

77-265

OPERATING AGREEMENT NO. 2

AGREEMENT BETWEEN
BIG BEAR AREA REGIONAL WASTEWATER AGENCY ("AGENCY"),
BIG BEAR LAKE SANITATION DISTRICT ("BBLSD"),
BIG BEAR CITY COMMUNITY SERVICES DISTRICT ("BBCCSD")
AND COUNTY OF SAN BERNARDINO ("COUNTY")
ON BEHALF OF IMPROVEMENT ZONE "B" OF
SAN BERNARDINO COUNTY SERVICE AREA 53 REGARDING
SALE AND TRANSFER OF FACILITIES BY BBLSD
AND BBCCSD TO AGENCY, RIGHT OF AGENCY TO PURCHASE
SURPLUS REAL PROPERTY OF BBLSD AND BBCCSD,
OPERATION OF FACILITIES, AND CAPACITY AND
CONNECTION RIGHTS OF BBLSD, BBCCSD AND COUNTY
IN AND TO CERTAIN FACILITIES

THIS AGREEMENT is entered into as of this 3rd day of May, 1977, by and between the Big Bear Area Regional Wastewater Agency (hereinafter referred to as "BBARWA"), the Big Bear Lake Sanitation District (hereinafter referred to as "BBLSD"), the Big Bear City Community Services District (hereinafter referred to as "BBCCSD"), and the County of San Bernardino (hereinafter referred to as "County") on behalf of Improvement Zone "B" of San Bernardino County Service Area 53 (hereinafter referred to as "CSA 53-B").

RECITALS

(1) Status of Parties. BBARWA is a joint exercise of powers agency operating under Chapter 5, Division 7, Title 1 of the Government Code (§6500 et seq.), and was created by agreement dated March 22, 1974 between the other parties to this Agreement. BBLSD is a county sanitation district organized and existing under Chapter 3, Part 3, Division 5

of the Health & Safety Code (§4700, et seq.). County is a county of the State of California. BBCCSD is a community services district organized and existing under Division 3, Title 6 of the Government Code (§61000 et seq.).

(2) BBARWA's Purpose. BBARWA was created for the purpose of constructing a regional sewerage system for the Big Bear Valley Area, obtaining state and federal grants for such construction, financing the local portion of the cost of such construction and operating such regional sewerage system ("Regional System").

(3) Grants. BBARWA has received Step 2 grants from the State Water Resources Control Board ("State Board") and the U. S. Environmental Protection Agency ("EPA") in the combined total amount of \$552,300 to design the Regional System. It is anticipated that the plans and specifications for the Regional System will be completed and submitted to the State Board and the EPA in April, 1977, that upon approval of such plans and specifications by said Agencies, BBARWA will receive Step 3 grants from said Agencies in an amount equal to approximately 87-1/2% of the cost of constructing the Regional System, and that construction of the Regional System will commence in July, 1977.

(4) Bond Authorization. At a special election held on March 2, 1976, the voters in Big Bear Valley authorized BBARWA to issue and sell \$3 million of revenue bonds to pay the local portion of the cost of the Regional System, i.e.,

the acquisition, construction, improving and financing of an enterprise, to wit, a revenue producing improvement, building, system, plant, works, facilities and undertaking used for and useful for the collection, treatment, and disposal of sewage and wastewater.

(5) Existing Treatment Plants. BBLSD and BBCCSD own and operate sewage and wastewater treatment plants and related facilities within their respective service areas, which the parties have agreed will be sold and transferred to BBARWA at their original cost less grants and become parts of the Regional System. BBLSD and BBCCSD shall also transfer to BBARWA the real property where their said treatment plants are located. The legal description of the BBCCSD Real Property is contained in Exhibit "A" attached hereto, and the legal description of the BBLSD Real Property is contained in Exhibit "C" attached hereto. BBCCSD shall also sell and transfer to BBARWA its existing interceptor sewer line which is hereinafter referred to as the "BBCCSD Interceptor." Said parcels of real property and said BBCCSD Interceptor shall also become parts of the Regional System.

(6) Sewage Collection Systems. BBLSD and BBCCSD also own and operate sewage collection systems within their respective service areas. County is in the process of designing and constructing a sewage collection system within the service area of CSA 53-B. It is anticipated that construction of this sewage collection system will be completed in late 1978, and that it will commence operation in 1979.

(7) Modification of BBCCSD Treatment Plant. The existing BBCCSD sewage and wastewater treatment plant will be modified and expanded and will become the regional sewage and wastewater treatment plant for the entire Big Bear Valley Area.

(8) Capacity of Existing Treatment Plants. BBLSD does not have adequate capacity in its existing sewage treatment plant and wastewater disposal facilities to enable it to dispose of all of the sewage and wastewater which it now treats, and under agreement with BBCCSD, BBLSD now delivers to BBCCSD for disposal through the BBCCSD Treatment Plant up to 1.2 million gallons per day of treated wastewater. Because of the inadequate disposal capacity of its treatment plant and wastewater disposal facilities, BBLSD has limited the number of new connections which will be permitted to its sewage collection system each year. Due to expected new connections to its sewage collection system, BBCCSD anticipates that flows of sewage and wastewater from within its service area will soon increase to the point where such flows together with flows of treated wastewater from BBLSD will reach the treatment and hydraulic capacity of the BBCCSD Treatment Plant. Until the Modifications to the BBCCSD Treatment Plant are completed and in operation, the treatment and hydraulic capacity of such plant will not be adequate to provide for disposal of additional treated wastewater from BBLSD. It is anticipated that upon its completion, the Lake Interceptor will be extended around and

past the BBCCSD Treatment Plant to the evaporation lake at said plant so that treated wastewater from the BBLSD Treatment Plant can be pumped through this interceptor directly to said evaporation lake. It is further anticipated that until the Modifications to the BBCCSD Treatment Plant are completed and in operation, BBARWA will be able to--by operating the Lake Interceptor in this manner and by operating both the BBCCSD Treatment Plant and the BBLSD Treatment Plant--provide treatment and disposal capacity for the entire flow of sewage and wastewater from the BBLSD and BBCCSD sewage collection systems. Until the Modifications to the BBCCSD Treatment Plant are completed and in operation, BBARWA will not be able to provide treatment and disposal capacity for sewage and wastewater from the CSA 53-B sewage collection system.

(9) Existing Bonded Indebtedness on BBCCSD Facilities. Construction of the existing BBCCSD Treatment Plant and the BBCCSD Interceptor was financed in part by the sale of BBCCSD's general obligation bonds.

(10) Purpose. For the foregoing reasons, it is necessary that the parties enter into an agreement providing for the sale and transfer of the BBLSD Treatment Plant and Real Property and the BBCCSD Treatment Plant, Real Property and Interceptor to BBARWA, for the interim operation of such treatment plants and facilities until July 1, 1978, for capacity and other rights therein and in certain Regional System facilities and for other related matters.

AGREEMENT

In consideration of the foregoing and the mutual covenants and promises hereinafter contained, the parties agree as follows:

Section 1. DEFINITIONS.

The following words where used in this Agreement shall have the meaning hereafter ascribed to them:

1.01 Regional System. "Regional System" means: (1) the Regional Treatment Plant, (2) the outfall pipeline from the Regional Treatment Plant to the disposal site in Lucerne Valley, (3) the regional lift station to be located adjacent to the Regional Treatment Plant for delivering effluent from said treatment plant to said outfall pipeline, (4) the hydroelectric generating facilities, if any, located along said outfall pipeline, (5) turn-outs and other facilities, if any, located along said outfall pipeline for delivery of effluent to parties who may contract with BBARWA for such deliveries, (6) the interceptor sewer line from the CSA 53-B sewage collection system to the existing BBCCSD interceptor at Division Drive and Aeroplane Boulevard (the North Shore Interceptor), and all lift stations located along said interceptor sewer, (7) the BBCCSD Interceptor, (8) the interceptor sewer line from the BBLSD sewage collection system to the Regional Treatment Plant (the Lake Interceptor), (9) the lift station for delivering sewage and wastewater from the BBLSD sewage collection system to said interceptor,

(10) the disposal facilities, including irrigation facilities, in Lucerne Valley and (11) the existing BBLSD Treatment Plant.

1.02 BBCCSD Treatment Plant. "BBCCSD Treatment Plant" means the sewage and wastewater treatment plant now owned and operated by BBCCSD and located on the shore of Baldwin Lake in Section 7, Township 2 North, Range 2 East, San Bernardino County. The legal description of the real property upon which said treatment plant is located is attached hereto as Exhibit "A."

1.03 BBCCSD Interceptor. "BBCCSD Interceptor" means the interceptor sewer line now owned and operated by BBCCSD which runs from a manhole (No. 75) in Division Drive at Aeroplane Boulevard to the BBCCSD Treatment Plant. A legal description of the easement in which said interceptor sewer line is located is attached hereto as Exhibit "B."

1.04 BBCCSD Real Property. "BBCCSD Real Property" means the real property where the BBCCSD Treatment Plant is located. The legal description of said real property is contained in Exhibit "A" attached hereto.

1.05 BBLSD Treatment Plant. "BBLSD Treatment Plant" means the sewage and wastewater treatment plant now owned and operated by BBLSD and located near the shore of Big Bear Lake in Section 21, Township 2 North, Range 1 East, San Bernardino County. The legal description of the real property upon which said treatment plant is located is attached hereto as Exhibit "C."

1.06 BBLSD Real Property. "BBLSD Real Property" means the real property where the BBLSD Treatment Plant is located and where the lift station for transporting sewage and wastewater from the BBLSD sewage collection system to the Regional Treatment Plant will be located. The legal description of this real property is contained in Exhibit "C" attached hereto.

1.07 Lake Interceptor. "Lake Interceptor" means the interceptor sewer line from the BBLSD sewage collection system to the Regional Treatment Plant.

1.08 North Shore Interceptor. "North Shore Interceptor" means the interceptor sewer line from the CSA 53-B sewage collection system to the commencement of the BBCCSD Interceptor at manhole No. 75 in Division Drive at Aeroplane Boulevard.

1.09 Modifications to the BBCCSD Treatment Plant. "Modifications to the BBCCSD Treatment Plant" means all modifications of existing facilities of the BBCCSD Treatment Plant and all construction of new facilities at the site of said treatment plant specified in the plans and specifications for the Regional System.

1.10 Regional Treatment Plant. "Regional Treatment Plant" means the regional sewage and wastewater treatment plant which will be located at the site of the BBCCSD Treatment Plant, including said treatment plant and all modifications of existing facilities thereof and construction of new facilities at the site of said treatment plant specified

in the plans and specifications for the Regional System.

1.11 Regional Interceptor. "Regional Interceptor" means the BBCCSD Interceptor, the Lake Interceptor and the North Shore Interceptor.

1.12 Original Cost. "Original Cost" means the original cost of constructing the BBCCSD Treatment Plant and the BBCCSD Interceptor and the original purchase price of the BBCCSD Real Property, less grant payments, as determined by BBCCSD's engineers, and the original cost of constructing the BBLSD Treatment Plant and facilities to be transferred to BBARWA and the original purchase price of the BBLSD Real Property, less grant payments, as determined by BBLSD's engineers.

Section 2. TERM.

2.01 This Agreement shall become effective upon its having been executed on behalf of all the parties hereto, and shall continue in full force and effect until such time as all revenue bonds that may be issued by BBARWA and the interest thereon have been paid in full or for a period of fifty (50) years, whichever shall first occur; provided, however, that this Agreement may be extended by written agreement of the parties.

Section 3. SALE AND TRANSFER OF BBLSD FACILITIES AND REAL PROPERTY.

3.01 Facilities and Property to be Transferred and Date of Transfer. On July 1, 1977, BBLSD shall sell, transfer and convey to BBARWA the following: (1) the BBLSD

Treatment Plant and related facilities all of which are located upon the BBLSD Real Property and (2) the BBLSD Real Property.

3.02 Purchase Price. BBARWA shall pay to BBLSD for said facilities and real property the total purchase price of \$253,569. Said purchase price together with interest thereon at the rate of 5.50 percent per annum shall be paid by BBARWA to BBLSD over a period of fifteen (15) years in equal installments payable twice each year on the 10th day of December and the 10th day of April, commencing on December 10, 1978 and continuing until paid in full.

3.03 Deed. On July 1, 1977, the closing date, BBLSD shall cause to be properly executed and shall deliver to BBARWA a quitclaim deed to the facilities and real property which it is selling and transferring to BBARWA.

3.04 Note. On said closing date, simultaneously with the execution and delivery of such quitclaim deed, BBARWA shall cause to be properly executed and shall deliver to BBLSD a promissory note in the amount of the purchase price for the facilities and real property sold and transferred by it to BBARWA, payable as hereinabove specified.

3.05 Security for Purchase Price. As security for the payment by BBARWA of its said promissory note, BBLSD shall have and be granted a lien upon the real property and facilities transferred by it to BBARWA, and concurrently with the execution and delivery of BBARWA's said promissory note, BBARWA shall cause to be properly executed and shall

deliver to BBLSD a deed of trust covering the real property and facilities conveyed by it to BBARWA, conveying and granting the lien herein provided for.

3.06 Subordination. BBLSD agrees to and does hereby subordinate its lien on the real property and facilities transferred by it to BBARWA to any pledge of or lien upon said real property and facilities provided for in any resolution adopted by BBARWA's Governing Board with respect to the issuance and sale of BBARWA's revenue bonds to fund the construction of the Regional System.

3.07 BBLSD's Right to Use BBLSD Real Property. Notwithstanding the sale and transfer of the BBLSD Real Property and the facilities located thereon to BBARWA, BBLSD shall continue to have the right to use portions of said real property and buildings thereon, which are not used by BBARWA, for storage of equipment and supplies and other purposes that do not interfere with BBARWA's use or intended use of said property or buildings. However, BBLSD may not erect or locate any permanent structure or building on said real property without first obtaining the written permission of BBARWA. If BBARWA needs any portion of the BBLSD Real Property or any building thereon which is being used by BBLSD, BBLSD shall within a reasonable time after receipt of notice from BBARWA, remove all of its equipment and supplies therefrom and vacate said real property or building.

Section 4. SALE AND TRANSFER OF BBCCSD FACILITIES AND REAL PROPERTY.

4.01 Facilities and Property to be Transferred and Date of Transfer. On July 1, 1977, BBCCSD shall sell, transfer and convey to BBARWA the following: (1) the BBCCSD Treatment Plant, (2) the BBCCSD Interceptor, (3) the easement wherein said interceptor is located, which easement is described in Exhibit "B" attached hereto, and (4) the BBCCSD Real Property.

4.02 Purchase Price. BBARWA shall pay to BBCCSD for said facilities and real property the total purchase price of \$786,404. Said purchase price together with interest thereon at the rate of 5.50 percent per annum shall be paid by BBARWA to BBCCSD over a period of fifteen (15) years in equal installments payable twice each year on the 10th day of December and the 10th day of April, commencing on December 10, 1978 and continuing until paid in full.

4.03 Deed. On July 1, 1977, the closing date, BBCCSD shall cause to be properly executed and shall deliver to BBARWA a quitclaim deed to the facilities and real property which it is selling and transferring to BBARWA as well as an assignment of the easement or easements for the BBCCSD Interceptor.

4.04 Note. On said closing date, simultaneously with the execution and delivery of such quitclaim deed and assignment, BBARWA shall cause to be properly executed and shall deliver to BBCCSD a promissory note in the amount of the purchase price for the facilities and real property sold

and transferred by it to BBARWA, payable as hereinabove specified.

4.05 Security for Purchase Price. As security for the payment by BBARWA of its said promissory note, BBCCSD shall have and be granted a lien upon the real property and facilities transferred by it to BBARWA, and concurrently with the execution and delivery of BBARWA's said promissory note, BBARWA shall cause to be properly executed and shall deliver to BBCCSD a deed of trust covering the real property and facilities conveyed by it to BBARWA, conveying and granting the lien herein provided for.

4.06 Subordination. BBCCSD agrees to and does hereby subordinate its lien on the real property and facilities transferred by it to BBARWA to any pledge of or lien upon said real property and facilities provided for in any resolution adopted by BBARWA's Governing Board with respect to the issuance and sale of BBARWA's revenue bonds to fund the construction of the Regional System.

Section 5. RIGHT OF FIRST REFUSAL TO PURCHASE REMAINING REAL PROPERTY.

5.01 Remaining Real Property. Upon the transfer of the BBLSD Real Property and the BBCCSD Real Property to BBARWA, BBLSD will still own approximately 18 acres of real property adjacent to the BBLSD Real Property, and BBCCSD will still own approximately 148 acres of real property adjacent to the BBCCSD Real Property.

5.02 Right of First Refusal. If either BBLSD or BBCCSD shall decide to sell its remaining real property, or any part thereof, BBARWA shall have the right of first refusal to buy said real property at its appraised fair market value.

5.03 Notice of Intent to Sell. If either BBLSD or BBCCSD (said parties are hereinafter referred to as "Selling Party") decides to sell its remaining real property, or any part thereof, it shall give BBARWA written notice of such decision, and BBARWA shall have thirty (30) days after receipt of such notice to exercise its right of first refusal. BBARWA shall exercise its said right by giving the Selling Party written notice of its desire to have said real property appraised. If BBARWA fails to give said notice, the Selling Party may proceed to sell said real property without further notice to BBARWA.

5.04 Appraisal. Upon receipt of BBARWA's written notice advising the Selling Party of BBARWA's desire for an appraisal of said real property, BBARWA and the Selling Party shall agree upon an appraiser to appraise the fair market value of such real property. Said appraiser shall submit his appraisal in writing to BBARWA and the Selling Party.

5.05 Acceptance of Appraisal. Upon receipt of the report of said appraiser, if BBARWA elects to purchase said real property at its appraised fair market value, it shall, within thirty (30) days thereafter, notify the Selling

Party in writing that it wishes to to open an escrow for the sale and purchase of said real property. If BBARWA does not give such notice within said time, the Selling Party may proceed to sell said real property to any party for any price equivalent to or more than the appraised fair market value. However, the Selling Party may not sell said real property for a price less than the appraised fair market value, without first offering to sell the same to BBARWA at said reduced price. Said offer shall be in writing and shall be delivered to BBARWA, and BBARWA shall have thirty (30) days after receipt of said notice to notify the Selling Party in writing as to whether BBARWA will purchase said real property at said reduced price.

5.06 Consummation of Sale. If BBARWA elects to purchase said real property at its appraised fair market value or at a reduced price, the sale and purchase of said real property shall be consummated through an escrow to be opened by BBARWA and the Selling Party. Upon delivery of a policy of title insurance showing that the Selling Party's title to the real property is marketable and free and clear of all liens, and upon delivery into said escrow by the Selling Party of a properly executed grant deed conveying said real property to BBARWA, BBARWA shall deposit into said escrow the full purchase price for said real property and its proportionate share of the costs of said escrow. The costs of the escrow together with the costs of title insurance shall be divided equally between BBARWA and the Selling

Party. Notwithstanding the foregoing, BBARWA and the Selling Party may agree that BBARWA shall purchase said real property on an installment payment basis with interest.

Section 6. OPERATION OF FACILITIES.

6.01 BBLSD Facilities. Until July 1, 1978, the BBLSD Treatment Plant shall continue to be operated and maintained by BBLSD in the same manner as if such plant were owned by BBLSD rather than BBARWA. Upon the completion of the Lake Interceptor and its extension around and past the BBCCSD Treatment Plant to the evaporation lake at said treatment plant, as hereinafter provided, said interceptor shall also be operated and maintained by BBLSD in this same manner until July 1, 1978. However, on such date, BBARWA shall assume and take over full control, operation and maintenance of said plant and interceptor.

6.02 BBCCSD Facilities. Until July 1, 1978, the BBCCSD Treatment Plant and the BBCCSD Interceptor shall continue to be operated and maintained by BBCCSD in the same manner as if such facilities were owned by BBCCSD rather than BBARWA. However, on such date, BBARWA shall assume and take over full control, operation and maintenance of such facilities.

Section 7. CAPACITY IN BBCCSD TREATMENT PLANT.

7.01 BBCCSD Capacity. Until the Modifications to the BBCCSD Treatment Plant (see Part 1.09) are completed and in operation, all additional treatment and hydraulic capacity in the BBCCSD Treatment Plant, except that herein temporarily

allocated to BBLSD, shall be and is reserved to BBCCSD for future connections to its sewage collection system.

7.02 BBLSD Capacity. Until the Lake Interceptor is completed and extended around and past the BBCCSD Treatment Plant to the evaporation lake at said treatment plant so that treated wastewater can be pumped from the BBLSD Treatment Plant and discharged through said interceptor directly to said evaporation lake, BBLSD shall have the right to pump and deliver from the BBLSD Treatment Plant to the BBCCSD Treatment Plant up to 1.2 million gallons per day of treated wastewater for disposal under the terms and conditions contained in the existing agreement between BBCCSD and BBLSD, or any modification thereof, and all payments provided for in said agreement shall continue to be made by BBLSD to BBCCSD as provided therein. Upon such completion and extension of the Lake Interceptor, the said agreement between BBLSD and BBCCSD shall be considered to have been terminated and BBLSD shall discontinue all pumping and delivery of treated wastewater to the BBCCSD Treatment Plant, and all treated wastewater from the BBLSD Treatment Plant shall be pumped and delivered through the Lake Interceptor and disposed of by discharge into said evaporation lake. At such time there shall be no limitation on the quantity of treated wastewater that BBLSD can pump and deliver through the Lake Interceptor for disposal into said evaporation lake. However, such treated wastewater shall at all times meet the requirements of the National Pollution

Discharge Elimination System Permit or the Waste Discharge requirements for discharge from the BBCCSD Treatment Plant into said evaporation lake and any other requirements of the Regional Water Quality Control Board with respect to such discharge. From and after such completion and extension of the Lake Interceptor and until the Modifications to the BBCCSD Treatment Plant are completed and in operation, BBLSD shall not have the right to pump and deliver any sewage or wastewater to said treatment plant for treatment or disposal. Until the Modifications to the BBCCSD Treatment Plant are completed and in operation, the BBLSD Treatment Plant shall continue to be operated -- by BBLSD prior to July 1, 1978 and by BBARWA thereafter -- and all sewage and wastewater from the BBLSD sewage collection system shall be treated at said treatment plant and pumped and delivered through the Lake Interceptor for disposal into said evaporation lake. At such time as the Modifications to the BBCCSD Treatment Plant are completed and in operation, there shall be no limitation on the quantity of wastewater, treated or untreated, that BBLSD can pump and deliver to said treatment plant for treatment and disposal.

7.03 CSA 53-B Capacity. At such time as the Modifications to the BBCCSD Treatment Plant are completed and in operation, but not sooner, County shall have the right to pump and deliver sewage and wastewater collected by the CSA 53-B sewage collection system to said treatment plant for treatment and disposal.

7.04 Monitoring. Until July 1, 1978, BBCCSD and BBLSD shall each comply with the monitoring requirements of the National Pollution Discharge Elimination System (NPDES) Permit for influent into the BBCCSD Treatment Plant, for effluent discharged from said treatment plant to the evaporation lake at said treatment plant (Discharge Serial No. 001) and for discharge from said evaporation lake to Baldwin Lake (Discharge Serial No. 002). BBLSD shall conduct influent monitoring at the inlet to the BBLSD Treatment Plant and shall conduct effluent monitoring for both Discharge Serial Nos. 001 and 002 at the outlet of the Lake Interceptor into said evaporation lake. BBCCSD shall conduct influent and effluent monitoring of flows of sewage and wastewater from its sewage collection system as provided in said NPDES Permit. Each of said Agencies shall provide all equipment and supplies necessary for such monitoring. BBLSD shall provide BBCCSD with the results of BBLSD's monitoring in sufficient time so that all reports required by said NPDES Permit can be made at the times therein specified. BBCCSD shall be responsible for making all reports to the Regional Water Quality Control Board required under said NPDES Permit. After July 1, 1978 all monitoring under said NPDES Permit shall be the responsibility of BBARWA.

Section 8. COVENANTS REGARDING CONSTRUCTION OF REGIONAL SYSTEM AND REVENUES.

8.01 Covenants Regarding Construction. BBARWA covenants and agrees with the other parties to this Agree-

ment that it will do everything reasonably possible to complete the construction of the Lake Interceptor and the extension of said interceptor around and past the BBCCSD Treatment Plant to the evaporation lake at said treatment plant at the earliest possible date and not later than December 31, 1977, and that it will also do everything reasonably possible to complete construction at the earliest date practicable of such other facilities, including the Modifications to the BBCCSD Treatment Plant, as may be necessary to enable it to provide sewage treatment and disposal capacity for the total flows of sewage and wastewater from the BBCCSD and BBLSD sewage collection systems, including increased flows, until construction of the Regional System in its entirety is completed. BBARWA further covenants and agrees that it will do everything reasonably possible to complete the construction of the Regional System in its entirety by December 31, 1978.

8.02 Covenant Regarding Revenues. BBARWA covenants and agrees with BBLSD and BBCCSD that it will at all times until its promissory notes to BBLSD and BBCCSD are paid in full as to both principal and interest, operate the Regional System in such a manner that sufficient revenues will be produced therefrom to enable BBARWA to operate and maintain the Regional System, pay the principal and interest on BBARWA's revenue bonds when due, reserve all funds required for capital replacement, and pay when due the principal and interest on said notes.

Section 9. CAPACITY IN AND CONNECTIONS TO REGIONAL INTERCEPTORS.

9.01 Capacity in Lake Interceptor. The Lake Interceptor is being designed and constructed to transport sewage and wastewater from the BBLSD sewage collection system to the Regional Treatment Plant, and is being sized to accommodate expected increased flows of sewage and wastewater from said collection system through 1998. The primary use of this interceptor shall be for the transportation of flows of sewage and wastewater from the BBLSD collection system to the Regional Treatment Plant, and BBARWA shall not permit connections to said interceptor for the sewerage of areas outside the service area of BBLSD which will interfere with or reduce the capacity of said interceptor which will be needed to accommodate flows of sewage and wastewater from the BBLSD collection system through 1998.

9.02 Capacity in BBCCSD Interceptor. It is expected that the BBCCSD Interceptor will have sufficient capacity to transport sewage and wastewater from within the BBCCSD and CSA 53-B service areas and from areas along the route of and adjacent to the North Shore Interceptor, including expected increased flows of sewage and wastewater, to the Regional Treatment Plant through 1998. The primary use of this interceptor shall be for the transportation of flows of sewage and wastewater from within the BBCCSD and CSA 53-B service areas and from said North Shore Interceptor areas to the Regional Treatment Plant, and BBARWA shall not permit

connections to said interceptor for the sewerage of other areas which will interfere with or reduce the capacity of said interceptor which will be needed to accommodate flows of sewage and wastewater from within said service areas and from said North Shore Interceptor areas through 1998.

9.03 Capacity in North Shore Interceptor. The North Shore Interceptor is being designed and constructed to transport sewage and wastewater from the CSA 53-B sewage collection system and from areas along the route of and adjacent to said interceptor to the Regional Treatment Plant, and is being sized to accommodate expected increased flows of sewage and wastewater from said sewage collection system and areas through 1998. The primary use of this interceptor shall be for the transportation of flows of sewage and wastewater from said sewage collection system and areas to the Regional Treatment Plant, and BBARWA shall not permit connections to said interceptor for the sewerage of other areas which will interfere with or reduce the capacity of said interceptor which will be needed to accommodate flows of sewage and wastewater from said sewage collection system and areas through 1998.

9.04 Connection Rights. BBCCSD shall have the right to connect trunk sewer lines, collector sewer lines and lateral sewer lines to the BBCCSD Interceptor, and County shall have the right to connect such lines to the North Shore Interceptor. BBLSD shall have the right to make any such connection to the Lake Interceptor which will not

jeopardize said interceptor's classification as an "interceptor" or "interceptor sewer" under Section 2102(v) of the Regulations of the State Water Resources Control Board (23 Cal. Adm. Code 2102(v)). All such connections by said agencies shall be subject to the terms and conditions hereinafter set forth.

9.05 Notices. Whenever BBLSD, BBCCSD or County on behalf of CSA 53-B (said agencies are hereinafter sometimes referred to as "Connecting Agency") desires to make a connection to its Regional Interceptor,* it shall notify BBARWA in writing of the location of the intended connection, the size and length of the sewer line to be connected, and the number of residences or business establishments to be served thereby. Upon receipt of such a notice from BBLSD, BBARWA shall within thirty (30) days thereafter notify BBLSD in writing as to whether or not said connection will be permitted, and, if so, shall also notify BBLSD of the other matters hereinafter set forth with respect to BBARWA's notices to BBCCSD and CSA 53-B. Upon receipt of such a notice from BBCCSD or County on behalf of CSA 53-B, BBARWA shall within thirty (30) days thereafter notify the Connecting Agency in writing of the amount of BBARWA's connection fee to be collected from each residence and business establishment to be served through said connection, whether a meter or meters must be installed for measuring flows from

* The Regional Interceptors of the parties are:

BBLSD	--	Lake Interceptor
BBCCSD	--	BBCCSD Interceptor
CSA 53-B	--	North Shore Interceptor

said residences and business establishments and through said connection, the type or types and size or sizes of such meter or meters, and of any other requirements with respect to such connection.

9.06 Collection of Fees. The Connecting Agency shall charge and collect from all residences and business establishments to be served through any such connection the applicable BBARWA connection fee and any other fee that may be prescribed for any such connection by BBARWA, and shall remit the same to BBARWA within fifteen (15) days after the completion of the connection.

9.07 Supervision of Connection. All connections to said interceptors shall be made in accordance with BBARWA's rules and regulations relating to such connections, and the actual connection shall be supervised and witnessed by a representative of BBARWA.

Section 10. BONDHOLDERS AS THIRD PARTY BENEFICIARIES.

10.01 It is understood and agreed by the parties hereto that BBARWA has conducted an election and has otherwise taken proceedings for the authorization, issuance and sale of \$3,000,000 of revenue bonds under and pursuant to the Revenue Bond Law of 1941 (Government Code §54300 et seq.) and intends to issue said revenue bonds so authorized at the special election of March 2, 1976, to pay the local portion of the cost of the design and construction of the Regional System, which was described in the election proceedings

as "the acquisition, construction, improving and financing of an enterprise, to wit, a revenue producing improvement, building, system, plant, works, facilities and undertaking used for and useful for the collection, treatment and disposal of sewage and wastewater," and certain legally permissible associated incidental expenses. This Agreement is entered into, in addition to any other purpose herein stated, with the understanding that said bonds shall be issued and sold for such purpose, and the provisions herein are for the protection and benefit of the holders of said bonds, and the parties hereto agree, for the protection and benefit of the holders of said bonds, that they will carry out and perform all covenants, conditions and agreements contained in this Agreement and in the proceedings authorizing said revenue bonds, and that said bondholders are entitled to enforce the same, or to cause BBARWA to enforce the same on their behalf, as third party beneficiaries of this Agreement.

Section 11. GENERAL PROVISIONS.

11.01 Notices. Any notice to be given hereunder by any party to another party may be effected by personal delivery in writing or by registered or certified mail, postage prepaid, return receipt requested, and shall be deemed communicated as of mailing. Mailed notices shall be addressed to the parties at their respective principal offices. Each party may change its address by written notice in accordance with this Part.

11.02 Entire Agreement. This instrument contains the entire agreement between the parties relating to the matters covered hereby. Any oral representations or modifications concerning this instrument shall be of no force or effect excepting a subsequent modification in writing, signed on behalf of all parties hereto.

11.03 Captions. The captions of sections and parts of this Agreement are for reference only and are not to be construed in any way as a part of this Agreement.

11.04 Partial Invalidity. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

11.05 Successors. This Agreement shall be binding upon and inure to the benefit of the successors in interest of the parties.

11.06 Attorney's Fees. If any action, at law or in equity, including any action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to a reasonable attorney's fee in addition to any other relief to which it may be entitled.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and attested by their proper officers

thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

BIG BEAR AREA REGIONAL
WASTEWATER AGENCY

By: *James L. Ward*
JAMES L. WARD, Chairman of
the Governing Board of the
Big Bear Area Regional
Wastewater Agency

ATTEST:

By: *W. L. Peery*
W. L. PEERY, Secretary of
the Governing Board of
the Big Bear Area Regional
Wastewater Agency

BIG BEAR CITY COMMUNITY
SERVICES DISTRICT

By: *W. L. Peery*
W. L. PEERY, President of
the Board of Directors of
Big Bear City Community
Services District

ATTEST:

By: *Earl L. Black*
EARL L. BLACK, Secretary
of the Board of Directors
of Big Bear City Community
Services District

BIG BEAR LAKE SANITATION DISTRICT
and the COUNTY OF SAN BERNARDINO
on behalf of Improvement Zone
"B" of San Bernardino County
Service Area 53

By: Robert O. Townsend
ROBERT O. TOWNSEND, Chairman
of San Bernardino County
Board of Supervisors,
Governing Body of Big Bear
Lake Sanitation District
and Improvement Zone "B" of
San Bernardino County
Service Area 53

MAY 9 1977

ATTEST:

LEONA RAPOPORT, Clerk of said
Board

By: Leona Rapoport
Deputy Clerk

APPROVED AS TO FORM this 9th day of May, 1977.

M. CRANE KITCHELL,
County Counsel

By: Ernest J. Holder
Deputy County Counsel

APPROVED AS TO FORM this 3rd day of May, 1977.

BEST, BEST & KRIEGER

By: R. T. Anderson
Richard T. Anderson

Attorneys for Big Bear Area
Regional Wastewater Agency

EXHIBIT "A"

OPERATING AGREEMENT NO. 2

LEGAL DESCRIPTION OF
REAL PROPERTY TO BE CONVEYED BY
BIG BEAR CITY COMMUNITY SERVICES DISTRICT
TO
BIG BEAR AREA REGIONAL WASTEWATER AGENCY

The Easterly 500.00 feet of the North 1/2 of the Southeast 1/4 of Section 12, Township 2 North, Range 1 East, San Bernardino Base & Meridian, in the County of San Bernardino, State of California.

ALSO the North 1/2 of Government Lots 1 and 2 of the Southwest 1/4 of Section 7, Township 2 North, Range 2 East, San Bernardino Base & Meridian.

EXHIBIT "B"

OPERATING AGREEMENT NO. 2

LEGAL DESCRIPTION OF
 EASEMENT FOR INTERCEPTOR SEWER LINE
 ("BBCCSD INTERCEPTOR") TO BE CONVEYED BY
 BIG BEAR CITY COMMUNITY SERVICES DISTRICT
 TO
 BIG BEAR AREA REGIONAL WASTEWATER AGENCY

All that portion of Sections 15, 14 and 13, Township 2 North, Range 1 East, and of Sections 18 and 7, Township 2 North, Range 2 East, San Bernardino Base & Meridian, in the County of San Bernardino, State of California, according to Official Plat thereof, described as follows:

A strip of land 10 feet wide lying 5 feet on each side of the following described centerline:

BEGINNING at a point in the centerline of 40 foot wide Division Drive, said point lies Southerly 3.00 feet from the intersection of said centerline with the centerline of 40 foot wide Aeroplane Lane, said intersection lies at the Northwest corner of Block 2, Tract No. 1788, BIG BEAR ESTATES UNIT NO. 1, as per plat recorded in Book 26 of Maps, Page 2, records of said County; thence along a line which is parallel with and 3 feet Southerly of said centerline of Aeroplane Lane, South 89° 31' East 595.00 feet to a point on a line which is parallel with and 5 feet Easterly of the centerline of 40 foot wide Gildart Drive; thence along said line North 0° 05' 30" West 238.00 feet to a point on a line which is parallel with and 5 feet Southerly of the centerline of 40 foot wide Country Club Boulevard; thence along said line South 89° 31' East 581.00 feet to a point on a line which is parallel with and 4 feet Westerly of the centerline of 40 foot wide Hillen Dale Drive; thence along said line North 0° 05' 30" West 242.00 feet to a point on a line which is parallel with and 3 feet Southerly of the centerline of 40 foot wide Fairway Boulevard; thence along said line South 89° 31' East 1249.00 feet; thence South 89° 50' East 354.29 feet to a point which is 3 feet Southerly and 13 feet Westerly of the centerline intersection of said Fairway Boulevard and 40 foot wide Kiener Drive; thence South 1° 55' 04" East 241.16 feet to a point which is 5 feet Westerly and 4 feet Southerly of the centerline intersection of said Kiener Drive and 40 foot wide Country Club Boulevard; thence along a line which is parallel with and 5 feet Westerly of said centerline of Kiener Drive South 0° 01' East 231.00

feet to a point on a line which is parallel with and 5 feet Northerly of the centerline of 40 foot wide Valley Boulevard; thence along said line North $89^{\circ} 43'$ East 1180.61 feet to a point on a line which is parallel with and 10 feet Easterly of the centerline of 40 foot wide Big Tree Drive; thence along said line North $0^{\circ} 01'$ West 310.02 feet to a point on a line which is parallel with and 10 feet Northwesterly of the centerline of 40 foot wide Fairway Boulevard; thence along said line North $72^{\circ} 53'$ East 604.08 feet to an angle point therein; thence continuing along said line North $89^{\circ} 43'$ East 57.67 feet to a point on a line which is parallel with and 5 feet Easterly of the centerline of 40 foot wide Pinon Drive; thence along said line North $0^{\circ} 01'$ West 282.78 feet; thence North $87^{\circ} 27'$ East 565.38 feet; thence South $76^{\circ} 04' 30''$ East 520.02 feet; thence North $0^{\circ} 01'$ West 50.66 feet; thence South $79^{\circ} 54' 40''$ East 499.89 feet; thence North $52^{\circ} 32' 10''$ East 74.41 feet to a point on a line which is parallel with and 29 feet Northeasterly of the centerline of 60 foot wide Greenway Drive; thence along said line North $15^{\circ} 42' 30''$ West 487.13 feet; thence North $86^{\circ} 33'$ East 383.42 feet; thence North $82^{\circ} 48'$ East 288.00 feet to a point which lies 5 feet Northerly and 2 feet Westerly of the centerline intersection of 40 foot wide Mount Doble Drive and 40 foot wide Mountain View Boulevard, as said intersection is shown at the Northwest corner of Block 92, Tract No. 2215, BIG BEAR LAND & WATER CO. UNIT NO. 9, as per plat recorded in Book 33 of Maps, Page 15, records of said County; thence along a line which is parallel with and 5 feet Northerly of said centerline of Mountain View Boulevard, North $89^{\circ} 43'$ East 1132.83 feet to a point on a line which is parallel with and 5 feet Westerly of the centerline of 40 foot wide Paradise Way; thence along said line North $1^{\circ} 01' 30''$ West 131.50 feet to a point on a line which is parallel with and 5 feet Southerly of the North line of the Northwest 1/4 of the aforesaid Section 13, Township 2 North, Range 1 East, S. B. B. & M.; thence along said line East 1929.97 feet; thence South $0^{\circ} 40'$ East 130.01 feet; thence East 192.75 feet; thence South $0^{\circ} 40'$ West 450.99 feet; thence East 523.04 feet to a point on a line which is parallel with and 2 feet Easterly of the centerline of 40 foot wide Shore Drive; thence along said line South $0^{\circ} 40'$ West 240.01 feet to a point on a line which is parallel with and 10 feet Northerly of the centerline of 40 foot wide Fairway Boulevard; thence along said line North $89^{\circ} 14'$ East 593.01 feet to a point on a line which is parallel with and 5 feet Easterly of the centerline of 40 foot wide Teal Drive; thence South $0^{\circ} 42'$ West 240.01 feet to a point on a line which is parallel with and 10 feet Northerly of the centerline of 40 foot wide Country Club Boulevard; thence along said line North $89^{\circ} 14'$ East 265.01 feet to a point on the Northerly prolongation of the East line of Lot 7, Block 166, Tract No. 2312, BIG BEAR LAND & WATER CO. UNIT NO. 15, as per plat recorded in Book 34 of Maps, Page 33, records of said County;

thence along said line South 0° 42' West 130.00 feet to the Southeast corner of said Lot 7; thence South 4° 04' West 155.51 feet; thence North 89° 14' East 424.17 feet; thence North 80° 07' 30" East 208.22 feet; thence North 78° 45' 30" East 329.20 feet; thence North 75° 38' 30" East 384.44 feet; thence North 63° 11' 04" East 357.02 feet to a point on a line which is parallel with and 25.50 feet Southeasterly of the centerline of 100 foot wide Big Bear Boulevard; thence along said line, North 64° 14' East 395.00 feet; thence North 50° 22' 31" East 143.94 feet to a point on a line which is parallel with and 5 feet Northwesterly of the centerline of 50 foot wide Shay Road; thence along said line North 45° 59' East 1074.79 feet to a point on a line which is parallel with and 3.27 feet Northerly of the centerline of 40 foot wide Barranca Boulevard; thence Northeasterly 430.00 feet to a point on the centerline of 60 foot wide Shay Road; thence along said line North 89° 31' 30" East 800 feet to a point which lies 30 feet Northerly of and 251.55 feet Westerly of the South 1/4 corner of the aforesaid Section 7; thence North 0° 28' 30" West 1390 feet to the end of said centerline at the existing sewer treatment facilities plant.

EXHIBIT "C"

OPERATING AGREEMENT NO. 2

LEGAL DESCRIPTION OF
REAL PROPERTY TO BE CONVEYED BY
BIG BEAR LAKE SANITATION DISTRICT
TO
BIG BEAR AREA REGIONAL WASTEWATER AGENCY

That portion of Sections 16 and 21, Township 2 North, Range 1 East, SAN BERNARDINO MERIDIAN, in the County of San Bernardino, State of California, described as follows:

BEGINNING at the most Southerly corner of that parcel of land hereinafter referred to as Parcel "A" described in that deed to Big Bear Lake Sanitation District, recorded October 5, 1966, in Book 6708, Page 33, Official Records of said County; thence North 32° 41' 30" West along the Southwesterly line of said Parcel "A" and along the Southwesterly line of that parcel of land hereinafter referred to as Parcel "B" described in that deed to Big Bear Lake Sanitation District, recorded February 20, 1947, in Book 1975, Page 414, Official Records of said County, a distance of 500.00 feet; thence North 57° 19' 30" East, parallel with the Southeasterly line of said Parcel "A" a distance of 602.45 feet to the Northeasterly line of said Parcel "B"; thence South 32° 41' 30" East along the Northeasterly line of said Parcel "A" and Parcel "B" a distance of 500.00 feet to the most Easterly corner of said Parcel "A"; thence Southwesterly along the Southeasterly line of said Parcel "A" a distance of 602.45 feet, to the POINT OF BEGINNING.

The herein above described parcel contains 6.92 acres.