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**John E. Brown**  
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March 18, 2015

**PREPAID, CERTIFIED U.S. MAIL**

Canyon Lake Property Owners Association  
Post Office Box 359  
Sun City, California 92831

**PREPAID, CERTIFIED MAIL, FACSIMILE, & E-MAIL**

Canyon Lake Property Owners Association, Inc.  
Board of Directors  
c/o Chris Mitchell, General Manager  
31512 Railroad Canyon Road  
Canyon Lake, CA 92587  
*Fax:* (951) 244-8507  
*E-Mail:* [chrismitchell@canyonlakepoa.com](mailto:chrismitchell@canyonlakepoa.com)

**PREPAID, CERTIFIED U.S.  
MAIL, & FACSIMILE**

Scott D. Levine  
Silldorf & Levine, LLP  
5060 Shoreham Place  
Suite 115  
San Diego CA, 92122  
*Fax:* (858) 625-3901

Re: Notice of Default – Railroad Canyon Reservoir Lease Agreement

Dear Canyon Lake Property Owners Association, Members of the Board of Directors of the Canyon Lake Property Owners Association, Inc., Mr. Levine, and Mr. Mitchell:

This letter is sent on behalf of Elsinore Valley Municipal Water District (“District”) notifying the Canyon Lake Property Owners Association, Inc. (“POA”) that it is currently in default of the terms and conditions of the Railroad Canyon Reservoir Lease Agreement, as amended (“Lease Agreement”). The POA is in default of the Lease Agreement due to its failure to make its lease payment to the District in the amount of \$344,302.92 on or before March 15, 2015. The District demands that the POA remit the past due rent in the amount of \$344,302.92 directly to the District.

Under the terms of the Lease Agreement that certain “Second Memorandum of Understanding (MOU) for Lake Lease” dated January 7, 2013, the POA was required to make a payment to the District in the amount of \$344,302.92 on or before March 15, 2015, as further reflected in the enclosed Invoice Number: BI 2266. As of the date of this letter, the District has not received such required lease payment. The District has been advised that the POA unilaterally elected to not make the payment to the District as required, but instead has placed the payment into an escrow account. This is a material breach of the terms and conditions of the Lease Agreement and the POA is now in default. The District is sending this correspondence on today’s date as a result of having confirmed the POA’s default as described herein.



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Pursuant to the provisions of the Lease Agreement, in the event of the POA's default, the District has the right to terminate the Lease Agreement after providing the POA with this notice of default and the opportunity to cure said default. In order to cure said default, the POA needs to make the payment due in the amount of \$344,302.92 to the District. In the event the POA fails to cure the default, the District will terminate the Lease Agreement consistent with the terms and conditions of the Lease Agreement. Please be advised that in the event of termination of the Lease it is possible that the POA, as well as members of the POA, may no longer be permitted as a matter of law and public policy to make recreational use of Canyon Lake.

Further, the Lease Agreement provides that, in the event of POA's default: (1) any expense incurred by the District in performing any acts required by the POA under the Lease Agreement which POA has failed to perform; (2) any damage incurred by District that was caused by POA's default; or (3) any expense incurred in bringing any action against the POA to enforce the POA's performance under the Lease Agreement may be deducted from POA's deposit paid per the Lease Agreement and must be re-deposited by the POA thereafter. This letter shall also serve as notice that the District has begun accounting for all such expenses it has incurred and will continue to incur, and is applying the POA's deposit towards repayment of all such expenses. The POA will be responsible for re-depositing all such funds to its deposit in addition to curing the breach identified herein.

Should you have any questions regarding the foregoing or wish to discuss this matter further, please do not hesitate to contact the undersigned. Given the possibly grave consequences of the POA's decision to default, it is requested during the pendency of these default proceedings that all communications with the District regarding the POA's default are to be directed to the undersigned as well.

Sincerely,

John E. Brown  
of BEST BEST & KRIEGER LLP  
Counsel for the Elsinore Valley Municipal Water  
District

Encl: Invoice Number: BI 2266

cc: **PREPAID, CERTIFIED MAIL, FACSIMILE, & E-MAIL**  
Canyon Lake Property Owners Association, Inc.  
Board of Directors  
c/o Chris Mitchell, General Manager



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