND 96 OF BLOCK 2, CEDARPINES PARK NO. 2, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 13, RECORDS OF SAID COUNTY.

PARCEL 7:

LOTS 44 THROUGH 52, INCLUSIVE, BLOCK 4, CEDARPINES PARK NO. 2, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 13, RECORDS OF SAID COUNTY.

PARCEL 8:

LOTS 116, 117 AND 118, BLOCK 4, CEDARPINES PARK NO. 2, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 13, RECORDS OF SAID COUNTY.

PARCEL 9:

LOT 1, BLOCK 9, CEDARPINES PARK NO. 6, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 24 OF MAPS, PAGE 57, RECORDS OF SAID COUNTY.

PARCEL 10:

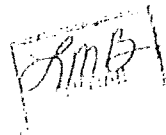
LOTS 17 AND 18, BLOCK 6, CEDARPINES PARK NO. 6, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 24 OF MAPS, PAGE 57, RECORDS OF SAID COUNTY.

PARCEL 11:

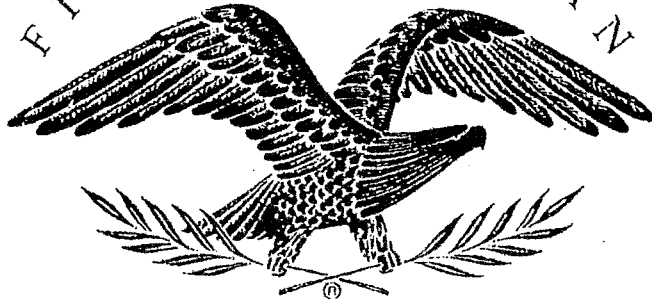
THAT PORTION OF BLOCK 5, CEDARPINES PARK NO. 3, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 38, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE WESTERLY LINE OF CREST ROAD, WHICH POINT IS NORTH 7 DEG. 50' EAST, 50 FEET FROM THE NORTHEASTERLY CORNER OF LOT 10, BLOCK 9, OF SAID CEDARPINES PARK NO. 3; THENCE NORTH 7 DEG. 50' EAST ALONG THE WESTERLY LINE OF SAID CREST ROAD, 35 FEET; THENCE NORTH 88 DEG. 30' WEST, 85 FEET TO A POINT; THENCE SOUTH 7 DEG. 50' WEST, 35 FEET TO A POINT; THENCE SOUTH 88 DEG. 30' EAST, 85 FEET TO THE POINT OF BEGINNING.

" TOGETHER WITH, ALL RIGHTS OF WAY, EASEMENTS, PERMITS, FRANCHISES, LICENSES, WATER RIGHTS, EQUIPMENT, INVENTORY AND OTHER PROPERTY, REAL OR PERSONAL, IN WHICH BORROWER NOW OWNS OR HEREAFTER ACQUIRES AN INTEREST."



FIRST AMERICAN



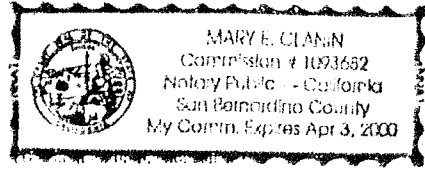
STATE OF CALIFORNIA } ss.
COUNTY OF SAN BERNARDINO

On November 14, 1996, before me, MARY E. CLANIN NOTARY PUBLIC,
personally appeared LOIS M. BARKER

_____, personally known to me
(~~or proved to me on the basis of satisfactory evidence~~) to be the person whose name is/~~are~~
subscribed to the within instrument and acknowledged to me that ~~he/she/they~~
in ~~his/her/their~~ authorized capacity , and that by ~~his/her/their~~ signature on the instrument the
person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature Mary E. Clanin



Title of Document REAL ESTATE DEED OF TRUST
Date of Document SEPTEMBER 25 1996 No. of Pages 8
Other signatories not acknowledged N/A

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

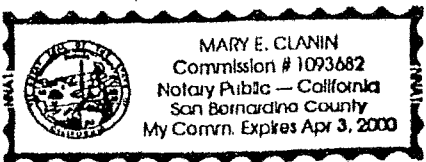
State of CALIFORNIA

County of SAN BERNARDINO

On 11/18/96 before me, MARY E. CLANIN Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared ROBERT FAWLEY
Name(s) of Signer(s)

personally known to me - OR - I 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.



WITNESS my hand and official seal.

Mary E. Clanin
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

RIDER TO DEED OF TRUST OR MORTGAGE
(Water & Waste Disposal Loan)

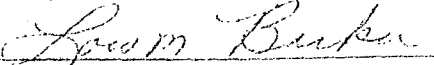
The following covenants lettered (A) through (E) shall be a part of the within Deed of Trust or Mortgage, and fully apply as if stated therein:

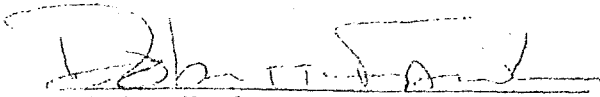
- (A) This instrument also secures the obligations and covenants of borrower as set forth in borrower's Loan Resolution Security Agreement of September 14, 1994, which is hereby incorporated by reference.
- (B) The property described herein was obtained or improved through Federal financial assistance. This property is subject to the provisions of Title VI of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and the regulations issued pursuant thereto, for so long as the property continues to be used for the same or similar purpose for which financial assistance was extended, or for so long as the purchaser owns it, whichever is longer.
- (C) If this is a loan to finance or assist an educational program or activity, the property is subject to Title IX of the Education Amendments of 1972 for so long as the property continues to be used for the same or similar purposes, or for so long as the purchaser owns it, whichever is longer.
- (D) Borrower will comply with the terms of all licenses, permits, and franchises now or hereafter obtained by the borrower, and, if borrower is a corporation, will take any action required to keep the corporation in good standing and fully comply with applicable statutes and regulations for the duration of this instrument.
- (E) Borrower agrees to pay any excess development costs resulting from failure to obtain adequate land, interests therein, rights-of-way, consents or subordinations.

Signed for identification the 25th day of September, 1996

Cedarpines Park Mutual Water Company

ATTEST:


Lois Barker, Secretary


Robert Fawley, President

POSITION 1

USDA-FmHA
Form FmHA-CA 442-1
(12-22-67)

ASSIGNMENT OF INCOME AND ASSESSMENTS

1. This security agreement is executed by the undersigned corporation as Debtor in favor of the UNITED STATES OF AMERICA, acting through the Rural Utilities Service of USDA Rural Development, as Secured Party.
2. In consideration of a loan to Debtor made or insured by Secured Party, Debtor hereby assigns and grants to Secured Party a security interest in all income due or to become due to, and all assessments imposed or to be imposed by, Debtor.
3. At all times when the note(s) evidencing said loan is (are) held by Secured Party, or in the event Secured Party assigns said note(s) without insuring the payment thereof, this security agreement shall secure the prompt payment of said note(s).
4. At all times when the note(s) evidencing said loan is (are) held by an insured lender, this security agreement shall not secure payment of said note(s) or attach to the debt evidenced thereby, but shall secure Debtor's agreement to indemnify Secured Party against loss under its insurance endorsement, as more particularly provided in the deed(s) of trust, mortgage(s), or other security agreement(s) between Debtor and Secured Party.
5. In any event and at all times this security agreement shall also secure repayment of all further advances and expenditures made by Secured Party pursuant to said deed(s) of trust, mortgage(s), or other security agreement(s).
6. As long as Debtor complies with the terms of said note(s) and its other agreements with Secured Party, Secured Party shall not collect said income or assessments. In the event of any default in such compliance, Secured Party may, at its option, collect said income and assessments and exercise any other right or remedy provided by the Uniform Commercial Code, after giving any notice required thereby. Neither failure nor delay on the part of Secured Party in exercising its said rights operates as a waiver thereof, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or the exercise of any other such right.

Executed on September 25, 1996

(Corporate Seal)

Cedarpines Park Mutual Water Company

ATTEST:

By Robert Fawley
Robert Fawley, President

Lois Barker
Lois Barker, Secretary

LO. RESOLUTION SECURITY AGREEMENT

A RESOLUTION OF THE Board of Directors
OF THE Cedarpines Park Mutual Water Company
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
PRINCIPAL AMOUNT OF \$ 1,670,500.00 FOR THE PURPOSE
OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A
potable water system, PROVIDING FOR THE COLLECTION, HANDLING, AND
DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY
NOTE(S), SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND
SECURE THE PAYMENT OF SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Cedarpines Park Mutual Water Company, (hereinafter
referred to as the "Organization"), was organized under the California mutual benefit corporation law
for the purpose of providing a
"... an adequate water supply and distribution system for human consumption..."

(hereinafter referred to as the
"Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the members of the said organization was held on the 15 TH day of November, 1994
pursuant to proper notice thereof to consider plans for the acquisition and construction methods of financing the Facility;
and, as shown by the minutes of said meeting, of the 4273 shares members of record of the organization there were
present and voting 2316, and by a recorded majority vote, the Facility and its financing authorized; and,

WHEREAS, the proposed Facility is to be constructed and equipment in accordance with plans, and specifications
prepared by John Egan and Associates

and in order to finance the Facility, the Board of Directors
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the
organization, to make application to the United States of America, acting through the Farmers Home Administration, United
States Department of Agriculture, (hereinafter referred to as the "Government"), for financial assistance; to cause the
execution and delivery of a promissory note or notes or other evidence of indebtedness (hereinafter referred to as the "note"),
and appropriate security instruments to secure any loan or loans made or insured by the Government; to comply with any
requirements, terms or conditions prescribed by the Government or by Government regulations; and to execute contracts or
enter into agreements and, without limitation, to take any and all other action as may be necessary, incidental or appropriate
to finance, acquire, construct, complete, and/or equip the Facility for and on behalf of the Organization.
NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by
obtaining a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and
Rural Development Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance
the Facility, taking into consideration prevailing private and cooperative rates and terms currently available;

Section 2. (Terms of Loan). The Organization borrow \$ 1,670,500.00 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary and have the corporate seal of the Organization affixed thereto, and shall bear interest from its date, which shall be the date of delivery, at a rate not to exceed 4.5 percent per annum; the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in the promissory note, until the principal and interest are fully paid except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable 40 years from the date of the note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The Secretary of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The Secretary is hereby directed to establish the following accounts into which the current funds of the Organization, note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account.

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with loan closing for incurred Facility (costs incurred) costs, and at least the amount of \$ 150,000.00 to be contributed by the Organization from the collection of initial connection fees, membership fees or contributions shall be deposited in the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the

President and Secretary of the Organization as authorized by the Board from time to time, and with prior concurrence of FinHA. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account

shall be made only on checks signed by the President and Secretary of the Organization and countersigned by an authorized official of the Farmers Home Administration. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Borrowers making monthly FinHA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Account in accordance with (1) below.

(2) Borrowers making other than monthly FinHA Debt Service Payments shall use the General Account to pay first operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

(c) Debt Service Account

For borrowers on other than monthly debt service payments, transfers, in proportion to income availability, shall be made from the General Account and set aside in an account designated as the Debt Service Account, in sufficient amounts which will accumulate for the next installment on the note.

(d) Reserve Account

From the remaining funds in the General Account, after transfers and payments required in (b) (1) or (b) (2) and (c), there shall be set aside into an account designated as the Reserve Account the sum of \$ 9200.00 each year

until there is accumulated in that account the sum of \$ 91,700.00 after which deposits may be suspended, except to replace withdrawals. When necessary, disbursements may be used for payments due on the note if sufficient funds are not available in the General or Debt Service Account. With the prior written approval of the Government, funds may be withdrawn for:

- (1) paying the cost of repairing or replacing any damage to the Facility which may have been caused by catastrophe.
- (2) making extensions or improvements to the Facility.

Whenever disbursements are made from the Reserve Account, monthly deposits shall then be resumed until there is again

accumulated the amount \$ 91,700.00, at which time deposits may be discontinued. Whenever there shall accumulate in the General Account, amounts in excess of those required in subsections (b)(1) and (2), (c), and (d), such excess will be used by the organization to make prepayments on the loan or retained in the general account. The accounts required in subsections (b) (1) and (2), (c) and (d) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid:

(a) It will indemnify the Government for any payments made or losses suffered by the Government.

(b) It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for the payment of the operation and maintenance thereof and the installment payments on the note and the maintenance of the various funds herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization; no free service by or use of the Facility will be permitted.

(d) It will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the note which the same become due if, for any reason, gross revenues are insufficient.

(e) It will establish and maintain such books and records relating to the operation of the system and its financial affairs and will provide for the annual audit thereof in such manner as may be required by the Government, will provide the Government without its request a copy of each such audit, and will make and forward to the Government such additional information and reports as it may from time to time require.

(f) It will provide the Government at all reasonable times, access to all books and records relating to the Facility and access to the property of the Facility so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.

(g) It will maintain at least such insurance and Fidelity bond coverage as may be required by the Government.

(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(i) It will not cause or permit any voluntary dissolution of its organization, merge or consolidate with any other organization, without obtaining the prior written consent of the Government. It will not dispose of or transfer title to the facility or any part thereof, including lands and interest in lands by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue, in excess of the amount required to maintain the accounts described by Section 4 herein, will not be distributed or transferred to any other organization or legal entity.

(j) It will not modify or amend the Articles of Incorporation or the Bylaws of the Organization without the written consent of the Government.

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain FmHA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the organization or public body.

(l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility are pledged as security for the loan.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this Facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

ASSOCIATION WATER OR SEWER SYSTEM GRANT AGREEMENT

THIS AGREEMENT dated SEPTEMBER 25 1996, 19 96, between

CEDARPINES PARK MUTUAL WATER COMPANY

a public corporation organized and operating under the CALIFORNIA MUTUAL BENEFIT CORPORATION LAW

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Farmers Home Administration, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under its jurisdiction at an estimated cost of \$ 2,905,500.00 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 1,670,500.00 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 150,000.00 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 1,085,000.00 or 37% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 37% percent of the development costs, as defined by applicable Farmers Home Administration instructions.

GRANTEE AGREES THAT GRANTEE WILL:

- A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.
- B. Permit periodic inspection of the construction by a representative of Grantor during construction.
- C. Comply with any measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- D. Comply with all applicable state and federal laws and regulations and manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.
- E. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges.

whether for one or more classes of service, adopted by resolution date _____, 19____, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and reviewing the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Paperwork Project Office, OIRA, Room 1214W, Washington, D.C. 20250 and to the Office of Management and Budget, Paperwork Reduction Project (1994-08-0171), Washington, D.C. 20503.

F. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

G. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

H. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

I. To execute Forms FmHA 400-1, "Equal Opportunity Agreement," and FinHA 400-4, "Assurance Agreement," and any other agreements required by Grantor which Grantee is legally authorized to execute. If any such forms have been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this Grant, another form of the same type need not be executed in connection with this Grant.

J. Upon any default under its representations or agreements set forth in this instrument, or in the instruments incident to the awarding of the grant, Grantee, at the option and demand of Grantor, to the extent legally permissible, will repay to grantor forthwith the original amount of the grant received with the interest accruing thereon from the date of default at the market rate for water and waste disposal loan assistance in effect on the date hereof or at the time the default occurred, whichever is greater. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it of previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

K. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

L. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantor may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency and pay the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original project to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sale proceeds). When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

The Grant Agreement covers the following described real property (use continuation sheets as necessary).

See attached list of parcels secured by Deed of Trust.

M. Abide by the following conditions pertaining to nonexpendable personal property which is furnished by the Grantor or acquired wholly or in part with grant funds. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit. A Grantee may use its own definition of non-expendable personal property provided such definition would at least include all tangible personal property as defined above.

1. Use of nonexpendable property.

(a) The Grantee shall use the property in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the property in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by FmHA.

(2) Activities sponsored by other Federal agencies.

(b) During the time that nonexpendable personal property is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the property was originally acquired. First preference for such other use shall be given to FmHA sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of nonexpendable property. When the Grantee no longer needs the property as provided in paragraph (a) above, the property may be used for other activities in accordance with the following standards:

(a) Nonexpendable property with a unit acquisition cost of less than \$1,000. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) Nonexpendable personal property with a unit acquisition cost of \$1,000 or more. The Grantee may retain the property for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the Grantee has no need for the property and the property has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the property exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the property and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share \$100 or ten percent of the proceeds, whichever is greater, for the Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the property elsewhere the Grantee shall be reimbursed by the benefitting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the property, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for nonexpendable personal property shall also include:

(a) Property records which accurately provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; percentage (at the end of budget year) of Federal participation in the cost of the project for which the property was acquired; location, use and condition of the property and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(e) Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described nonexpendable property (use continuation sheets as necessary).

N/A

N. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

O. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm copies may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

P. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

Q. Provide an audit report prepared in sufficient detail to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

R. Agree to account for and to turn to Grantor interest earned on grant funds pending this disbursement for program purposes when the Grantee is a unit of local government or a nonprofit organization. States and agencies or instrumentalities of states shall not be held accountable for interest earned on grant funds pending their disbursement.

S. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in items K and L above.

T. Include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

U. In construction contracts in excess of \$2,000 and in other contracts in excess of \$2,500 which involve the employment of mechanics or laborers, to include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5).

V. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. §1875C-9) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. Such regulations and guidelines can be found in 40 CFR 15.4 and 40 FR 17126 dated April 16, 1975. In so doing the Contractor further agrees:

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR 15.20 as of the date of contract award.

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

W. The following clause is applicable to nonprofit organizations:

As a condition of this Grant or Cooperative Agreement, the recipient assures and certifies that it is in compliance with and will comply in the course of the Agreement with all applicable laws, regulations, Executive Orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated in this Agreement by reference, and such statutory provisions as are specifically set forth herein.

GRANTOR AGREES THAT IT:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 1,085,000.00

which it will advance to Grantee to meet not to exceed 37 percent of the development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

TERMINATION OF THIS AGREEMENT

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in Paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

IN WITNESS WHEREOF Grantee on the date first above written has caused these presents to be executed by its duly authorized President

and attested and its corporate seal affixed by its duly authorized Secretary

EXHIBIT "A"

PARCEL 1:

LOTS 95 AND 97, BLOCK 2, TRACT NO. 2004, CEDARPINES PARK NO. 10, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 29 OF MAPS, PAGE 63, RECORDS OF SAID COUNTY.

PARCEL 2:

LOTS 49, 50 AND 51, BLOCK "II", TRACT NO. 1895, CEDAR PINES PARK NO. 8, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 27 OF MAPS, PAGE 37, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM ALL MINERAL RIGHTS CONVEYED TO DONALD L. BULLOCK, ET UX., BY DEED RECORDED MARCH 12, 1979, IN BOOK 9640, PAGE 1189, OFFICIAL RECORDS.

PARCEL 3:

LOT 32, BLOCK "D", TRACT NO. 1895, CEDAR PINES PARK NO. 8, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 27 OF MAPS, PAGE 37, RECORDS OF SAID COUNTY.

PARCEL 4:

LOT 32, BLOCK 4, TRACT NO. 1896, CEDARPINES PARK NO. 9, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 29 OF MAPS, PAGES 61 AND 62, RECORDS OF SAID COUNTY.

PARCEL 5:

LOTS 33, 34, 35, 36, 37 AND 38, BLOCK 7, CEDARPINES PARK SUBDIVISION NO. 7, TRACT NO. 1837, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 26 OF MAPS, PAGE 58, RECORDS OF SAID COUNTY.

PARCEL 6:

LOTS 20, 21, 22, 23, 24, 25, 26, 27, 28, 86, 87, 88, 89, 90, 91, 92, 93, 95 AND 96 OF BLOCK 2, CEDARPINES PARK NO. 2, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 13, RECORDS OF SAID COUNTY.

PARCEL 7:

LOTS 44 THROUGH 52, INCLUSIVE, BLOCK 4, CEDARPINES PARK NO. 2, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 13, RECORDS OF SAID COUNTY.

PARCEL 8:

LOTS 116, 117 AND 118, BLOCK 4, CEDARPINES PARK NO. 2, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 13, RECORDS OF SAID COUNTY.

PARCEL 9:

LOT 1, BLOCK 9, CEDARPINES PARK NO. 6, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 24 OF MAPS, PAGE 57, RECORDS OF SAID COUNTY.

PARCEL 10:

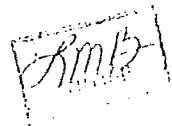
LOTS 17 AND 18, BLOCK 6, CEDARPINES PARK NO. 6, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 24 OF MAPS, PAGE 57, RECORDS OF SAID COUNTY.

PARCEL 11:

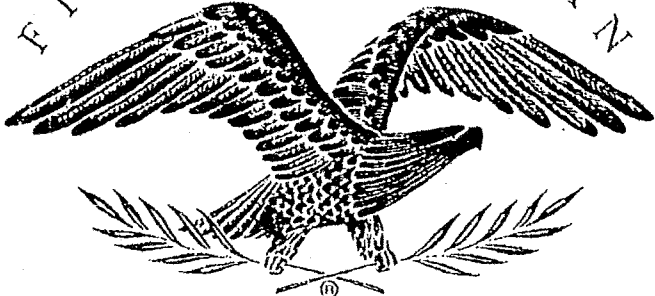
THAT PORTION OF BLOCK 5, CEDARPINES PARK NO. 3, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 23 OF MAPS, PAGE 38, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE WESTERLY LINE OF CREST ROAD, WHICH POINT IS NORTH 7 DEG. 50' EAST, 50 FEET FROM THE NORTHEASTERLY CORNER OF LOT 10, BLOCK 9, OF SAID CEDARPINES PARK NO. 3; THENCE NORTH 7 DEG. 50' EAST ALONG THE WESTERLY LINE OF SAID CREST ROAD, 35 FEET; THENCE NORTH 88 DEG. 30' WEST, 85 FEET TO A POINT; THENCE SOUTH 7 DEG. 50' WEST, 35 FEET TO A POINT; THENCE SOUTH 88 DEG. 30' EAST, 85 FEET TO THE POINT OF BEGINNING.

" TOGETHER WITH, ALL RIGHTS OF WAY, EASEMENTS, PERMITS, FRANCHISES, LICENSES, WATER RIGHTS, EQUIPMENT, INVENTORY AND OTHER PROPERTY, REAL OR PERSONAL, IN WHICH BORROWER NOW OWNS OR HEREAFTER ACQUIRES AN INTEREST."



FIRST AMERICAN



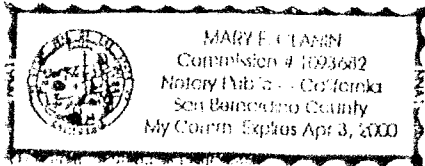
STATE OF CALIFORNIA } ss.
COUNTY OF SAN BERNARDINO

On November 14, 1996, before me, MARY E. CLANNIN NOTARY PUBLIC,
personally appeared LOIS M. BARKER

_____, personally known to me
(~~or proved to me on the basis of satisfactory evidence~~) to be the person whose name is
subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same
in ~~his/her/their~~ authorized capacity , and that by ~~his/her/their~~ signature on the instrument the
person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature Mary E. Clannin



Title of Document REAL ESTATE DEED OF TRUST
Date of Document SEPTEMBER 25, 1996 No. of Pages 8
Other signatures, not acknowledged N/A

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

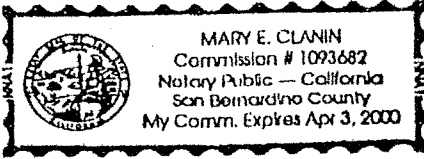
State of CALIFORNIA

County of SAN BERNARDINO

On 11/18/96 before me, MARY E. CLANIN Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared ROBERT FAWLEY
Name(s) of Signer(s)

personally known to me - OR - I 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.



WITNESS my hand and official seal.

Mary E. Clanin
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

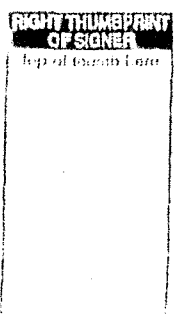
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

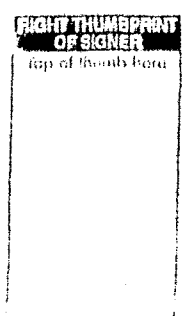
- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

ATTEST:

By */s/*
LOIS BARKER

 SECRETARY
(Title)

By */s/*
ROBERT FAWLEY

 PRESIDENT
(Title)

**UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION**

By */s/*
JEFFREY A. HAYS *th*

 COMMUNITY DEVELOPMENT MANAGER
(Title)