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THIRD AMENDMENT
TO
RAILROAD CANYON RESERVOIR
LEASE AGREEMENT

This THIRD AMENDMENT TO RAILROAD CANYON RESERVOIR LEASE AGREEMENT is made this 1st day of August, 1974, by TEMESCAL WATER COMPANY, herein called "Lessor" and by the CANYON LAKE PROPERTY OWNERS ASSOCIATION, herein called "Lessee".

WITNESSETH:

WHEREAS, Lessor and Lessee (as assignee) are parties to that certain Railroad Canyon Reservoir Lease Agreement, dated February 12, 1968, as amended on November 1, 1969 and November 30, 1970; and

WHEREAS, the parties hereto desire to make a further amendment to said Lease Agreement as set forth herein for clarification purposes.

NOW, THEREFORE, IT IS AGREED as follows:

1. EXTENT OF RESERVOIR USE.

The parties hereby agree that Lessee's rights to use the surface of said reservoir under the terms and conditions of said Railroad Canyon Reservoir Lease Agreement does not include any right or rights to use any portion of such reservoir which is northerly of the southerly boundary of Section 26, T5S, R4W, SBBM.

2. OTHER TERMS AND CONDITIONS.

Nothing herein contained shall alter or otherwise effect

the terms and conditions of said Lease Agreement (as amended) except as specifically set forth herein.

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment on the day and year first above written.

TEMESCAL WATER COMPANY

By: *R. L. Hampton*
R. L. Hampton, President

By: *W. H. Purdy*
W. H. Purdy, Secretary

CANYON LAKE PROPERTY OWNERS
ASSOCIATION

By: *James Coes*
President

By: *Lynn P. Eastman*
Secretary

LEASE

This LEASE is made this 1st day of August, 1974, by and between TEMESCAL WATER COMPANY, a California corporation, hereinafter called "Lessor", and the CANYON LAKE PROPERTY OWNERS ASSOCIATION, a California corporation, hereinafter called "Lessee".

WHEREAS, Lessor is the owner of that certain water storage reservoir known as Railroad Canyon Reservoir, located in Riverside County, California; and

WHEREAS, those portions of the reservoir located on portions of Section 26, T5S, R4W, SBBM, are located on land owned by the United States of America in the County of Riverside, State of California; and

WHEREAS, Lessor is the Owner of a right-of-way for reservoir purposes over said lands of the United States which have been withdrawn from settlement, location, sale or entry as Reservoir Site No. 15 by Executive Order dated March 30, 1922, under the Act of June 25, 1910 (36 Stat. 841); and

WHEREAS, Lessee is the lessee, by assignment, of certain rights to use said reservoir surface in accord with the terms and conditions of that certain Railroad Canyon Reservoir Lease Agreement, dated February 12, 1968, a Memorandum of which was recorded in the office of the Riverside County Recorder on February 21, 1968, as Instrument No. 16413; and

WHEREAS, the surface of said reservoir to which the

Lessee under said lease was and is entitled to use does not include any portion of said reservoir surface north of the southerly boundary of said Section 26, in spite of language in said Lease purporting to grant a right to use the entire surface of said reservoir; and

WHEREAS, Lessee desires to lease certain rights to use the said reservoir surface lying within the boundaries of said Section 26, and Lessor is willing to lease such rights to Lessee, all on the terms and conditions herein set forth.

NOW, THEREFORE, IT IS AGREED as follows:

1. LEASE.

Lessor hereby leases to Lessee and Lessee hereby lets from Lessor the right to use the surface of said Railroad Canyon Reservoir lying within Section 26, T5S, R4W, SBBM, County of Riverside, State of California, hereinafter sometimes referred to as the "premises" or as the "leased premises", for boating, fishing, water sports and other rights specifically mentioned herein.

2. TERM.

The term of this Lease shall commence upon execution hereof and shall continue until December 31, 2022.

3. RENTAL.

The rental shall be the sum of \$400.00 per month, payable in advance, on or before the first day of each and every month during the term hereof. In the event this Lease commences on a day other than the first day of a month, the rental for such first month shall be prorated accordingly.

4. WATER LEVEL.

Lessor shall have no obligation, under this Lease, to maintain the water level of the reservoir in said Section 26 at any level, or to maintain any water therein, at any time.

5. USE OF RESERVOIR.

Lessee's use of the reservoir surface in said Section 26 is restricted to boating, swimming, fishing and water sports.

Lessee shall not allow any persons other than members of the Canyon Lake Property Owners Association and their bona fide guests to use the premises.

Lessee shall not do or permit any person to make any use of such surface in said Section 26 or the water therein which will interfere with the operation of the Lessor's dam and reservoir as a storage reservoir for agricultural and domestic water. Lessee shall not permit sewage, waste products, garbage, refuse or contaminating materials of any kind to be discharged or placed in said reservoir or on adjacent areas controlled by Lessee where water flow into the reservoir or increase in the water level may cause such material to come into contact with the reservoir.

Lessor retains the right where necessary to take such reasonable steps and do such things as may be reasonably necessary to enforce the restrictions, prohibitions and obligations hereunder directly against any persons purporting to use the premises under authority, sublease, assignment, permit, license or other right derived through Lessee. Any such enforcement shall be at Lessee's expense.

6. OTHER USES.

In addition to the rights set forth in Paragraph 5, Lessee shall have, during the term hereof, the following rights:

(a) The right to install and maintain bouys or other course or channel markers on and in the premises for safety or identification purposes.

(b) The right to install and maintain a log boom across the water surface at the northerly boundary of said Section 26.

7. USE BY OTHERS.

It is understood and agreed that Lessor shall have the right during the term hereof to grant a right to other persons who acquire ownership or a right to possession of real property located in Section 13 or Section 23, T5S, R4W, SBBM, and which is owned by Lessor as of the date hereof to use the reservoir surface in said Section 26 and in Section 23. In the event Lessor grants any such rights, Lessor shall impose the following conditions upon any such grant or grants:

(a) In the event any such grantees are granted the right to use the reservoir surface in said Section 26, they (collectively) shall pay to Lessee a sum equal to one-half (1/2) of the rental and maintenance costs of Lessee hereunder for the period such grantees are entitled to use said surface.

(b) Such grantees shall, at their sole cost, obtain and maintain public liability and property damage insurance in reputable companies to protect against any liability to the public incident to the use of or resulting from any accident occurring in or about the said premises, the liability under such insurance to be not less than \$300,000.00 for any one person injured, or \$500,000.00 for property damage. These policies shall insure the contingent liability of Lessor and Lessee. Such grantees shall furnish copies of said policies to Lessor and Lessee, and such grantees are to obtain a written obligation on the part of the insurance carriers to notify Lessor and Lessee in writing prior to any cancellation thereof.

(c) Such grantees shall agree, in writing, that they shall indemnify, defend and save Lessor and Lessee, and each of them, harmless from any and all claims or causes of action against Lessor and/or Lessee in which a contention or claim is made that any act, activity, or omission of such grantees has resulted in damage to third parties.

(d) Such grantees shall agree, in writing,

to comply with the rules and regulations of Lessee regarding the use of the leased premises established for the purpose of complying with the requirements set forth in Paragraph No. 5 hereof and for the purpose of safety.

(e) If in the judgment of Lessee and due to future grants by Lessor to others of the use of the reservoir surface in said Section 26 jointly with Lessee, that such joint use thereof shall collectively overburden the reservoir surface in said Section 26, and by reason thereof substantially impair the desirability thereof for the uses herein contemplated, then and in that event Lessee shall have the option exercisable on reasonable written notice to Lessor, to terminate this lease agreement.

In the event of any such grant by Lessor, Lessee shall, upon written request from Lessor, remove the log boom placed by Lessee on the northerly boundary of said Section 26.

Lessor agrees that it shall not voluntarily grant to any public or quasi-public agency, which acquires any interest in said Sections 13 and 23, any right to use any portion of the reservoir surface in said Section 23, unless such agency shall agree to construct and maintain a check dam or other barrier along the southerly boundary of said Section 23 for the purpose of physically separating the premises from said Section 23.

8. TAXES.

In the event any taxes or assessments are levied or assessed on Lessee's leasehold or possessory rights hereunder, Lessee shall, before delinquency, pay all such taxes or assessments.

9. INSURANCE.

Lessee shall at its sole cost, obtain and maintain public liability and property damage insurance in reputable companies to protect against any liability to the public incident to the use of or resulting from any accident occurring in or about the said premises, the liability under such insurance to be not less than \$300,000.00 for any one person injured, or \$500,000.00 for any one accident, or \$100,000.00 for property damage. These policies shall insure the contingent liability of Lessor. Lessee shall furnish copies of said policies to Lessor, and Lessee is to obtain a written obligation on the part of the insurance carriers to notify Lessor in writing prior to any cancellation thereof, and Lessee agrees, if Lessee does not keep such insurance in full force and effect, that Lessor may take out the necessary insurance and pay the premium and the repayment thereof shall be deemed to be part of the rental and payment as such on the next day upon which rent becomes due.

10. INSTALLATION OF FENCE.

At any time during the term hereof, Lessor may install fences or other access control devices in said Section 26 and in

Section 23 (immediately to the north of said Section 26) along the 1400 foot elevation contour and/or along a line 1,000 feet outbound from said reservoir shoreline which is deemed to be, for purposes of this paragraph, at the 1375 foot elevation contour. The purpose of such fences or other devices shall be to prevent all unauthorized entry to the reservoir or its immediately adjacent areas.

In the event Lessor shall install any such fences or devices, Lessee shall pay the entire cost thereof; provided, however, Lessee shall not be obligated to pay the cost thereof unless it, prior to the installation thereof, consents, in writing to the location, style and cost of such proposed fences or devices; and provided further, however, that in the event Lessee does pay to Lessor such cost, Lessee shall receive credit from Lessor on the rental payments for such cost in installing and/or subsequent maintenance of any such fences or devices; provided, however, such credit shall not exceed the sum of \$5,000.00 for any five (5) year period during the term hereof. Said \$5,000.00 per five (5) year credit shall not be cumulative.

In the event Lessee determines at any time during the term hereof that fences or other devices are necessary for it to perform its obligations under Paragraph 5, above and 11, below, Lessee may require Lessor to install such fences or other devices. Should Lessee so require Lessor to install such fences or

devices, the location, style and cost thereof shall be approved by both Lessee and Lessor and Lessee shall pay the entire cost thereof and be entitled to the credit on rental payment set forth herein.

In the event any such fences or devices are installed, whether or not Lessee pays the cost thereof, Lessee shall thereafter during the term hereof, at its sole cost, maintain such fences or devices in good condition and repair.

11. POLICING BY LESSEE.

Lessee agrees to provide adequate supervision and policing of all use of the reservoir in said Section 26 at all times so as to prevent the use thereof by any persons other than those expressly permitted by Lessee or by Lessor under the provisions of Paragraphs No. 5 and 7, to use said reservoir. Lessee shall take such precautions and action as may be reasonably necessary to prevent unauthorized persons from using the reservoir in said Section 26 and shall at all times have in effect rules and regulations relating to the use thereof which shall incorporate the limitations on use set forth herein.

12. LESSOR'S RIGHT TO ACCESS.

During the term hereof, Lessee shall allow the employees, servants and agents of Lessor to enter upon said leased premises for any purpose other than recreational use which does not unreasonably interfere with the rights granted to Lessee herein.

13. LITIGATION CONSENT.

Lessee agrees that it shall not commence nor maintain any litigation against any person or persons for the purpose of preventing access of such person or persons to the leased premises, or for damages resulting from any such unauthorized access, without the advance written consent of Lessor.

14. COMPLIANCE WITH LAW.

Lessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force or which may hereafter be in force pertaining to the use of said premises by Lessee, and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether Lessor be a party thereto or not, that Lessee has violated any such ordinance or statute in the use of the premises shall be conclusive of that fact as between Lessor and Lessee.

15. OWNER TO BE HELD HARMLESS.

Lessee, as a material part of the consideration to be rendered to Lessor, hereby waives all claims against Lessor for damages to goods, wares and merchandise, in, upon or about said premises and for injuries to Lessee, its agents, members or third persons in or about said premises from any cause arising at any time, and Lessee will hold Lessor exempt and harmless from any

damage or injury to any person, or the goods, wares and merchandise of any person arising from the use of the premises by Lessee, or from the failure of Lessee to keep the premises in a safe condition.

Lessee agrees to indemnify, defend and save Lessor harmless from any and all claims or causes of action against Lessor in which a contention of claim is made that any act, activity, or omission of Lessee has resulted in damage to third parties.

16. ASSIGNMENT OR SUBLETTING.

Lessee shall not assign this Lease, or any interest therein, and shall not sublet the said premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the agents, servants and members of Lessee excepted) to occupy or use the said premises, or any portion thereof, without the written consent of Lessor first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. Any such assignment, or subletting without such consent shall be void, and shall, at the option of Lessor, terminate this Lease. This Lease shall not, nor shall any interest therein, be assignable, as to the interest of Lessee, by operation of law, without the written consent of Lessor.

17. INSOLVENCY. RECEIVER.

Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or (b) a general assignment by Lessee for the benefit of creditors, or (c) any action taken or suffered by Lessee under any insolvency or bankruptcy act shall constitute a breach of this Lease by Lessee.

18. WAIVER.

The waiver by Lessor of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this Lease, other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

19. CONDEMNATION.

In the event any part of the premises shall be taken or condemned for public or quasi-public use, this Lease shall terminate as to the portion of the premises so taken and all condemnation awards shall be awarded to Lessor. In the event the remaining space is insufficient for Lessee's use, Lessee may,

at Lessee's option, terminate this Lease. In the event the Lease is not terminated as to such remaining area, the rent shall be abated in proportion to the area remaining for use by Lessee.

20. BINDING ON SUCCESSORS.

The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the successors and assigns of the parties hereto.

21. NOTICES.

Notices to a party hereto shall be in writing and shall be mailed by prepaid, certified United States mail to the parties at the following addresses:

To Lessor: Temescal Water Company
310 North Joy Street
Corona, California 91720

To Lessee: Canyon Lake Property Owners
Association
Post Office Box 1
Canyon Lake, California 92380

Either party may change the address to which notice is to be mailed by giving written notice to the other party of such change.

22. ABSOLUTE LIMITATION ON RIGHTS.

Notwithstanding any other term or condition set forth expressly or by implication in this Lease, Lessee shall not have any rights under this Lease, or by virtue of any use by it of said premises, which are in conflict with or are in excess of Lessor's right to grant or allow such rights under the said Executive Order referred to above.

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the day and year first above written.

LESSOR:

Temescal Water Company

By: T. L. [Signature]
President

By: W. H. Purdy
Secretary

LESSEE:

Canyon Lake Property Owners
Association

By: James Cross
President

By: Lynn R. Eastman
Secretary