

Browns Valley Irrigation District

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April 26, 2011

Mr. Ronald G. Erny
Axel Karlshoej Properties
417 7th Street, Suite B
Marysville, CA 95901

Re: Reduction, Water Will-Serve Letter for Proposed Spring Valley Subdivision

Dear Mr. Erny:

In a letter dated August 24, 2010, you requested on behalf of the Spring Valley Group, which is represented by Axel Karlshoej Properties, that the Browns Valley Irrigation District renew for another five years the untreated water will-serve letter for the proposed Spring Valley Subdivision (the "Project"). Then in a letter dated April 5, 2011, you requested a reduction in the amount of water for the Spring Valley Project to 1,300 AF. The original water will-serve letter was issued by BVID on November 8, 2005. BVID understands that the Spring Valley Group now requests that the District serve up to 1,300 acre feet of water per year to the Project, with the final amount to be determined according to the amount of water that can actually be put to beneficial use within the Project. BVID also understands that, as of this time, the Spring Valley Group still plans to develop less than the approximately 2,500 acres described in the 1992 Specific Plan and that Axel Karlshoej Properties owns approximately 750 acres of the Project lands and that it holds an option to purchase the remaining 1,750 acres currently owned by R.G. Wood.

The request for 1,300 acre feet of water annually to serve the Project is being made by BVID landowners for the purpose of providing water to lands entirely within BVID's boundaries. As of the date of this letter, BVID has sufficient untreated water supplies available for the Project. The Project property, located in the southwest portion of BVID's territory, has used a quantity of untreated water annually for agricultural purposes. Because of proximity and other considerations, the primary water supply for the Project likely would be the Yuba River.

As provided under BVID's enabling act, the Irrigation District Law, and other California law, BVID has a duty to serve the properties on which the Project is planned. This duty to serve is described in the letter to the BVID Board from its legal counsel dated July 14, 2005. A copy of this letter was previously provided to you. BVID's duty to serve the Project is, however, subject

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to the Board's discretion to control the terms on which BVID will agree to provide a firm water supply to the Spring Valley Group.

In order for BVID to contract to provide a firm water supply and to extend water service to the Project in the amount and for the purposes requested, the Spring Valley Group will need to install or arrange for the installation of substantial on- and off-site improvements in accordance with the District's Rules and Regulations, Yuba County's requirements, and the Spring Valley Specific Plan approved by the Yuba County Board of Supervisors and ratified by the County's voters in 1992.

Firm service commitments by BVID to parcels requiring an extension of District facilities are provided only by a development or main line extension agreement negotiated between the District and the applicant and subject to all applicable State and County laws, regulations, approvals and permits for the subject project. New service connections and service to the Project would be subject to then-applicable BVID ordinances, resolutions, rules, regulations, policies, fees and charges. Such requirements, applicable to all water users in the District, include BVID- and State-mandated dry year reductions in water diversions, water shortage emergency cut-backs, and compliance with required and discretionary water conservation management plans and regulations.

This letter is only a statement of BVID's capacity conditions and ability to serve the Project as of the date set forth above. is specific to the Project, and is issued solely for the benefit of the Spring Valley Group. This letter may not be transferred or assigned to any other party (e.g., landowner or developer), property or project without BVID's prior written consent. This letter is not a contract, offer to contract, or binding commitment to provide untreated water service or to reserve capacity to or for the Project.

Assuming due execution of the related amendment to the funding agreement, this letter will be deemed to have become effective on April 28, 2011 and will remain in effect until November 8 2015 and will thereafter expire.

Sincerely,



WALTER COTTER
General Manager

WC:

cc: BVID Board Members