

**PURCHASE AND SALE AGREEMENT  
(WATER RIGHTS UNDER LICENSE 5763)**

THIS PURCHASE AND SALE AGREEMENT is made as of the 21st day of June, 2006 (the "Effective Date"), by and between Masonite Corporation (hereinafter referred to as "Seller"), and Millview Water District, a political subdivision of the State of California (hereinafter referred to as "Buyer").

**RECITALS**

- A) Seller is the holder of an appropriative right ("Water Right") to divert water from the Russian River pursuant to License 5763, based on Application 15679, Permit 9950, ("License") issued by the California State Water Resources Control Board ("SWRCB") for industrial uses on Seller's property described in the License. The License is attached hereto as Exhibit A, and incorporated herein as though fully set forth in this Recital. The points of diversion of Russian River water authorized by the License are Seller's "Well 3" and "Well 5," which are being sold to Buyer under a separate agreement. The authorized place of use of the appropriated water, as of the effective date of this Agreement, is Seller's real property as described in the License. The authorized season of diversion and use of the License is year-round, and the maximum rate of diversion from the Russian River is 5.9 cubic feet per second. Together, the entitlement and attributes set forth in this paragraph shall be hereinafter referred to as the "License" or "Water Right."
- B) Seller previously sold to Daniel C. Thomas and Charles Sawyer (collectively, "Thomas") approximately 160 acres of real property ("Thomas Property") as shown on Exhibit B.
- C) Seller currently owns approximately 140 acres of real property located in Ukiah, California as shown on Exhibit B and supplemented by Exhibit B-1 (as to parcels B, E and F) (the "Masonite Property").
- D) Buyer is a California County Water District which provides municipal, domestic and industrial water to customers within its boundaries, as shown on Exhibit C to this Agreement and incorporated herein as though fully set forth in this Recital.
- E) Buyer desires to acquire the Water Right for such uses, as well as for potential service to landowners within the License's existing place of use, and to include Buyer's existing diversion points from the Russian River as authorized points of diversion under the License and Water Right.
- F) The parties have agreed that Seller shall sell and Buyer shall purchase the License and Water Right in accordance with the terms and conditions set forth in this Agreement.

***NOW THEREFORE***, in consideration of the following mutual covenants and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

- 1) Recitals. The parties acknowledge that the above recitals are part of the Agreement and accurately set forth the matters therein.
- 2) Purchase and Sale. Seller shall sell and transfer to Buyer and Buyer shall purchase and accept the Water Right on the terms hereinafter set forth, *provided, however,* that 350 acre-feet of the Water Right is reserved and retained by Seller for use on the Masonite Property, the Thomas Property and the Ancillary Thomas Property, as set forth in Paragraph 8 hereof.
- 3) Purchase Price. The purchase price of the Water Right is \$1,000.00 per acre-foot, based on the amount of water for which the SWRCB issues an Order authorizing a change in the licensed purpose of use to include “municipal” use within Buyer’s existing boundaries and all the property described in Exhibit B, diverted through points of diversion owned by Buyer. The Parties acknowledge that the final determination of the purchase price to be paid to Seller for the Water Right cannot be determined prior to action by the SWRCB on a petition for such changes under the License.
  - a) The Parties, at the expense of Buyer, agree to take all reasonable and necessary actions to expeditiously submit and obtain action on a petition (“Petition”) for an Order to
    - i) change the licensed purpose of use to include “Municipal use,”
    - ii) change the licensed place of use to add any portion of the Masonite Property, the Thomas Property and the Ancillary Thomas Property that is not already included in the licensed place of use as set forth on Exhibit B, and
    - iii) change the licensed points of diversion to add Buyer’s existing Russian River diversion points as additional authorized points of diversion under the License.
  - b) Buyer shall pay all costs for submission and processing of the Petition, including, but not limited to,
    - i) fees for filing the Petition with the SWRCB;
    - ii) fees for review of the Petition, required by the California Department of Fish and Game;
    - iii) legal and technical fees related to processing of the Petition;
    - iv) costs of scoping, preparing and circulating environmental documents required by the California Environmental Quality Act (Public Resources Code §§ 21000 *et seq.*);
    - v) any costs associated with resolution of protests against the Petition; and
    - vi) annual water right fees imposed on the Seller by the SWRCB from the date of execution of this Agreement.

Costs, fees and expenditures required under this subsection shall not be credited against the purchase price.

- 4) Date of Closing. The effective date of the SWRCB's Order authorizing all of the changes requested in the Petition or such other changes as are mutually agreeable to the parties shall be the date of Closing for the purposes of this Agreement.
- 5) Method of Payment. Upon Closing, Buyer shall, within 60 days thereafter, pay the purchase price to Seller. However, the payment of the purchase price on the 350 acre feet, or any portion thereof, shall be deferred and payable within sixty (60) days of either: (1) commencement of use by Seller or Thomas; or (2) written abandonment by the holder of the reservation, or any portion of the reservation.
- 6) Condition of License; Due Diligence.
  - a) Buyer acknowledges that Seller has not diverted significant amounts of water under the License since August, 2001. Buyer further acknowledges that Seller has made no representation or warranty as to the condition of the Water Right or the availability of water thereunder, and that the Water Right is to be conveyed by Seller to Buyer "AS IS, WITH ALL FAULTS," and in its current condition, except as may be amended by Order of the SWRCB based on the Petition.
  - b) Buyer acknowledges that it is a public water district and is experienced in analyzing and evaluating water rights and their attributes, and is capable of evaluating and analyzing the Water Right and its suitability for Buyer's purposes, and that it is acquiring the Water Right based solely upon its independent investigation, review and analysis of the Water Right.
  - c) As of the execution of this Agreement, Buyer has satisfied itself with respect to all aspects of the License and Water Right, including without limitation, the quality, quantity, source, past exercise and availability of water thereunder, the impact of government rules and regulations, procedures and statutes concerning availability and use of water thereunder, and the legal, institutional and political issues attending the transfer of the Water Right to Buyer. Certain due diligence materials have been provided to Buyer by Seller, or by others or at the direction of others, and Seller makes no representation or warranty, express or implied, of any kind with respect to the due diligence materials, including their accuracy, completeness, validity, legal sufficiency or suitability for reliance thereon by Buyer. Seller shall have no liability, express or implied, with respect to the value, uses, limitations, quality or availability of water under the License and Water Right.
- 7) Release of Claims. Buyer and anyone claiming by, through or under Buyer hereby waives its right to recover from and fully and irrevocably releases, to the fullest extent permitted under applicable law, Seller, its directors, officers, employees, affiliates, controlling persons, agents and representatives of Seller ("Released Parties") from any and all claims that it may now have or hereafter acquire against

any of the Released Parties for any costs, loss, liability, damage, assessments, expenses (including without limitation reasonable attorneys fees), demand, claim, action or cause of action arising from or related to the condition of the Water Right. This release includes claims of which Buyer is presently unaware or which Buyer does not presently suspect to exist which, if known by Buyer, would materially affect Buyer's release of the Released Parties. Buyer specifically waives the provision of California Civil Code Section 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR.”

In this connection and to the extent permitted by law, Buyer hereby agrees, represents and warrants, which representation and warranty shall survive the Closing, that Buyer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Buyer further agrees, represents and warrants, which representation and warranty shall survive the Closing, that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Buyer nevertheless hereby intends to release, discharge and acquit the Released Parties from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to Seller by Buyer in exchange for Seller's performance hereunder. Seller has given Buyer material concessions regarding this transaction in exchange for Buyer agreeing to the provisions of this Paragraph 6. Seller and Buyer have each initialed this Paragraph 6 to further indicate their awareness and acceptance of each and every provision hereof. The provisions of this Paragraph 6 shall survive Closing.

Seller's Initials: \_\_\_\_\_;

Buyer's Initials: \_\_\_\_\_.

- 8) Pre-Closing Rights of Seller. Until the date of Closing, Seller shall have the right to divert water under the License, without limitation by Buyer, for authorized use, including but, not limited to, fire suppression. Notwithstanding any other provision of this Agreement, Seller shall have sole responsibility and liability for any costs of such diversion, and for any causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses resulting from Seller's exercise of its rights under this subdivision.
- 9) Prior Rights. In accordance with the reservation to Seller contained herein above, Buyer agrees that its exercise of the Water Right, after Closing, is subject to

the diversion by Seller or by Thomas, at no expense to Buyer, of up to 200 acre-feet per year for use on the Thomas Property, of up to 50 acre-feet per year on the Ancillary Thomas Property, as described below and 100 acre feet to the Masonite Property:

- a) Seller previously sold to Thomas certain real property (the Thomas Property) and Thomas owns certain other property in the area (the "Ancillary Thomas Property"), both as described in an agreement dated March, 2003 between Seller and Thomas and further described on Exhibit B hereto. Under said purchase agreement, Thomas and their successors in the Thomas Property and the Ancillary Thomas Property have a right, superior to that of the Buyer, to divert up to 200 acre-feet of water per year for the Thomas Property under the License and 50 acre-feet per year to the Ancillary Thomas Property under the License, at Thomas's sole cost and expense, to be used in compliance with the terms and conditions of License 5763. Diversion by Thomas shall be credited against the reservation of 350 acre-feet per year reserved in Paragraph 2 and Thomas's reserved right shall terminate as provided for in the March 2003 Agreement.
- b) No business is currently being operated on Seller's real property (the "Masonite Property"). However, if the Seller, or Seller's assignee, requires water for industrial, municipal or domestic purposes in the future for use on the Masonite Property, the Seller or its assignee(s) shall first seek to meet such water demand from Well 6 (located on the Masonite Property). If, however, Well 6 or the water drawn from Well 6 is unavailable, not useable for the proposed purpose or if the water supply from Well 6 is inadequate or insufficient to meet the Seller's or the Seller's assignees anticipated demands, the Seller and its assignee(s) shall be entitled to an annual amount of up to 100 acre-feet of water for use on the Masonite Property under the License, provided such use is consistent with the authorized purpose of use thereunder. Said diversions by Seller or its assignees shall be credited against the 350 acre-feet of water reserved to Seller in Paragraph 2 hereof. This 100 acre-foot reservation shall terminate when the Masonite Property is annexed to Millview Water District or to another public water purveyor or water utility and will serve letters acceptable to Seller or its assigns are issued committing to provide adequate water to the site.
- c) Seller or its assignees shall provide complete and accurate reports of all water diverted under the License to Buyer. Such reports shall be provided to Buyer on December 1 of any year in which water is used and shall provide the amount of such use, by month, of the prior twelve-month period. Seller shall require Thomas to file similar reports for any License water he diverts.
- d) Seller or its assignees shall report to Buyer, in writing, the commencement of any diversion of License Water.

10) Representations and Warranties.

- a. As a material part of the consideration for Buyer entering into this Agreement, Seller makes the following representations and warranties:
  - i. Seller has full right, power and authority to enter into this Agreement and to perform its obligations hereunder, and the persons executing this Agreement on behalf of Seller, have the right, power and authority to do so.
  - ii. This Agreement constitutes the legal, valid and binding obligation of Seller and is enforceable against Seller in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally. Neither this Agreement nor the consummation of any of the transactions contemplated hereby violates or shall violate any provision of any agreement or document to which Seller is a party or to which Seller is bound.
- b. As a material part of this Agreement, Buyer makes the following representations and warranties:
  - i. Buyer has full right, power and authority to enter into this Agreement and to perform its obligations hereunder, and the persons executing this Agreement on behalf of Buyer have the right, power and authority to do so
  - ii. This Agreement constitutes the legal, valid and binding obligation of Buyer and is enforceable against Buyer in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally. Neither this Agreement nor the consummation of any of the transactions contemplated hereby violates or shall violate any provision of any agreement or document to which Buyer is a party or to which Buyer is bound. No consent of any third party is required before any of the Property may be purchased by Buyer.
- c. Any claim of Buyer based on facts constituting an alleged breach or failure of any of Seller's representations and warranties set forth in 9(a) of this Paragraph, and any claim of Seller based on facts constituting an alleged breach or failure of Buyer's representations and warranties set forth in 9(b) of this Paragraph, shall be made on or before the Closing or shall automatically be null, void and of no force or effect whatsoever.

11) Seller's Covenants.

- e) Seller has prior to execution of this Agreement filed with the Division of Water Rights a Petition for Long Term Transfer of Water/Water Rights in the form as prepared by Kronick, Moskovitz, Tiedemann & Girard on or about April 20, 2006; and paid all fees for the filing thereof.
- f) During the period prior to the date of Closing, Seller shall execute such documents as are necessary for processing of the Petition, and transmit such documents to Buyer or Buyer's designated agent.
- g) Seller shall advise Buyer in writing of any material adverse change in the condition of the License, the occurrence of any event or the discovery of any fact which would render any representation or warranty of Seller to Buyer in this Agreement untrue or materially misleading, or any written notice or other communication from any third person alleging that the consent of such third person is or may be required in connection with transactions contemplated by this Agreement.
- h) Excluding the 350 acre feet of water reserved hereunder, Seller shall not, directly or indirectly, alienate, encumber, option, assign, sell, transfer or convey its interest or any portion of such interest in the Water Right or any portion thereof except pursuant to this Agreement. Seller and Thomas shall have the right to alienate, encumber, option, assign, sell, transfer or convey its interest in the reservation of water for the Masonite Property, the Thomas Property, and the Ancillary Thomas Property, respectively.

12) Buyer's Covenant.

- i) Buyer shall expeditiously file and prosecute the Petition, and shall keep Seller informed of all significant events and requirements related to processing of the Petition.
- j) Buyer shall promptly notify Seller in writing of any written communication from any third person or public entity alleging that consent of such third person or entity is or may be required in connection with the transactions contemplated by this Agreement.
- k) Buyer agrees that it shall, prior to the close of escrow and as a condition to Seller's obligation to close, issue conditional will-serve letters (the "Will-Serve Letters") providing for domestic, municipal and industrial water service to each of the following properties and in at least the following capacities: (i) the Masonite Property, with water service equal to 100 acre feet per year; (iii) the Thomas Property, with water service equal to 200 acre feet per year, and (iv) the Ancillary Thomas Property, with water service equal to 50 acre feet per year.

- i) The Will-Serve Letters may be conditioned upon approval by the Local Agency Formation Commission (LAFCO); approval by the Division of Water Rights of the Application for Change of Point of Diversion, Place of Use, and Purpose of Use as contemplated by this Agreement; consummation of a mainline extension agreement in accord with then existing rules, regulations, policies and ordinances of general application of the Buyer; compliance with all rules, regulations, policies and ordinances of general application then in effect relating to an application for service, including, but not necessarily limited to the payment of all rates, fees, and charges of general application, reimbursement for costs associated with annexation costs incurred by Buyer, and the cost of the installation of any necessary transmission and service lines.
- ii) The form of each conditional Will-Serve Letter will be reasonably acceptable to the owner of the respective properties, and under each conditional Will-Serve Letter Buyer will irrevocably commit to provide reliable water utility service to the property in the capacities identified above upon receipt of all requisite, non-appealable approvals to do so, including without limitation, any and all approvals relating to annexation and/or extraterritorial service and/or LAFCO approvals, and compliance with all conditions set forth in paragraph i) above.
- iii) Once the Buyer has obtained all requisite, non-appealable approvals for the Will-Serve Letters, the Seller, Thomas (to the extent mandated in the March 2003 Purchase Agreement) or their designees will transfer the reservations of water rights under the License to Buyer.
- l) Buyer agrees that it will continue to pursue the pending petition for annexation of the Masonite Property, the Thomas Property and the Ancillary Thomas Property through the LAFCO proceedings or, alternatively, to pursue diligently LAFCO approval for extraterritorial service to the Masonite Property, the Thomas Property and the Ancillary Thomas Property. It shall be in Buyer's sole discretion whether or not to abandon LAFCO annexation proceedings in order to pursue approval for extraterritorial service, but Buyer shall not do so without first offering to meet and confer with Seller and its assignees.

13) Breach of Agreement; Damages. If the transfer of the License and Water Right from Seller to Buyer does not close as a result of a breach or intentional or willful default by Seller of its obligations under this Agreement, Buyer's sole remedy shall be limited to an action in equity to obtain specific performance.

14) Entire Agreement. This Agreement contains the entire understanding of the parties with respect to transfer of the License and Water Right to Buyer. Any other agreements between the parties that precede the date of this Agreement concerning transfer of the License and Water Right are superceded and of no force or effect. There are no representations, covenants, or undertakings other than those expressly set forth herein.

15) Time of the Essence. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof, and that failure promptly and timely to perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a breach of and default under this Agreement by the party failing so to perform.

16) Attorney Fees. In the event either party shall institute any action or proceeding to enforce, construe, or interpret any rights or obligations of the parties set forth herein, including, but not limited to, the terms of this Paragraph 15, the prevailing party in such action or proceeding shall be entitled, in addition to any other relief granted by the arbitrator, Court or other applicable judicial body, to reasonable attorneys' and expert's fees and costs.

17) Notices. Any notice or document shall be sent to the address of the recipient set forth below and shall be deemed delivered (i) when received if personally delivered or sent by facsimile or e-mail, provided that there is electronic confirmation that the facsimile or e-mail was received, (ii) the next business day if timely deposited with a recognized delivery service that guaranties following business day delivery, or (iii) three (3) calendar days after deposit in the United States mail, first class postage fully prepaid. Any party may change its address by notifying the other party in accordance with this Paragraph.

Seller: Masonite Corporation  
1 North Dale Mabry Highway, Suite 950  
Tampa, FL 33609  
Attn: Rose M. Murphy  
Fax: (813) 879-6306  
e-mail: [rmurphy@masonite.com](mailto:rmurphy@masonite.com)

Buyer: Millview County Water District  
3081 N. State Street  
Ukiah, CA 95482  
Attn: Tim Bradley, General Manager  
Fax: (707) 462-8327  
e-mail: [millview@saber.net](mailto:millview@saber.net)

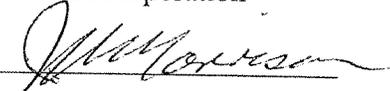
18) Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective heirs, representatives, successors and assigns of the parties hereto.

19) Counterpart Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

c. Map of Millview County Water District boundaries.

*IN WITNESS WHEREOF* the parties hereto have executed this Agreement on the date first above written.

Seller:  
Masonite Corporation,  
A Delaware corporation

By: 

Its: \_\_\_\_\_

Buyer:  
Millview County Water District  
A political subdivision of California

By: WELDON JONES

Its: Vice President

Approved as to form:

Christopher Neary, General Counsel

Attest:

Timothy Bradley, Clerk to the Board

20) Survival; Further Assurances. The obligations and indemnities contained in this Agreement shall survive the Closing. Each party shall execute such other documents and take such other actions as may reasonably be needed to effectuate the transactions contemplated in this Agreement.

21) Exhibits. The following exhibits constitute a part of this Agreement:

- a. A: License 5763
- b. B: Map of Thomas Property, Ancillary Thomas Property and Masonite Property.
- c. Map of Millview County Water District boundaries.

***IN WITNESS WHEREOF*** the parties hereto have executed this Agreement on the date first above written.

Seller:  
Masonite Corporation,  
A Delaware corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

Buyer:  
Millview County Water District  
A political subdivision of California

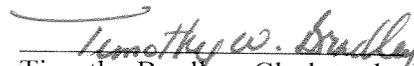
By:   
WELDON JONES

Its: Vice President

Approved as to form:

  
Christopher Neary, General Counsel

Attest:

  
Timothy Bradley, Clerk to the Board



STATE OF CALIFORNIA—STATE WATER RIGHTS BOARD

License for Diversion and Use of Water

APPLICATION 15679

PERMIT 9950

LICENSE 5763

THIS IS TO CERTIFY, That

Masomits Corporation  
P. O. Box 268  
Ukiah, California

made proof as of **January 14, 1959**

(the date of inspection) to the satisfaction of the State Water Rights Board of a right to the use of the water of

**Russian River (underflow) in Mendocino County**

tributary to **Pacific Ocean**

for the purpose of **industrial use**  
under Permit **9950**

of the State Water Rights Board and that said right to the use of said water has been perfected in accordance with the laws of California, the Rules and Regulations of the State Water Rights Board and the terms of the said permit; that the priority of the right herein confirmed dates from **January 11, 1954** and that the amount of water to which such right is entitled and hereby confirmed, for the purposes aforesaid, is limited to the amount actually beneficially used for said purposes and shall not exceed **five and nine tenths (5.9)** cubic feet per second to be diverted from January 1 to December 31 of each year.

The points of diversion of such water are located as follows:

- (a) Well No. 3.- South seventy-five degrees ten minutes fifty-nine seconds east ( $875^{\circ}10'59''E$ ), eleven thousand two hundred fifty-three and ninety-eight hundredths (11,253.98) feet from NW corner of projected Section 7, T15N, R12W, MDBM, being within  $NW\frac{1}{4}$  of  $SW\frac{1}{4}$  of projected Section 9, T15N, R12W, MDBM.
- (b) Well No. 4.- South seventy-five degrees thirteen minutes forty one seconds east ( $875^{\circ}13'41''E$ ), eleven thousand one hundred ninety-eight and sixty hundredths (11,198.60) feet from NW corner of projected Section 7, T15N, R12W, MDBM, being within  $NW\frac{1}{4}$  of  $SW\frac{1}{4}$  of projected Section 9, T15N, R12W, MDBM.
- (c) Well No. 5. - South seventy-four degrees fifty-four minutes fifty-three seconds east ( $874^{\circ}54'53''E$ ), eleven thousand two hundred ninety and ninety-nine hundredths (11,290.99) feet from NW corner of projected Section 7, T15N, R12W, MDBM, being within  $NW\frac{1}{4}$  of  $SW\frac{1}{4}$  of projected Section 9, T15N, R12W, MDBM.

A description of the lands or the place where such water is put to beneficial use is as follows:

Within Lots 11, 13, 15, 16 and 18 of Yokayo Rancho, being within  $NE\frac{1}{4}$  of  $SW\frac{1}{4}$ ,  $SE\frac{1}{4}$  of  $SW\frac{1}{4}$ ,  $SE\frac{1}{4}$  of  $NW\frac{1}{4}$ ,  $SW\frac{1}{4}$  of  $NE\frac{1}{4}$ ,  $NW\frac{1}{4}$  of  $SE\frac{1}{4}$ ,  $NE\frac{1}{4}$  of  $SE\frac{1}{4}$  and  $SE\frac{1}{4}$  of  $SE\frac{1}{4}$  of projected Section 8, T15N, R12W, MDBM as shown on map filed with State Water Rights Board.

EXHIBIT A

# EXHIBIT B



# EXHIBIT B-1

