

AFUERA DE CHORRO WATER COMPANY
1825 Tiburon Way
San Luis Obispo, California 93401

January __, 2015

[Insert name and address]

Re: Assessor's Parcel Number: _____ ("Property")

Dear Applicant:

The Property is currently served by the Afuera De Chorro Water Company ("Company") and it is our understanding that you are currently in the process of applying to the County of San Luis Obispo to create a new residential parcel ("Lot") from the Property, upon which Lot it is intended that you will build a new residential dwelling. The applicant will be referred to in this letter as the "Owner", which will have the meaning as defined in the Second Amended and Restated Bylaws of the Company ("Bylaws").

You have requested that Company provide a new service connection that will deliver water for domestic use to the Lot. Pursuant to the adopted policies and procedures of the Company, the Company has reviewed the feasibility of providing domestic water service to the Lot and has made the following determinations:

- (A) The water supply currently available to the Company is sufficient to serve the Lot without detrimentally affecting its service to existing members; and
- (B) The Company water system and related infrastructure has the capacity to serve the Lot upon installation of any necessary connection infrastructure and a separate water meter to serve the Lot.

The Company has determined that the Company will provide domestic water supply to the Lot upon the satisfaction of the following conditions:

- (1) The Owner shall complete all steps necessary to create the Lot and provide evidence to the Company from San Luis Obispo County that the Lot has been created as a legal parcel and there are no additional contingencies or conditions to finalize the Lot as a separate parcel for residential use;
- (2) The Owner shall pay the applicable New Service Assessment to the Company as required by Section 5.04(c) of the Bylaws, which includes all costs associated with connecting the Lot to the Company's water system, including expanding and/or altering

the water system as necessary to extend water service to the boundary line of the Lot, comply with any fire requirements that are unique to the Lot, and install a separate water meter for the Lot. The New Service Assessment may also include additional improvements to the water supply or the water delivery system to ensure that the system can continue to provide reliable domestic water delivery after the addition of the Lot to the Company's service obligations, subject to certain rights of reimbursement as set forth in the Bylaws;

- (3) The Owner shall pay the required new membership fee and take such other action as is required by the Bylaws to become a member of the Company in good standing; and
- (4) The Owner will be in good standing with respect to all fees and assessments due and payable to the Company with respect to the Property.

This letter will remain effective until October 6, 2015, and may be renewed by Owner for a period of one (1) year on the condition that (i) the Owner remains in good standing with respect to all fees and assessments due and payable to the Company with respect to the Property; and meets the conditions as outlined in the By-Laws Amendment dated August 2008 Section 3.03 New Lots. The obligations of applicant with respect to items (2), (3) and (4) above will be contingent until such time as applicant has satisfied the condition set forth in item (1). Upon satisfaction of such condition, the Owner shall have sixty (60) days to submit all amounts due and payable to the Company via a cashier's check or wire transfer of immediately available funds. In no event will Company commence construction of any improvements necessary to connect the Lot or provide any water service until such amounts have been received by the Company in full. As of the date of this letter, the new membership fee is \$250.00 and the Company has determined that the New Service Assessment will be \$ 11,925.00, subject to adjustment for changes in cost as of the date that the condition in item (1) has been satisfied.

The applicant acknowledges (i) that the Owner will be required to develop and maintain the Lot in compliance with the Amended and Restated Declarations of Restrictions affecting Tract 681, County of San Luis Obispo, State of California as restated and amended from time to time; (ii) the Owner is responsible for construction of all water system facilities and infrastructure within the boundaries of the Lot; (iii) domestic water service includes the right to use water for landscaping subject to the limitations set in the Bylaws; and (iv) the membership in the Company and related water service will be appurtenant to the Lot and may only be transferred by Owner with the Lot.

Please be advised that delivery of water to the Parcel will be pursuant to the rights and obligations of Company customers set out in the Company's rates schedules, rules, procedures, articles and bylaws, as amended or restated from time to time and all other laws, rules and regulations applicable to the Company.

Sincerely,

Kathy Collins
President