

EXHIBIT 31

AGREEMENT FOR PURCHASE OF WATER

THIS AGREEMENT is executed by and between Antelope Valley-East Kern Water Agency ("AVEK"), an independent special district of the State of California, and Tejon Ranchcorp ("TRC"), owner and/or operator of the wells hereinafter described.

RECITALS :

1. AVEK is an independent special district of the State of California created by special act of the California Legislature (Act 9095 of Deerings' Water Code - Uncodified Acts, hereinafter "AVEK's principal act") for the purposes of supplying water to its customers.

2. AVEK's principal act empowers AVEK to develop and utilize local water supplies for distribution to AVEK's customers. However, AVEK historically has delivered only imported water from the State Water Project to its customers in an effort to preserve and replenish local water supplies for use in times of emergency. Since 1972, AVEK has delivered approximately 665,088 acre-feet of imported water from the State Water Project to its customers, and specifically has delivered 325,369 acre-feet in lieu of the local water which otherwise would have been pumped from underground supplies in the West Antelope, Neenach, and Lancaster subunits of the Antelope Valley groundwater basin.

3. The State Department of Water Resources (hereinafter "DWR") has advised AVEK that due to five consecutive years of drought statewide, DWR will only be able to provide AVEK and the other similar State Water Contractors with a very small percentage of the water which they have requested from the State Water Project for delivery to their customers during 1991. This temporary deficiency in the availability of water from the State Water Project has prompted AVEK's Board of Directors to adopt Resolution No. R-91-12 declaring a water shortage emergency and authorizing the execution of agreements with owners of wells for the purchase of local water to augment AVEK's diminished imported supply on a temporary basis.

4. TRC is the owner and/or operator of wells located within AVEK's service area and is willing to sell water from said wells to AVEK upon the terms and conditions hereinafter set forth. AVEK has agreed to purchase water from said wells on the following terms and conditions.

TERMS AND CONDITIONS :

5. **Location of Wells.** The wells which are the subject of this Agreement shall be those certain wells (hereinafter the "Wells") owned by and/or operated by TRC, located in the west Antelope groundwater subunit of the Antelope Valley groundwater basin, and depicted on the map or plat attached hereto as Exhibit "A."

6. **Water Quality Testing.** Prior to the purchase or delivery of any water from the Wells, AVEK will perform or arrange for the performance of such water quality testing as AVEK deems necessary or appropriate to assure that the water produced from the Wells is satisfactory to AVEK and to DWR for transmission in AVEK's or DWR's facilities and for treatment and delivery to AVEK's customers. At any time thereafter during the term of this Agreement, AVEK shall have the right to perform or arrange for the performance of such additional water quality testing as AVEK, in its discretion, deems necessary or appropriate. AVEK shall pay the costs of all such laboratory tests. TRC agrees to allow AVEK, DWR, their officers, employees, agents, contractors and consultants such reasonable access to the Wells as may be necessary to perform such tests. If AVEK or DWR determines on the basis of any tests that the quality of the water from the Wells is unacceptable to AVEK or to DWR, AVEK may immediately terminate this Agreement and shall provide TRC with written notice of termination.

7. **Transportation to Point of Delivery.** TRC shall be responsible for the installation and maintenance of facilities to transport water from each of the Wells to the point of delivery to AVEK (hereinafter "Point of Delivery"). The Point of Delivery for each well is depicted on the map attached as Exhibit "A". AVEK will be responsible for installing and maintaining a meter at each Point of Delivery, and for making the actual connection to AVEK's facilities at each Point of Delivery. AVEK will advance to TRC the estimated cost of obtaining

and installing transmission facilities from the Wells to each Point of Delivery, up to the amount of \$6,000 per well. Following installation, TRC will provide AVEK with invoices for equipment, materials and labor to document actual costs incurred. Thereafter, one-half of the sum advanced by AVEK shall be divided into four equal credits against water purchases, and during each of the first four months of deliveries from the Wells, AVEK shall be entitled to apply each monthly credit to the water purchased during that month. In the event of failure to deliver a sufficient quantity of water in any month to fully utilize that month's credit, the unused portion of the credit shall be applied to the quantity of water purchased during the next succeeding month and, if necessary, during each month thereafter until the credit is fully utilized.

8. Well Meters. AVEK shall furnish and install a meter on each Well to verify the quantity of water pumped from the Well for comparison with electrical meter readings or fuel consumption records. However, payment by AVEK shall be based only upon the quantity of water metered at each Point of Delivery; TRC alone shall be responsible for any water loss incurred in transmission from the Wells to each Point of Delivery.

9. Price of Purchased Water. In addition to AVEK's deposit to assist with the cost of transmission facilities in accordance with Paragraph No. 7 of this Agreement, AVEK will pay TRC monthly, the following amounts for water metered at each Point of Delivery:

- a. \$50.00 per acre foot of water delivered, as determined on the basis of meter readings at the end of each month; provided, however, that AVEK will prepay one-half of estimated deliveries for the first month that this Agreement becomes effective; plus
- b. \$5.00 per acre foot as an allowance to compensate TRC for operation, maintenance, and repair expenses for pumping and transportation equipment, regardless of actual expenses incurred; plus

- c. A sum equal to actual energy expenses incurred, including booster costs, as documented by utility invoices, not to exceed \$50.00 per acre foot of water metered at each Point of Delivery.

10. Meter Readings and Submittal of Energy Invoices. At or near the end of each month, AVEK will read the water meters at the Points of Delivery and the electric meters at the Wells and TRC will provide AVEK with invoices of energy costs incurred in pumping, including booster costs, pursuant to Subparagraph 9(c) of this Agreement. Within ten days after the meter readings and receipt and verification of invoices, AVEK will pay TRC the sums due for purchased water in accordance with the terms of this Agreement.

11. Minimum Purchase. AVEK shall have the right to request adjustment of the rate of production from the Wells to conform to AVEK's operational requirements. However, AVEK guarantees that it will purchase a minimum of 7,000 acre-feet of water at the Points of Delivery during the initial term of this Agreement. In the event that any of the Wells are inoperable during any portion of the initial term of this Agreement, the guaranteed minimum purchase shall be reduced proportionally. In the event that AVEK breaches this guarantee, TRC shall be entitled to payment of the sums set forth in Subparagraphs 9(a) and 9(b) of this Agreement for the difference between the quantity of water actually purchased by AVEK and the minimum guaranteed purchase as set forth herein.

12. Injection of Chemicals. TRC shall not inject any fertilizer, herbicide, pesticide or other chemical or foreign substance of any kind in the water delivered from the Wells to AVEK, it being understood that AVEK intends to treat the water and distribute it for human consumption.

13. Term. This Agreement shall have an initial term commencing on the date of execution by AVEK and expiring on August 31, 1992. However, this Agreement may be extended for an additional six months by mutual agreement between the parties.

14. Ownership of Facilities. Upon expiration of this Agreement, the facilities installed to transport water from the Wells to the Points of Delivery, referenced in Paragraph 7 of this Agreement, shall remain in the custody and control of TRC and AVEK hereby relinquishes any and all claims to ownership of said facilities. However, the meters installed at the Wells in accordance with Paragraph 8 of this Agreement shall continue to be owned by AVEK, and AVEK shall arrange for removal of the meters from the Wells at AVEK's expense and at a time mutually convenient to the parties. Moreover, the meters and other connecting facilities installed at AVEK's expense at the Points of Delivery shall remain in AVEK's ownership and control.

15. Access. TRC hereby grants to AVEK, DWR, and their officers, employees, agents, consultants and contractors, during the term of this Agreement, reasonable rights of access to the Well sites and to any facilities utilized for the delivery of water to AVEK for inspection of such facilities and for any other purpose necessary or convenient to the exercise of the rights set forth in this Agreement.

16. Successors. This Agreement shall be binding upon and shall inure to the benefit of any and all subsequent owners of all property containing the Wells and any other facilities utilized pursuant to this Agreement. This Agreement may not be assigned by either party hereto without the written consent of the other party.

17. Warranty of Right to Sell. TRC hereby represents and warrants that it has the sole right to pump water from the Wells and has the exclusive right to sell water to AVEK from the Wells. This warranty shall include the duty to indemnify and defend AVEK from and against any claim of loss, injury, or damage resulting from breach of the warranty.

18. Hold Harmless. AVEK agrees to hold harmless, indemnify, and defend TRC from and against any and all claims of personal injury or property damage resulting from any activities by AVEK, DWR, or their officers, employees, agents, consultants, and contractors, at the Well sites or upon any property owned by TRC, or upon property owned by others on which the transmission facilities are located, in the performance of the rights or obligations set forth in this Agreement.

Date: 2-26-91

PROPERTY OWNER

TEJON RANCH CORP

By: [Signature]
Jack Hunt, President

ATTEST:

[Signature]
Secretary

Date: 2-26-91

ANTELOPE VALLEY-EAST KERN WATER
AGENCY

By: [Signature]
President, Board of Directors

ATTEST:

[Signature]
Secretary, Board of Directors

CTB
Addendum to Agreement for Purchase of Water between Antelope Valley-East Kern Water Agency and Tejon Ranchcorp dated _____
FEBRUARY 26, 1991.

RECITALS:

1. Tejon Ranchcorp ("TRC") owns land in the Western Antelope Valley within the boundaries of the Antelope Valley-East Kern Water Agency ("AVEK"). TRC owns approximately 2,750 acres of permanent crops within Reach 16 of the Wheeler Ridge Maricopa Water Storage District. These permanent crops do not overlie an accessible pool of groundwater and will receive no agricultural water from the State Water Project ("SWP") in 1991.

2. TRC desires to provide AVEK with 2,000 AF of groundwater delivered from wells on TRC lands and adjacent properties in exchange for a like amount of AVEK's water supply from the SWP ("AVEK's SWP Water"). Without this exchange, it may not be economical for TRC to participate in AVEK's groundwater purchase program.

3. TRC is willing to retrofit approximately eight wells in the Western Antelope Valley and construct gathering systems for those wells which are estimated to be capable of producing a

total of 9,000 AF of water for delivery to AVEK within a nine month period.

4. In order that no net loss of water occurs to AVEK, TRC agrees to replace all water exchanged in 1991 in subsequent years from its 18,000 acre feet of entitlement held through the Tejon-Castac Water District and the Wheeler-Ridge Maricopa Water Storage District ("Tejon's SWP Water").

TERMS AND CONDITIONS:

5. TRC agrees to supply AVEK in 1991 with 2000 AF of groundwater pumped from wells on TRC land or property adjacent thereto ("TRC's Groundwater"). TRC's Groundwater must meet the water quality standards set by AVEK and the California Department of Water Resources. TRC will deliver the groundwater to the East Branch of the California Aqueduct. The timing of such deliveries will be determined by the capacity of the wells.

6. All power savings as a result of this exchange will inure to the benefit of AVEK.

7. Commencing on April 1, 1991, TRC is permitted to take delivery of 2000 AF of AVEK'S WATER at Reach 16 of the California Aqueduct located in the Wheeler Ridge-Maricopa Water Storage District. TRC shall provide AVEK with a delivery schedule in advance to allow for timely deliveries.

8. To compensate AVEK for AVEK'S SWP WATER which is being transferred out of the Agency's boundaries, TRC agrees to supply AVEK with a total amount of 2000 AF of TEJON'S SWP WATER. Subject to the following limitations, AVEK shall have the right to take delivery of Tejon's SWP Water during the ten year period commencing January 1, 1992. During the first five year period, in any year in which agricultural supplies from the State Water Project are not cut by 50% or more, AVEK shall have the right to request delivery of up to 2000 AF of water. During the second five year period, in any year in which agricultural supplies from the State Water Project are not cut by 50% or more, AVEK shall have the right to request delivery of up to 500 AF of municipal and industrial water or up to 2,000 AF of agricultural water. Not later than January 1 of any year in which AVEK desires to take delivery of TEJON'S SWP WATER, AVEK shall submit a written request to TRC indicating the amount of the request, the type of water needed and the desired delivery date. Not later than May 1 or the date the California Department of Water Resources makes its final announcement as to water availability in a given year, whichever date is earlier, TRC will notify AVEK as to whether its request can be met. AVEK agrees to reimburse TRC for ^{one-half of} the state fixed costs of the water and to pay the California Department of Water Resources directly for the variable costs of delivering the water.

9. If, the necessary approvals for this exchange are not obtained from the Department of Water Resources, the Kern County

Water Agency and any other relevant entities so as to allow delivery of AVEK's SWP WATER to TRC's permanent crops not later than April 1, 1991, then TRC shall be relieved of its obligations under this Addendum and the Agreement for Purchase of Water.

(ADD Paragraphs 10 and 11, below.)

Date: 2-26-91

TEJON RANCHCORP

By: [Signature]

Jack Hunt, President

ATTEST:

[Signature]
SECRETARY

Date: 2-26-91

ANTELOPE VALLEY-EAST KERN WATER AGENCY

By: [Signature]
President, Board of Directors

A T T E S T:

[Signature]
Secretary, Board of Directors

10. If the quantity of water available to AVEK from the SWP after the execution of this Addendum is less than 2,000 acre feet, such lesser quantity of water shall be the quantity subject to the exchange provisions of this Addendum, and AVEK shall not be liable to TRC for any losses or damage resulting from such deficiency. Provided, however, if AVEK is unable to supply TRC with 1,500 acre feet of exchange water, then TRC shall have the right to terminate the Agreement for Purchase of Water and this Addendum and shall be relieved of all obligations thereunder.
- If the quantity of water available to AVEK from the SWP after the execution of this Addendum is less than 2,000 acre feet and AVEK can acquire any water from the State Drought Emergency Water Bank for use on permanent crops, then TRC, at its option, may elect to accept delivery of such Drought Emergency Bank water to satisfy the exchange provisions of this Addendum; provided that in such case, TRC will reimburse AVEK for the difference between the cost of delivering such water and the cost of delivering an equal quantity of AVEK's SWP water.