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JOHN L. SEITZ
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August 15, 2013

Via e-mail epmlaw@yahoo.com and U.S. Mail

E. Patrick Morris
LAW OFFICES OF E. PATRICK MORRIS
137 E. Anapamu St.
Santa Barbara, CA 93101

RE: SRHCSD - LAFCO Action Scheduled for September 5, 2013

Dear Mr. Morris:

As you know, the District has an application pending before the SB County LAFCO to amend the District's Sphere of Influence, remove restrictions on construction outside the District boundaries and to grant the power of eminent domain, if necessary for acquisition of rights of way. While there has been considerable activity since our initial hearing on June 6, 2013, including meetings with the SB County Ag Advisory Committee, issues separating the District and Cargasacchi positions still remain. It is our continued hope that the Cargasacchis and the District can come to some agreeable arrangements to allow for the construction of an access road from Sweeney Road to the District boundary.

In an attempt to continue resolution of these issues, we propose the following compromise in order to facilitate the LAFCO hearing scheduled for September 5, 2013:

The District is willing to accept the recommendations of the Santa Barbara County Ag. Advisory Committee that the District's Application for a change in its Sphere of Influence and the right to construct the road be granted. The District is willing to continue any discussion regarding the request for eminent domain power until the Nov 7th meeting of LAFCO to allow for negotiations to take place. The District is willing to limit its requests to the easement described in the MOA.

If your clients are agreeable with this, then we would anticipate that LAFCO will approve the two (2) actions described above on Sept. 5th. This would greatly reduce both the District's and the Cargasacchi's costs.

EXHIBIT G

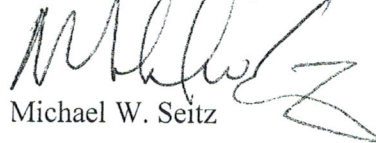
E. Patrick Morris
LAW OFFICES OF E. PATRICK MORRIS
August 15, 2013
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To facilitate our discussions, I sent you a letter dated July 26, 2013 (attached), proposing terms under which the District can move ahead with improvements to provide access to its property owners (including your clients which hold eight (8) of the thirty-nine (39) parcels within the District. As of this date, we have not received a response to my letter.

Because the date for the LAFCO hearing is near, we will need your response by 5:00 p.m. on Tuesday, August 20, 2013, in order to provide the necessary information to LAFCO for their staff report. If this is not possible, then the District will need to request a further continuance of this matter to the November LAFCO meeting.

Sincerely,

SHIPSEY & SEITZ, INC.



Michael W. Seitz

cc: Paul Hood

Encl.: Letter re Settlement Dated July 26, 2013

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July 26, 2013

Via e-mail ONLY epmlaw@yahoo.com

E. Patrick Morris
LAW OFFICES OF E. PATRICK MORRIS
137 E. Anapamu St.
Santa Barbara, CA 93101

Re: Santa Rita Hills Community Services District/Access Roads

Dear Mr. Morris:

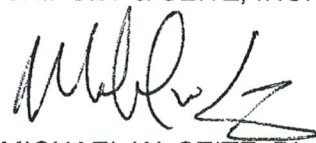
In order to reach an equitable resolution in regards to the construction of the access road from the terminus of the Sweeney Road to the District boundary, the District proposes the following terms attached on the term sheet. I ask that you discuss this with your clients and give a response as soon as possible so that a formal agreement can be drafted in regards to these terms.

As you know, the vast majority of District residents view the District as being the only financing authority available for the construction of the roadway. The District Board has sought the ability to build the road from LAFCO, and those applications relating to that are pending. The term sheets provide a proposed resolution that would avoid any further LAFCO proceedings, other than confirmation of the items that are within the term sheets.

My client looks forward to your client's early response.

Sincerely,

SHIPSEY & SEITZ, INC.



MICHAEL W. SEITZ, District
Legal Counsel

MWS/val

cc: John Wallace, SRHCSD

PROPOSED TERMS

SRHCSD proposes the following terms for an agreement for the District to construct an access road using the MOA alignment:

- 1)
 - a. SRHCSD will withdraw its application for eminent domain powers before LAFCO and will build an access road on the MOA alignment in accordance with county standards
 - b. SRHCSD will agree to maintain the road and to provide for insurance to cover all liabilities related to the road and will name Cargasacchi and Lakeview Estates property owners as additional insureds
 - c. Cargasacchi will withdraw their objections to the SRHCSD application for a change in its Sphere of Influence and for the power to construct the road
 - d. Cargasacchi will deed to SRHCSD either a fee interest or an unrestricted easement over the roadway path wide enough for construction and maintenance purposes
 - e. SRHCSD will limit access to the District by way of a private road with a locked gate but District residents and their guests will have an unfettered right to take access over the road for all lawful purposes and uses allowed for their properties
 - f. Cargasacchi may make suggestions for road design changes. Modifications will be incorporated in the design if agreed to by the District
 - g. Cargasacchi will modify any farm or other agricultural lease for the 2014-15 term, or other appropriate term for construction, that encompasses the roadway so that no damages would flow from SRHCSD to either the Cargasacchi's or any tenant as a result of the placement of the road.
- 2) A formal agreement with the above terms must be reached before 8/1/13
- 3) SRHCSD obligations under this agreement are subject to a successful Proposition 218 vote approving funding for the construction of District Roads