

Nestlé Waters North America Inc.

777 WEST PUTNAM AVENUE
GREENWICH, CT 06830

TEL: 203 883 0488
FAX: 203 883 0250
MOBILE: 203 248 2100/203 517 6888
mark.evans@waters.nestle.com



August 6, 2008

J. MARK EVANS
EXECUTIVE VICE PRESIDENT
GENERAL COUNSEL & SECRETARY

VIA OVERNIGHT COURIER

ARROWHEAD

McCloud Community Services District
Board Members
220 Minnesota, P.O. Box 640
McCloud, CA 96057

DEER
PARKRe: Contract Discussions with Nestle Waters

CALISTOGA

Dear McCloud Community Services District Board Members:

ICE
MOUNTAIN

As you know, we recently announced several new developments in our proposed spring water bottling facility in McCloud. First, we have revised the project proposal to scale back both the size of the facility and quantity of water usage. Second, we have begun working with a team of independent scientists on a two-year study and evaluation of Squaw Valley Creek in order to provide the community with more information that can be used to help evaluate the potential effects of the bottling facility. Third, we have offered significant restrictions on the use of groundwater wells.

Ozark

Doland
Spring

We are excited about these developments and believe they demonstrate our ongoing commitment to the community and its future.

Zephyrhills

In light of the new reduced scope of the proposed project, we think that it makes sense to renegotiate the original contract. In order to allow both Nestle Waters and the District to start with a clean slate and build an agreement that reflects current circumstances, we believe that it is best that we step out of the existing contract and start anew. To begin that process, we have exercised our cancellation right under Section 2.6 of the contract, a copy of which is attached to this letter for your records. We remain very excited about our project proposal in McCloud and would like to commence discussions with the District on a new contract. We see the formal cancellation not as an end to our relationship but as the beginning of a new phase of that relationship.

FERRIERE

PAINNA

*
SPELLECRINO(2)
Contrex

cc: David W. McMurchie, Esq.
McMurchie, Weill, Lenahan, Lee,
Slater & Pearce, LLP
1030 15th Street, Suite 300
Sacramento, California
95814

David W. McMurchie, Esq.
McMurchie Law Firm
2130 East Bidwell Street
Suite 2
Folsom, California, 95630

David Palais
2051 Hilltop Drive #A-20
Redding, California 96002

Robert M. Johnson, Esq.
Sonnenschein Nath & Rosenthal
LLP
601 South Figueroa Street
Suite 2500
Los Angeles, California 90017

Chicago Title Company
700 South Flower Street
Suite 800
Los Angeles, California
90017
Attention: Ms. Helen Smith

Nestlé Waters North America Inc.

777 WEST PUTNAM AVENUE
GREENWICH, CT 06630

TEL: 203 663 0438
FAX: 203 663 0250
MOBILE: 203 249 2100/203 517 6688
mark.evans@waters.nestle.com



J. MARK EVANS
EXECUTIVE VICE PRESIDENT
GENERAL COUNSEL & SECRETARY

ARROWHEAD

August 6, 2008

DEER
PARK

VIA FACSIMILE AND OVERNIGHT COURIER
530-964-3175

CALISTOGA

McCloud Community Services District
220 Minnesota, P.O. Box 640
McCloud, California 96057
Attention: General Manager

ICE
MOUNTAIN

Ozarka

Re: Agreement for the Sale and Purchase of Spring Water dated as of
October 1, 2003 (the "Agreement") between Nestle Waters North
America Inc. ("Nwana") and McCloud Community Services District
("MCSd")

Inland
Spring

NOTICE OF CANCELLATION

Zephyrhills

Dear General Manager:




Pursuant to and in accordance with the terms of Section 2.6 of the Agreement,
Nwana hereby provides notice to MCSd that Nwana has elected to cancel the
Agreement effective as of August 6, 2008.

Very truly yours,

perrier

NESTLE WATERS NORTH AMERICA INC.

PANNA

By: 
J. Mark Evans
Executive Vice President

*
S.PELLEGRINO

(2)
Gaitrex