

September 22, 2009

Charles Cantoni
President
Wallace Lakes CSD
Via Email: cwe@cantoni.net

Re: Wallace Lake Estates, Will Serve Agreement No. 2005-1, Request for Extension

Dear Mr. Cantoni:

Recent economic factors in the housing industry and additional requirements by the County have caused delays in development at Wallace Lakes Estates beyond the control of the property owners.

Please accept this letter as our request to the CSD for a five (5) year extension to our Will Serve Agreement.

If approved, the expiration date of the Agreement would become April 14, 2015.

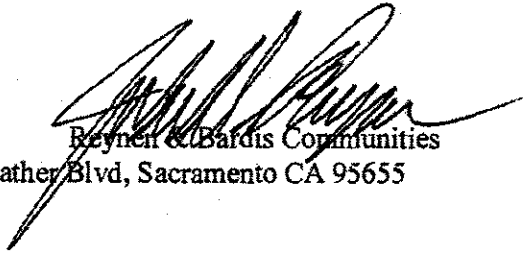
At that time the developers anticipate solutions to the factors delaying the project at this time.

Please call should you need any additional information.

Thank you for your consideration.

Very truly yours,

PINNACLE LAND VENTURES, LLC



Reynier & Bardis Communities
10630 Mather Blvd, Sacramento CA 95655

WALLACE COMMUNITY SERVICES DISTRICT

WILL SERVE AGREEMENT NO. 2005-1

This Will Serve Agreement for Improvements within Wallace Community Services District ("Agreement" or "Permit") is entered into and effective this 14th day of April, 2005 ("Effective Date"), by and between Wallace Community Services District, a community services district organized under Government Code sections 61000 et seq., (the "District") and John D. Reynen ("Developer"). Each of the aforesaid entities may hereinafter be referred to as the "Party" or collectively as the "Parties".

RECITALS

1. District provides sewer, water and road services for residents within the District.
2. Developer is developing certain real property located within District identified as Assessor's Parcels Number 048-061-018 and 048-061-019 consisting of approximately 155.46 acres identified as the Remainder Parcel on the Final Map of Wallace Lake Estates Tract 434 Unit 1 in the official map filed in the official records of Calaveras County on May 20, 1991 in Book 6 of Subdivision Maps at Page 57 as diagrammed in Exhibit "A" attached hereto, and more particularly described in Exhibit "B" attached hereto and incorporated herein (the "Property").
3. Developer has submitted to the County of Calaveras application 2003-114 Zoning Amendment and Tentative Subdivision Tract Map for the development of the Property into 124 single family lots and one common area (hereinafter the "Project").
4. Developer desires to obtain from the District domestic water service, sanitary sewer collection and wastewater service (collectively "Services") for the Project.
5. Developer desires for the District to maintain any and all roadway improvements constructed by Developer on the Property consistent with the Project.
6. District has prepared an initial study and Mitigated Negative Declaration for Services to the Project.
7. District and Developer have previously entered into Will Serve Agreement 2004-01 whereby Developer agrees to provide facilities for 40 equivalent single family residential dwelling ("esf") units of domestic and sanitary sewer collection and wastewater treatment service to property and a project identified as Mokelumne Oaks ("Mokelumne Oaks"). Developer intends to provide said units of domestic and sanitary sewer treatment facilities pursuant to this Agreement.
8. District's current wastewater treatment system consists of a Wastewater Treatment Plant, Storage Basin, Disposal Field and Distribution System as identified on the report prepared by Siegfried Engineering dated June 6, 2003.

9. District's current water facilities consists of three wells identified in the report prepared by Siegfried Engineering dated June 6, 2003.
10. On August 4, 2004 Enprotec Heron Innovators, LLC submitted Proposal No 1554-04b to Mokelumne Developer in care of Jim Johnston for a waste treatment facility (EH1 Proposal No. 1554-04b).

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises, conditions, and covenants herein contained, the Parties agree as follows:

A. PURPOSE OF AGREEMENT

1. The purpose of this Agreement is for the District to provide 124 equivalent single family residential dwelling ("esf") units of domestic water and sanitary sewer collection and wastewater treatment service ("Services") to the Project located on the Property.
2. This Agreement provides that Developer will cause to be constructed and dedicated to the District facilities to increase the domestic wastewater treatment capacity of the District to at least 724 esf units as provided in this Agreement, as well as necessary improvements to provide Services to the Project.
3. This Agreement provides that Developer will cause certain improvements to be performed to the existing District domestic water system and facilities in order for the existing District domestic water system and facilities to serve the Project located on the Property.
4. District will maintain the roadways and street improvements within the Project provided that such roadways and street improvements are constructed at the sole cost and expense of Developer according to plans and specifications approved by the District to the satisfaction of District and then dedicated to District.

B. ADDITIONAL CAPACITY OF DISTRICT SEWER FACILITIES

1. Construction by Developer. Developer agrees that Developer will construct and dedicate at Developer's own expense improvements, infrastructure and facilities ("Sewer Facilities") to increase the capacity of the District's current domestic sewer treatment facilities to provide for a total of 724 esf units capacity ("Additional Sewer Capacity") to serve residential units within the District including 124 esf units to serve the Project.
2. Approval of Plans and Specifications. The Sewer Facilities and Additional Sewer Capacity shall be constructed pursuant to plans and specifications and conditions approved by the District and District shall approve the location of any and all Sewer Facilities necessary to provide said Additional Sewer Capacity prior to any construction by Developer.
3. Treatment System.
 - a. Description. The Sewer Facilities to be constructed by Developer to provide Additional Sewer Capacity includes a "Treatment System." The Treatment System installed by Developer shall be a tertiary treatment facility equivalent to a Biologically Engineered Single Sludge

Treatment (BESST) system with the capacity to treat up to 165,000 gallons per day (gpd) of effluent, pursuant to EHI Proposal No. 1554-04b, dated August 4, 2004.

b. Location. The Treatment System shall be located adjacent to the existing District treatment plant for domestic wastewater treatment on District property located at 100 Wallace Lake Drive. The District shall approve the final location of the Treatment System prior to construction by Developer.

4. Storage Basin and Disposal Area.

a. Development by Developer. Developer shall be responsible for providing adequate storage and disposal area to accommodate all of the treated wastewater from the Treatment System. Developer may utilize for this purpose the existing District storage basin, which consists of approximately 3.5 acres, and the existing District disposal area, which consists of approximately 12 acres of which 8 of the 12 acres is currently improved with irrigation pipe and spray nozzles; provided, however Developer shall provide any and all necessary improvements to accommodate the treated wastewater from the existing District facilities and from the Treatment System for Additional Sewer Capacity. In the event that the existing District storage basin and disposal area is not adequate to accommodate the treated wastewater from the Treatment System, Developer shall be responsible for providing any and all additional storage and disposal area and all necessary improvements, which will be added to reimbursable Developer costs.

5. Operation by Developer. Developer shall operate and maintain the Sewer Facilities on behalf of the District for a five-year period following completion of construction of the Sewer Facilities by Developer pursuant to operation and maintenance agreement entered into between District and Developer regarding the operation and maintenance of the Sewer Facilities. The operation and maintenance is limited to chemicals, parts, and training for the Facilities Manager not to exceed \$50,000.00 per year. Said operation and maintenance agreement shall be entered into prior to the final inspection for the first residential building permit for the Property.

6. Dedication to District. Upon the completion and proper operation of the Sewer Facilities to provide Additional Sewer Capacity pursuant to paragraph B.5. above, Developer shall dedicate all Sewer Facilities and other facilities needed to provide Additional Sewer Capacity, including but not limited to, additional property for the sewer disposal property area and any and all easements necessary for District to utilize, access and maintain said Sewer Facilities.

7. Elimination of Existing District Treatment Plant. Developer and District agree that the Additional Sewer Capacity provided by Developer shall allow for the District to eliminate the use of the District's existing wastewater treatment facility and utilize the Sewer Facilities provided by Developer, at no additional cost and expense to District. If the Developer removes the existing treatment facilities, the cost shall be added to the reimbursable construction costs. At the District's sole discretion the District may eliminate the use of its existing treatment facilities and utilize the Sewer Facilities provided by Developer.

C. IMPROVEMENTS TO DISTRICT WATER FACILITIES

1. Improvements by Developer. Developer agrees that Developer will cause all necessary improvements to the District's existing water treatment and distribution system ("Water

Facilities") at Developer's own expense to provide for the proper and necessary operation of District's Water Facilities at maximum capacity to serve the existing residential units within the District and the additional 124 esf units for the project ("Water Improvements"). Water Improvements shall be completed prior to the final inspection for the first residential building permit for the Property, and costs will be added to Developer reimbursable costs.

2. Approval of Plans and Specifications. The Water Improvements shall be constructed pursuant to plans and specifications and conditions approved by the District.

3. Conditions of Existing Water System. Prior to the start of the construction of the Water Improvements, the Developer shall inspect the Water Facilities and notify the District of any existing deficiencies. The District shall be responsible for correcting the deficiencies prior to the Developer's start of construction.

4.

D. COLLECTION AND DISTRIBUTION SYSTEM

1. Developer to Provide. Developer shall cause to be constructed, including design, engineering and construction, at Developer's own expense, in a good and workmanlike manner, according to plans and specifications and conditions (the associated costs of which shall be added to Developer's reimbursable costs) to be approved by the District and under the direction and to the satisfaction of the District's Engineer, all of the following work and improvements within and/or without the Project to-wit:

a. Sewer Collection System. All improvements including, but not limited to, sanitary sewer lines and other on or off-site improvements as required or ordered by the District Engineer, which are necessary to provide sewer service to the Project on the Property as provided in this Agreement ("Sewer Collection System").

b. Water Distribution System. All improvements, including, but not limited to, water mains and lines and other on or off-site improvements as required or ordered by the District Engineer, which are necessary to provide domestic water service to the Project on the Property as provided in this Agreement ("Water Distribution System").

2. Dedication to District. Upon the completion and proper operation of the Sewer Collection System and the Water Distribution System, Developer shall dedicate all said facilities, property and any and all easements necessary for District to utilize, access and maintain said Sewer Collection System and Water Distribution System. Developer shall not seek a final inspection building permit for any dwelling units of any Phase of the Project prior to the dedication and acceptance by District of the Sewer Collection System and Water Distribution System for that Phase.

E. ROADWAYS

1. Developer to provide. Developer shall construct at Developer's own expense, in a good and workmanlike manner, according to plans and specifications and conditions to be approved by the District and under the direction and to the satisfaction of the District's Engineer, all roadways and appurtenances within the Project.

2. Dedication to District. Developer shall dedicate all said roadways and appurtenances, property and any and all easements necessary for District to utilize, access and maintain said roadway and appurtenances. District may accept the roadway and appurtenances at its sole discretion and may accept the roadways and appurtenances in segments at its sole discretion upon satisfaction that the segment will not be damaged by further construction activities.

F. SERVICE BY DISTRICT

1. Service to Project. Upon completion of all obligations by Developer of this Agreement, including but not limited to completion and dedication of all necessary Facilities to provide Additional Capacity and all work and improvements to provide Services to the Property, District shall provide domestic water and sanitary sewer services to the Project located on the Property for up to a maximum of 124 esf units and shall permit the connection to its domestic water facilities and its sanitary sewer and wastewater facilities in accordance with the terms of this Agreement and all then existing applicable District rules and regulations. District may adopt or amend its service fees and charges, connection permit fees, capital improvement fees, inspection and plan review fees, and may adopt or amend other fees, or charges, or assessments, as allowed by law, and such change in fees, charges or assessments shall apply to Developer, and further the rules and regulations may otherwise be amended at any time as allowed by law, and, if such amendment is required by changes in law or regulations applicable to the District, or required by action of a third party, such as by court order, such changes shall apply to Developer.

2. Time Period. The Developer shall start the construction of the Sewer and Water Improvements within one (1) year of the Effective Date of this Agreement. The Developer shall complete the construction of said facilities within three (3) years from the start date of construction. In the event that the start date or completion date are delayed for reasons beyond the control of the Developer, the start date or the completion date shall be extended for the period of delay not to exceed two (2) years from the start date or not to exceed two (2) years from the beginning of construction whichever is applicable. In the event that the Developer has not met the time periods set forth above, the District shall have no further obligation to serve the 124 esf for the project. Service shall be available to the project as long as the Sewer Facilities and Water Improvement are in good working order and shall continue for twenty (20) years from the Effective Date of this Agreement.

3. Assignability. Said Services for 124 esf are available to Developer for service to the Project located on the Property and said right to Services may not be transferred, assigned or applied to any other project or property without the written consent of District which shall not be unreasonably withheld.

G. FEES, CHARGES AND ASSESSMENTS

1. Establishing Fees. Developer and District hereby acknowledge and agree that District's fees, assessments and charges, including but not limited to its service fees and charges, connection fees, capital improvement fees, capacity fees, inspection and plan review fees, and assessments, will be amended by the District from time to time, and Developer hereby agrees to said changes as amended from time to time by District as applicable to the Property. Developer shall not object to said charges which are proposed from time to time consistent with applicable law.

2. Assessment. Developer hereby agrees that the current yearly assessment of five hundred dollars for each residential lot will apply to each Phase of Project Property upon the County Recorder filing for record the final map for each Phase. Said yearly assessment shall become due in the following tax year as collected by the County of Calaveras on behalf of the District. Said yearly assessments applicable to the Project Property may be amended by District from time to time consistent with applicable law and may be amended prior to the application of the assessment to the Project Property.

3. Capacity Charge for Property. Based on the actual cost of the improvements to provide said Services, including Additional Capacity, District will impose pursuant to California law capacity charges on the Property, which Developer and assigns and successors will not object to. Said capacity charge shall include a reasonable administrative fee to be established by the District.

4. Reimbursement to Developer.

a. Capacity Charges for Property. Once District receives said capacity charges from any and all parcels within the Project on the Property, Developer will be reimbursed by District in the amount of the capacity charge, within thirty (30) days of receipt of funds; excluding an administration fee to be established by the District. This arrangement will continue for a ten (10) year period from the effective date of the establishment of the capacity charge.

b. Capacity Charges for Service to Existing Wallace Lake Estates. District shall have no obligation to reimburse Developer for any costs or expenses or any capacity charge or other related charges received by District to serve the existing development identified as Wallace Lake Estates, Residential Unit 1.

c. Capacity Charges to Serve Future Development. Once District receives said capacity charges from any and all parcels other than parcels located within the Project and within the Existing Wallace Lake Estates, Developer will be reimbursed by District in the amount of the capacity charge within thirty (30) days of receipt of funds less the administrative fee. This arrangement will continue for a ten (10) year period from the effective date of the establishment of the capacity charge.

H. PERMITS AND APPROVALS

1. Developer's Obligation. Developer shall be responsible at Developer's own expense to obtain any and all necessary approvals and permits required by any other governmental or regulatory agency which may be required to complete the obligations of this Agreement, including but not limited to California Regional Water Quality Control Board approval or permit amendments and California Department of Health Services (DHS) approval or permit amendments. District will take all reasonable measures to cooperate with Developer and assist developer in obtaining such governmental or regulatory approvals or permits.

I. FIRE FLOWS

1. Developer shall be responsible at Developer's own expense to cause any and all improvements to be constructed to provide adequate fireflows and protection which shall be required to serve the Project on the Property.

J. STREET LIGHTS

1. Developer shall cause to be constructed, at Developer's own expense, in a good and workmanlike manner, according to plans and specifications and conditions to be approved by the District and under the direction and to the satisfaction of the District's Engineer, street lights within the Project. Said streetlights shall be constructed in the area of the Project in which the parcel size is less than one-half acre. For parcels greater than one-half acre, the Developer shall install conduit for future streetlights.

K. GATE

1. Developer hereby acknowledges that the Project is located within a private gated community within the District. Developer shall cause the existing two entrance and exit gates located on Wallace Lake Drive to be replaced to provide adequate and reasonable gates to access the entire existing Wallace Lake Estates and the Project Property according to plans and specifications approved by District. The front gate will be replaced with the start of roadway construction. The back gate will be replaced prior to the completion of roadway construction. Said gates shall thereafter be dedicated to the District prior to the final inspection for the first residential building permit for the Property.

L. STORM DRAINAGE

1. Developer shall prepare a drainage study for the Project in accordance with District standards and complete all improvements required to comply with District standards and mitigate substandard drainage facilities impacted by Project.

M. DEDICATION OF ADDITIONAL PROPERTY TO DISTRICT

1. Deed to District. Developer hereby agrees that prior to providing any service by District to the Property, Developer will deed to District by Grant Deed the portion of the property in which District improvements are located on the Property and grant an easement to District for the purpose of roadways, access to and use of the District improvements.

2. Property Description. The District improvements located on the Property which shall be deeded by Developer to the District include, but are not limited to, area surrounding and including the District wells commonly identified as Well # 1, Well # 2, Well # 3, the water storage facility, and water treatment facility, waterlines, driveways and roadways, and open space, including a portion of Wallace Lake, as depicted on the Record of Survey recorded in the official records of Calaveras County on February 23, 2000 in Book 19 of Record of Surveys at page 85, Instrument Number 20002116 ("Record of Survey").

N. BOND

1. Bond. At the time that the plans and specifications of any of the improvements described in this Agreement are approved by the District, the Developer shall post an improvement security in the form of a cash deposit, surety bond, or letter of credit as provided in Code of Civil Procedure section 995.70 with the District acceptable to the District which shall be in an amount deemed sufficient by the District to cover one hundred percent (100%) of the cost of said improvements, engineering, and incidental expenses, guaranteeing faithful performance. The

cost of the improvements, engineering, and incidentals will be established by the District based upon approval of the improvement plans and specifications. In addition to the above, a second security in the sum of one hundred percent (100%) of the aforementioned costs guaranteeing payment to the contractor, his subcontractor and to persons renting equipment or furnishing labor or materials to them, is required to be posted by the Developer.

O. MITIGATION CONDITIONS

1. Developer shall complete and comply with all mitigation conditions identified in the Mitigated Negative Declaration approved by the District for the Project, including the mitigation monitoring plan and requirements.

P. MISCELLANEOUS PROVISIONS

1. Approval by District. All of said work is to be done to the satisfaction of the District's Engineer, and consistent with the plans, specifications and conditions to be approved by the District. Developer shall commence no work until the plans, specifications and conditions of the work has been approved by the District.

2. Necessary Permits. Developer shall, at Developer's expense, obtain all necessary permits and licenses for the construction of such improvements, give all necessary notices and pay all fees and taxes required by law.

3. District Rules. Developer shall comply with the provisions of the District's Codes, including, but not limited to, the Open Space Ordinance 98-01, the Water Ordinance 98-02 and the Sewer Ordinance 98-03, as may be amended from time to time, and any additional ordinances, rules or policies that may be in effect.

4. Compliance with law. All procedures, design, work, materials, capacities and facilities and other improvements and the installation, maintenance and operation thereof shall be based on and/or performed in strict compliance with the provisions of the latest revisions of the Federal, State local and district statutes, ordinances, rules, regulations, standards and specifications and generally accepted standards of waterworks, sewer works, and road works practices, insofar as deemed appropriate by the District considering the conditions and where not in conflict with District standards.

5. Prevailing Wages. The public improvements which are to be constructed pursuant to this Agreement are public works within the meaning of California Labor Code section 1720, and Developer's contractor(s) shall comply with all applicable provisions of California Labor Code sections 1720-1861, and all other applicable laws, including but not limited to, the payment of prevailing wages for work on such public works (a copy of the prevailing rate of per diem wages for the public improvements when constructed may be obtained from District), and including, but not limited to, compliance with California Labor Code section 1773.8, section 1776, and section 1777.5. Statutory provisions for failure to pay prevailing wage will be enforced. Eight hours labor constitutes a legal day's work. Developer, Developer's contractor(s) must file the certification required by California Code section 1861 prior to commencing work on any public improvement.

Q. REIMBURSEMENT OF DISTRICT EXPENSES

1. Developer shall pay to District, within thirty (30) days of submission of any invoice, detailing all the work done and costs charged to the District, costs incurred by District for services performed by District staff or consultants, including not limited to the District's Facilities Manager, District's Attorney, and District's Engineer or other consultants, in any way connected with this Agreement.

R. INDEMNITY AND HOLD HARMLESS

1. Developer hereby agrees to hold harmless District, its elective and appointive boards, commissions, officers, agents, and employees, from any liability for damage or claims for damage due for personal injury, including death, whether of Developer's employees or otherwise, as well as from claims for property damage which may arise from Developer or Developer's contractors', subcontractors', agents' or employees' operations under this Agreement, whether such operations be by Developer or by any Developer contractors, subcontractors, or by any one or more persons directly or indirectly employed by, or acting as agent for Developer or any of Developers contractors or subcontractors. Developer agrees to, and shall indemnify and defend District and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for damages caused, or alleged to have been caused, by reason of any of the aforesaid operations and for any legal challenges to this Agreement and Developer shall pay all reasonable attorney's fees and costs that the District may incur.

S. Neither Developer nor any of Developer's agents or contractors are or shall be considered to be agents of District in connection with the performance of Developer's obligations under this Agreement.

T. SUCCESSORS AND ASSIGNS

1. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the successors and assigns of the respective Parties to this Agreement. No Party may assign its interests in or obligations under this Agreement without the written consent of the other Parties, which consent shall be granted within the sole discretion of the Parties.

U. GENERAL PROVISIONS

a. *Jurisdiction and Venue.* The Parties agree that any litigation involving the construction of this Agreement shall be brought in the Superior Court of Calaveras County.

b. *Authority.* Each signatory to this Agreement represents that he or she is authorized to execute this Agreement on behalf of one of the Parties to this Agreement. Each Party represents that it has legal authority to enter into this Agreement and to perform all obligations under this Agreement.

c. *Headings.* The paragraph headings used in this Agreement are intended for convenience only and shall not be used in interpreting this Agreement or in determining any of the rights or