AGREEMENT ESTABLISHING PROCESS FOR DETERMINING WATER DEMANDS

This AGREEMENT (the "**Agreement**") is made as of December 12, 2012, by and between STEVENSON RANCH VENTURE, LLC a Delaware Limited Liability Company, ("**SRV**") and VALENCIA WATER COMPANY, a California corporation (the "**Company**"). SRV and Company are sometimes collectively referred to herein as the "**Parties**" or, individually, as a "**Party**."

RECITALS

A. Company is a California corporation and an investor-owned public utility regulated by the California Public Utilities Commission ("**PUC**"), which sells water to residential, industrial, and commercial customers within a service area that is immediately adjacent to lands owned by SRV

B. SRV owns approximately 1759 acres of land adjacent to the Company service area, known as "Legacy Village" ("**Legacy**"). It is expected that the Company will provide water service to Legacy.

C. Company, in carrying out its water planning functions, contracted with GSI Water Solutions, Inc. to develop technical procedures to assist Company in preparing urban water management plans and water supply assessments for proposed development projects within the Company's service area. As a result, GSI prepared a Technical Memorandum, dated July 30, 2010 ("**GSI Memorandum**"), which is attached as **Exhibit A** to this Agreement.

D. Company has developed and utililizes the GSI Memorandum and the procedures set out therein to estimate water demands for properties including that certain project known as the "Newhall Ranch Specific Plan Project" ("**Newhall Ranch Project**") which is being developed by the Newhall Land and Farming Company ("**Newhall**"), an affiliate of SRV, and to provide input to the Castaic Lake Water Agency ("**CLWA**") for its urban water management plans. These water demand estimates have been accepted by Los Angeles County ("**County**") land use planning agencies, and SRV has advised the Company that CLWA has reviewed the GSI Memorandum and informed Newhall and the Company that it has concluded that the potable water demands set forth therein appear to be reasonably achievable provided that the applicable water conservation programs are appropriately implemented and the underlying land use remains consistent with the assumptions underlying the GSI Memorandum.

E. Company and Newhall have entered into an agreement concerning, among other things, the procedures to be followed by the parties for determining the water demands for the Newhall Ranch Project and other properties owned by Newhall that will be served water by the Company (the "**Newhall/VWC Agreement**").

F. To ensure that the procedures the Company will follow with respect to water demand determinations for future development of Legacy are consistent with those used by the Company

for the properties owned by SRV's affiliate, Newhall, under the Newhall/VWC Agreement, the Parties wish to enter into this Agreement.

AGREEMENT

1. Legacy Village. Company acknowledges and agrees that Los Angeles County may approve a proposed tentative tract map (No. 061996) for Legacy, and to ensure that the County's potential approvals for Legacy are not adversely impacted as to their water supplies, the Parties agree as follow:

(a) The Company agrees that: (i) the potable and non-potable water demand factors used by the Company for Legacy are and shall be the demand factors set forth in the GSI Memorandum; (ii) the Company shall never contend, or authorize or encourage any other person or entity to contend, the contrary to any person or entity or in any proceeding or other forum arising out of or relating to Legacy; (iii) the demand factors set forth in the GSI Memorandum shall be used for determining compliance with any policy or requirement of the Company for Legacy, any Company water demand-related policy for Legacy, in any water demand-related agreement for land within Legacy, or in any proceedings before the PUC or any other federal, state, regional, or local agency; and (iv) all water demand determinations made by the Company after the date of this Agreement for Legacy shall be made by the Company solely in accordance with the GSI Memorandum; and, if the densities or intensities of Legacy are revised after the date of this Agreement, any revised water demands shall be determined by the Company solely in accordance with the GSI Memorandum.

(b) Company shall, at SRV's request, inform the County of the amount of water available and, if sufficient water supply is available, issue will serve or other necessary assurances for the Legacy, including assurances necessary for SRV to comply with any water mitigation measures contained in the County's environmental documents for the Legacy, by relying, in determining additional demand, solely on the water demand factors set forth in the GSI Memorandum and doing so does not constitute a misrepresentation of fact.

(c) This Section 1 and the assurances and agreements contained herein shall be binding on the Company, its successors and assigns (but, in the event that any such successor or assignee is a division within an entity that provides services other than retail water service, this agreement shall only be binding on the division that exercises the retail water service function), until development of Legacy is completed.

2. Annexation. The Parties recognize that the Legacy property is not located within the CLWA or Company service areas and that annexation of the Legacy property to CLWA, in conformity with CLWA's Annexation Policy, must occur before water service to Legacy can be provided. Except as set forth in Section 3, below, the terms of this Agreement are intended to apply to Legacy only after annexation of Legacy to CLWA has been completed.

3. Water Supply Determinations. To the extent that the Company is required or requested by SRV or CLWA, or the Los Angeles County Local Agency Formation Commission ("**LAFCO**") to provide water demand projections for Legacy in connection with its annexation to CLWA, the Company shall rely solely on the GSI Memorandum for any and all such water

demand determinations. At SRV's request, in any advice letter, water management program, or urban water management plan proceedings ("**Proceedings**") involving the Company, CLWA, or PUC, Company shall rely solely on the GSI Memorandum for any and all water demand determinations for Legacy. If any densities or intensities within Legacy are revised after the date of this Agreement, any revised water demands used in any Proceedings shall be determined by Company solely in accordance with the GSI memorandum.

4. Water Supply Assessments and Verifications. The Company, at SRV's or the County's request, shall diligently and timely prepare a water supply assessment and/or water supply verification for Legacy, relying solely on the future water demands determined in accordance with the GSI Memorandum. Table 7 of Exhibit A to this Agreement shows the current potable and non-potable water demands for all Newhall properties referenced in this Agreement, including Legacy, utilizing the water demands set forth in the GSI Memorandum.

5. Use of GSI Memorandum. (a) SRV recognizes and agrees that the demand factors set forth in the GSI Memorandum are based on the assumption that Legacy will be developed in a manner that appropriately implements the applicable water conservation programs and that the land uses remain consistent with the assumptions underlying the GSI Memorandum.

(b) In consideration of the Company's agreement to utilize the GSI Memorandum as described herein, SRV agrees that it will (i) develop or cause the development of Legacy in a manner that implements water conservation programs and land planning decisions that are at least as effective as those assumed by the GSI Memorandum and (ii) include conditions requiring development in that manner in any contract for sale of such properties, and (iii) provide that such commitment will be binding on successors in interest to SRV and on any developers of subdivisions, and any future property owners via Covenants, Conditions and Restrictions ("**CCRs**") recorded on properties within Legacy.

6. Regulatory and Legal Obligations. Nothing in this Agreement shall be interpreted to require Company to take any action or perform any function in a manner that would: (i) be inconsistent with its obligations as a regulated water utility under the jurisdiction of the PUC or with its obligations to comply with other applicable legal and regulatory requirements; or (ii) require Company to make any misrepresentation of fact,

7. Provision of Water Service. In consideration for the commitments by Company pursuant to this Agreement, SRV agrees to support any future proposal by Company to extend its water utility service to any and all retail customers residing or operating within Legacy and not to support any competing water service proposal.

8. Cooperation. Company, to insure timely completion of water service facilities, shall cooperate with SRV in the development of water supply infrastructure needed to serve Legacy. When necessary to ensure such timely completion, Company may, to the extent authorized by law and consistent with regulatory requirements, enter into agreements with SRV whereby SRV or its agents can construct such facilities and turn them over to the Company for operation and maintenance. The Company shall retain the right to review water system master plans and facility designs and observe facility construction and notify SRV of any inconsistencies with the facility standards of the Company that would require remediation before acceptance by the

Company. To the extent the Company holds easements that are blanket in nature and not confined to the actual location of existing or future water utility facilities and appurtenances ("**Water Facilities**"), Company will cooperate with SRV to establish easement descriptions confined to the actual location of existing (or future, when determined) Water Facilities in a manner that reasonably accommodates SRV's planned uses of the underlying fee interest and the Company's reasonable use to access, maintain and replace Water Facilities. In furtherance of the foregoing, Company shall quitclaim such blanket easements to SRV at the time the more specific easements are granted.

9. Assignment. SRV may assign this Agreement, in whole or in part, or assign any of its rights or delegate any of its duties hereunder to a transferee of all or a portion of Legacy without the consent of the Company. Company may not assign this Agreement, or assign its rights or delegate its duties hereunder (in whole or in part), without the prior written consent of SRV, its successors or assigns, which may be withheld in SRV's sole and absolute discretion. Notwithstanding the foregoing, the Company, in conjunction with a transfer of the Company's assets and operating responsibilities, may assign this Agreement without the further consent of SRV to a successor public agency that will be assuming Company's retail water service obligations so long as that entity is one with whom Newhall has entered into a settlement agreement, and that all terms and conditions contained in such settlement agreement with respect to such assignment have been complied with by such public agency.

10. Severability. If any provision of this Agreement is determined to be illegal, invalid or unenforceable, such provisions shall be ineffective to the extent of such illegality, invalidity or unenforceability, without affecting the remaining provisions hereof, unless and to the extent the rights and obligations or the benefits of the bargain of any Party have been materially altered or abridged by such illegality, invalidity or unenforceability, as determined by the Party who would have benefited. In such event, the Parties will meet and confer in a good faith effort to reach an agreement that will restore the benefits of the bargain established through this Agreement, and, in the absence of such agreement, any party may institute a Judicial Reference pursuant to Section 19 of this Agreement for the purpose of seeking a reformation of this Agreement which will carry out the original intent of the Parties.

11. Governing Law. This Agreement is deemed to have been made in the State of California, and its interpretation, its construction and the remedies for its enforcement or breach are to be applied pursuant to, and in accordance with, the laws of California, without giving effect to any choice of law provisions.

12. Incorporation and Amendment. This Agreement, the Exhibits hereto, and each additional agreement and document referred to herein constitute the entire agreement of the parties, superseding and extinguishing all prior agreements, understandings, representations, and warranties relating to the subject matter hereof whether oral or written. This Agreement may not be modified, amended, or terminated except by written agreement specifically referring to this Agreement signed by Company and SRV.

13 Waiver. No waiver of a breach or default hereunder shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

14. Headings. The section and paragraph headings contained herein are for ease of reference only and are not intended to define or limit the contents of such sections.

15. Interpretation. The use of the singular or plural form shall include the other form and the use of the masculine, feminine or neuter gender shall include the other genders. Each party hereto has participated (through their attorneys) in the drafting of this Agreement. Accordingly, no party shall have any provision of this Agreement strictly construed against it by reason of such party having drafted the provision in question.

16. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. Attorneys' Fees. In the event of any controversy, claim, or dispute arising out of or relating to this Agreement, or breach hereof, the prevailing party shall be entitled to recover from the losing party reasonable attorneys' and expert witness fees, expenses and costs.

18. Binding on Successors. Subject to the limitations in Section 9 of this Agreement, this Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors.

19. Judicial Reference. The Parties agree that any and all disputes, claims, and controversies of any nature (collectively, "**Claim**") among the Parties arising out of or relating to this Agreement, including the transactions and agreements contemplated thereby, shall be decided by a reference to a retired judge or justice, mutually selected by the Parties and appointed in accordance with California Code of Civil Procedure sections 638 through 645.1, inclusive, sitting without a jury, in Los Angeles County, California; provided, however, that the retired judge or justice is technically qualified as to the particular subject matter of the reference proceeding. If the Parties cannot agree within ten (10) days of a written request to do so by any party, then, upon request of any party, the Presiding Judge of the Los Angeles County Superior Court (or his or her representative) shall select the retired judge or justice that is technically qualified to hear and resolve the particular subject matter of the reference proceeding. A request for appointment of the retired judge or justice may be heard on an ex parte or expedited basis, and the Parties agree that irreparable harm would result if ex parte or expedited relief is not granted. Pursuant to Code of Civil Procedure section 170.6, the Parties hereto shall have one peremptory challenge to the retired judge or justice selected by the Presiding Judge (or his or her representative), and submit to the jurisdiction of such reference and court. The agreed upon or selected retired judge or justice shall have the power, among others, to grant specific performance, equitable, and provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions, and appointing receivers. The judicial reference proceeding before the retired judge or justice shall adhere to the following:

(a) The proceeding shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings.

(b) The retired judge or justice shall determine the manner in which the reference proceeding is conducted, including, without limitation, the time and place of

hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceedings.

(c) The Parties shall be entitled to discovery, which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings; however, the retired judge or justice shall oversee and limit discovery as appropriate and may enforce all discovery rules and orders applicable to the reference proceeding in the same manner as a trial court judge.

(d) The retired judge or justice shall have the power to decide all issues in the action or proceeding, whether factual, legal, or equitable, and shall report a statement of decision thereon pursuant to California Code of Civil Procedure Section 644(a). The statement of decision shall include a determination of all questions submitted to the retired judge or justice. The statement of decision will stand as the decision of the court, and upon filing of the statement of decision with the clerk of the court, judgment may be entered thereon in the same manner as if the action or proceeding had been tried by the court.

(e) The Parties agree that time is of the essence in conducting the reference proceeding. Accordingly, the retired judge or justice shall, subject to change in the time periods specified herein for good cause shown: (i) set the matter for a status and trial-setting conference (the "**Conference**") within fifteen (15) days after the date of selection of the retired judge or justice; (ii) if practicable, hear all issues submitted within one hundred twenty (120) days after the date of the Conference; and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

(f) The Parties hereto reserve the right to appeal from the final judgment or order or from any appealable decision or order entered by the retired judge or justice. The Parties reserve the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this Section 19.

(g) If a Claim subject to this Agreement also includes other claims or parties, which are found not subject to this Agreement, the Parties hereto shall stay the proceedings relating to those other claims or parties until the Claim arising out of or relating to this Agreement is resolved in accordance with this Section 20. The retired judge or justice shall have the power to stay such other claims, sever non-parties, and first resolve the Claim subject to this Agreement.

(h) During the pendency of any Claim submitted to judicial reference in accordance with this Agreement, each of the Parties to such Claim shall bear equal shares of the fees charged and costs incurred by the retired judge or justice in performing the services described in this Section 22. Compensation of the retired judge or justice shall not exceed the prevailing rate for like services. The prevailing party shall be entitled to reasonable court costs and legal fees, including customary attorney fees, expert witness fees, legal assistant fees, fees of the referee, and other reasonable costs and disbursements charged to the party by its counsel, in such amount as is determined by the retired judge or justice.

(i) The retired judge or justice shall also determine all issues relating to the applicability, interpretation, and enforceability of this Section 19.

20. Third Party Beneficiaries. This Agreement does not create, and shall not be construed to create, any rights enforceable by any person, partnership, corporation, joint venture, limited liability company or other form of organization or association of any kind that is not a party to this Agreement; provided, that any affiliate of SRV or Company shall be deemed a third party beneficiary of this Agreement and shall be entitled to enforce its provisions as if it were a party hereto in the event of a breach affecting such affiliate.

21. Specific Performance. The Parties acknowledge and agree that the subject matter of this Agreement involves unique assets, that damages for breach likely are substantial, but may not be readily compensable in monetary damages, and that, therefore, in addition to any other remedies available to SRV or its affiliates at law or in equity, in the event of breach, or a threatened breach by Company of this Agreement, SRV shall be entitled to specific performance of this Agreement and Company shall not contend otherwise. To the extent specific performance cannot be obtained after reasonable effort to do so, SRV may seek direct and consequential damages from the Company but not from its officers or employees.

22. Notices. All notices, requests, demands, or other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered in person or mailed, registered (and not certified), return receipt requested, postage prepaid or on confirmation of receipt if delivered by facsimile transmission; provided the original thereof is sent by mail, in the manner set forth above, within one business day after the original transmission:

(a) If to SRV, addressed to:

Stevenson Ranch Venture LLC
25124 Springfield Court, Suite 300
Valencia, California 91355
Attention:
Facsimile No.: (661) 255-3960

With copies to:

Kronick Moskovitz Tiedemann & Girard
400 Capitol Mall, 27th Floor
Sacramento, California 95814
Attention: Clifford W. Schulz
Facsimile No.: (916) 321-4555

And:

Five Point Communities Management, Inc.
25 Enterprise, Suite 400
Aliso Viejo, California 92656-2601
Attention: Michael A. Alvarado Esq.,
General Counsel
Facsimile No.: (949) 349-1075

(b) If to Company, addressed to:

Valencia Water Company
24631 Ave. Rockefeller
Valencia CA 91355-3907
Attention: Keith Abercrombie
General Manager
Facsimile No.: (661) 294-3806

With a copy to:

Nossaman LLP
50 California Street, 34th Floor
San Francisco, California 94111
Attention: Martin A. Mattes
Facsimile No.: (415) 398-2438

Any party hereto may from time to time, by written notice to the other party, designate a different address, which shall be substituted for the one specified above for such party. If any notice or other document is sent by registered (and not certified) mail, return receipt requested, postage prepaid, properly addressed as aforementioned, the same shall be deemed served or delivered on the third business day following mailing thereof. If any notice is transmitted by facsimile machine ("fax") to a party, it will be deemed to have been delivered on the date the fax thereof is actually received, as indicated by an electronic confirmation of successful transmission, provided that an original or photocopy of the document sent is also mailed by registered (and not certified) mail, postage prepaid, to the address then applicable to such party within twenty-four (24) hours after such transmission.

IN WITNESS WHEREOF, on the date first above stated, the undersigned Parties have caused this Agreement to be executed by officers or other persons thereunto duly authorized

VALENCIA WATER COMPANY, a California corporation

By: Keith Abercrombie
Keith Abercrombie, General Manager

STEVENSON RANCH VENTURE LLC

By: Lennar Land Partners II, a Florida general partnership, its Sole Member

By: LandSource Holding Company, LLC, a Delaware limited liability company, a Partner

By: Newhall Land Development, LLC, a Delaware limited liability company, its Sole Member

By: Newhall Holding Company, LLC, a Delaware limited liability company, its Manager

By: D. Kimball
Donald L. Kimball, Executive Vice President