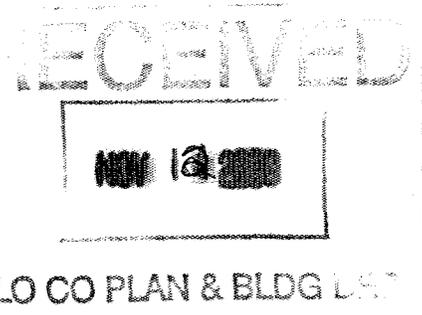


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Letter of Transmittal

Date: November 11, 2009

To: Michael Isensee, San Luis Obispo Agricultural Commissioner's Office
Michael Conger, San Luis Obispo Department of Planning and Building

cc: John Nall, San Luis Obispo Department of Planning and Building
Bob Lilley, San Luis Obispo Agricultural Commissioner

From: Jamie Kirk, Kirk Consulting

RE: Estrella River Vineyard- On-site Water Mitigation Proposal

This letter is in response to the questions raised during our conference call on Monday, October 17, 2009 regarding our proposal to implement on-site water use conservation measures on the Estrella River Vineyard project (Project). This letter outlines our proposed actions for each of your primary comments including ongoing monitoring, verification of the water savings associated with the proposed best management practices (BMP's), and the projects consistency with San Luis Obispo County (County) and the State of California policy. Following your review of this letter, we would like to request a follow-up call to discuss the adequacy of these measures, after which point we will then proceed with initiating the studies and other items that are outlined below.

Best Management Practice Verification:

We propose to have a registered agricultural engineer conduct a study to estimate the actual water savings that would be achieved through implementation of specified BMP's. We propose that Mr. Joe DeMaggio, P.E. of Stetson Engineers Inc. be selected as the qualified consultant to conduct the study. We have attached Mr. DeMaggio resume, which outlines his extensive experience as an agricultural engineer. As a part of the report the engineer would conduct a site visit at Estrella River Vineyard in conjunction with completing a scientific report estimating water savings through implementation of the proposed BMP's. The report will determine whether specified BMP's will result in at least .23 AF/acre of water conservation, as recommended in the Water Adequacy Assessment prepared by Cleath-Harris Geologists, Inc. and dated July 27, 2009.

Monitoring Procedure:

During our conference call on October 17, 2009, Mr. Conger raised the concern that if we proposed to voluntarily implement BMP's to reduce the overall water use on the site, the County would be required to monitor the Project to confirm that the proposed agricultural BMP's and proposed conservation measures for the residential units were being implemented. Mr. Conger's concern specifically was that there was not a clear plan on how BMP's could be effectively monitored. In response to this concern we proposed to implement the following monitoring and reporting procedure.

1. Agricultural Monitoring and Reporting: The land owner will prepare and submit annual reports by Dec. 31 of each calendar year to the County Agricultural Commissioner's office to include the following:
 - (a) Summary of new agriculture plantings planted in the most recent 12 months
 - (b) Documentation of BMP's utilized during the year (photographs, block by block summary, and soil moisture content reports, and other relevant reports for each BMP)
 - (c) Calculation of itemized and total estimated water savings based on the BMP's utilized
2. Site Visits:
 - (a) Land owner will be available to meet on two occasions during each calendar year at the request of the County with a minimum of 48 hours notice.

Other project considerations:*General Project Description:*

The applicant has applied for an agricultural cluster subdivision that would cluster the allowed residential density in an 18 lot cluster located on the least agricultural productive land on the subject property. The cluster site is compact in form, it is adjacent to existing residential development, and separate from existing and proposed agricultural operations. The project, as proposed, would maximize agricultural land value and operational efficiency by creating one large contiguous block of permanent agriculture.

Furthermore, the project would provide for both the development of the property into its highest and best use as a high-end vineyard property and for the most efficient use of water resources through establishment of low water use

permanent crops rather than lower value row crops. Continued development of the property into a fully planted vineyard and blueberry property will allow the property to maximize its agricultural value and production afforded by the renowned international reputation of the wine industry in the Paso Robles region. Finally, the applicant is willing and interested to work proactively with the county to study and implement agricultural BMP's that may be applicable to other projects in the County to help further reduce strain on the region's water resources.

Land Use:

In conjunction with the Project, the applicant proposes to place a deed restriction running with the property that requires the implementation of water saving BMP's. This deed restriction would encourage the highest and best use of the property for low water use permanent crops such as vineyards, blueberries, and other low use water crops.

Capital Improvements

Many of the proposed water savings would be achieved through capital improvements to the irrigation systems and other agricultural practices. This will reduce the reliance on changes in cultural practices to achieve the estimated water savings and provide ample flexibility in operating the vineyard and other plantings on the property. Following in Exhibit A is a summary of the proposed capital improvements that would be implemented incrementally upon project approval as additional water is used either through the establishment of home sites or additional crop acreage

Consistency of the Project with County and State policy:

Along with this letter we are providing a memorandum prepared by Wes Strickland of Brownstein Farber Hyatt Schreck. The memorandum responds to questions raised during our conference call and during prior meetings regarding our proposed agricultural water conservation measures. The memorandum also highlights the project's consistency with many of the County's goals and policies for maintaining groundwater resources. In certain cases Mr. Strickland elaborated on topics that you had not directly raised, but that are relevant to the questions asked.

Thank you again for raising the questions addressed in this letter and your thoughtful consideration of these matters. We hope that you will find this a

helpful and more descriptive proposal of water mitigation measures for the Estrella River Vineyard agricultural cluster project.

Subject to your review of the proposed monitoring program and best management practice verification process, we request that the County confirm that the aforementioned procedures are acceptable to County, at which point we would engage the agricultural engineer to conduct the BMP verification study.

Regards,

Jamie Kirk
Kirk Consulting
jamie@kirk-consulting.net
Phone: 805-461-5765 ext 11
Fax: 805-462-9466

Exhibit A

Capital Improvement BMP's for Estrella River Vineyard, LLC

- 1) SULFURIC ACID INJECCION SYSTEM
 - Injects Sulfuric Acid into the irrigation line to keep water pH constant.
- 2) THIOCAL INJECTION SYSTEM
 - Injects Thiocal into the irrigation water, helps to displace bicarbonates and salts.
- 3) ONSITE WEATHER DATA COLLECTION SYSTEM
 - Records temperature, humidity, wind, rain fall onsite. Weather data would be accessible online.
- 4) SOIL MOISTURE MONITERING SYSTEM
 - 1 probe per acre. Each probe site would monitor three different depths. This real time data could be accessed online.
- 5) PLANT STRESS MONITORING SYSTEM
 - Monitors plant leaf stress to keep from over irrigating vines. This is important in wine grapes for improving wine quality.
- 6) DRIP SYSTEM IMPROVEMENTS TO MINIMIZE SURFACE EVAPORATION
 - Retro fit current drip system to subsurface drip. New technology from the vegetable industry has made subsurface drip more appealing for vineyard applications.