

OVERVIEW

Malpaso Water Company, LLC Water Entitlement

This information is for general guidance purposes only. This document is not an agreement or an offer to enter into an agreement. The provisions of the Water Subscription Agreement will prevail over any conflicting provisions of this document.

The purchase of a Malpaso Water Entitlement will provide the basis for the purchaser (Subscriber) to obtain a Water Use Permit from the Monterey Peninsula Water Management District (District) for a specified water supply entitlement that is provided for under District Ordinance No. 165 and the District's Rule 23.7.

California American Water Company (Cal-Am) will be the water provider, and will set a new meter, if needed, for service under a Malpaso Water Entitlement. The Cease-and-Desist Order (CDO), which currently restricts Cal-Am service for intensification of uses and the setting of new water meters, does not apply to the Malpaso Water Entitlement.

Documents

The Malpaso Water Entitlement is available to Subscribers as a result of various regulatory approvals from the State Water Resources Control Board and the District, and an agreement with Cal-Am. The following documents that are related to the Malpaso Water Entitlement will be available to the Subscriber, and can be obtained directly from Malpaso (once a Water Subscription Agreement has been provided by Malpaso in anticipation of opening escrow) or at the District's website (www.mpwmd.dst.ca.us) as part of the Subscriber's due diligence for the purchase of a Malpaso Water Entitlement:

- (1) SWRCB Water Right License 13868A
- (2) SWRCB Division of Water Rights Decision 2015-0001
- (3) District Ordinance No. 165 (which includes District Rule 23.7)

This overview is not a substitute for the Subscriber reading and understanding these documents, and any other relevant documents, and any regulatory processes necessary to use water under the purchased Malpaso Water Entitlement.

Authorized Purpose and Place of Use

The Malpaso Water Entitlement is available for use for new and intensified water uses on existing lots of record within the parts of Cal-Am's service area that are within either the Carmel River watershed or within the City of Carmel (a portion of which is outside of the Carmel River watershed). The Subscriber's Water Entitlement is not transferable, and water use will be limited to the existing lot of record identified in the Subscriber's offer.

Amount of Water Entitlement to Be Purchased By Subscriber

The minimum quantity of the Malpas Water Entitlement that may be purchased under a Water Subscription Agreement is 1/10 of an acre-foot per year (af/yr). The minimum additional increment that is available is 1/100 of an af/yr.

The Subscriber is solely responsible for determining the quantity of water to be purchased for use on the Subscriber's parcel. The Subscriber should consult with the District when calculating the amount of the Malpas Water Entitlement that the Subscriber will need for the Subscriber's desired use.

Payment for Malpas Water Entitlement

The current cost schedule for purchasing a Malpas Water Entitlement is as follows:

.10 af/yr = \$ 24,000 (which is the minimum amount that can be purchased)

.01 af/yr = \$ 2,400 (which is the minimum additional increment)

Typical examples include:

.25 af/yr = \$ 60,000

.50 af/yr = \$120,000

The Subscriber will also be required to pay any and all transaction costs for purchasing a Malpas Water Entitlement, including all escrow fees. The Subscriber will also be required to pay customary fees and costs to the District and Cal-Am, which may include, but are not limited to, processing fees for the issuance of a Water Use Permit by the District, the issuance of the Water Permit by the District, Cal-Am connection and consumption charges.

To Start the Process:

To start this process, the Subscriber should take the following actions:

- **Subscriber must complete in full the information requested in Exhibit A (attached).**
- **Subscriber must identify the amount of Malpas Water Entitlement to be purchased in Exhibit A. Please refer to the MPWMD website, specifically regarding Ordinance 165 and its associated Rules, which can be found at <http://www.mpwmd.dst.ca.us/ordinances/final/ord165/Ordinance%20165.pdf>.**
- **Subscriber must submit the completed Exhibit A, which includes your written request that Malpas prepare the Subscription Agreement. All documents must be submitted to Malpasowater@gmail.com.**

After the above-referenced information is received by Malpas, Subscribers requesting to move forward can expect to receive information from Malpas in the general timeframe that corresponds to the time period selected by you in the Exhibit A.

Escrow and Closing

If Malpasco executes the Subscription Agreement (after the Subscriber has executed it and made a deposit in the minimum amount of \$5,000), then Malpasco will submit the executed Subscription Agreement to First American Title Company, and an escrow will be opened. The Subscriber will be required to deposit with the escrow holder, by cashier's check or wire transfer, the full amount of the purchase price, plus the escrow costs (minus the amount of the Subscriber's prior deposit) at least 10 days before the close of escrow.

The length of escrow is intended to be 30 days, during which all required funds must be deposited into the escrow account and all required documents must be signed and delivered to the escrow officer. Upon closing, First American Title will record with the Monterey County Recorder's Office Malpasco's executed Assignment of the Portion of the Malpasco Water Entitlement (Assignment Document) that has been purchased by the Subscriber. (If the Subscriber requests a shorter escrow period, or a slightly longer one, if made known to Malpasco when the Subscriber returns the Subscription Agreement, then Malpasco will attempt to accommodate that request. However, Malpasco sets the closing date.)

Water Use Permit, Water Permit and Building Permit Processes

After the Assignment Document is recorded, the Subscriber will comply with: (1) District Rule 23.1, to apply for and obtain a Water Use Permit from the MPWMD; (2) District Rule 23, to apply for and obtain one or more Water Permits; and (3) City or County building permit procedures, as applicable. Each Water Permit issued by the District documents a specific quantity of water that may be used for the construction authorized by the Subscriber's building permit. The Subscriber will be solely responsible for completing these processes to the satisfaction of the regulatory agencies.

Coordination with Cal-Am

The Subscriber's share of the Malpasco Water Entitlement will be delivered by Cal-Am to the Subscriber's property. The Subscriber will need to contact Cal-Am directly to make arrangements to obtain this water service (including setting a new meter, if there is no existing Cal-Am meter. See contact information, below.

Coordination with the City of Carmel by the Sea

If Subscribers property is in the City of Carmel, Subscribers should contact the City as to any applicable procedures related to Subscriber's intended use of Malpasco Water Entitlement on property located within the City. See contact information, below.

Coordination with the County of Monterey

If Subscribers property is in the unincorporated area, then Subscribers should contact the County of Monterey as to any applicable procedures related to Subscriber's intended use of Malpasco

Water Entitlement on property located within the unincorporated County of Monterey. See contact information, below.

Independent Legal and Technical Advice

The District's rules for applying for a Water Use Permit(s) and Water Permit(s) are available on the District's website. Those interested in purchasing a portion of the Malpas Water Entitlement should obtain independent legal and technical advice regarding the District's rules and the amount of Malpas Water Entitlement that the Subscriber should apply for, and any other procedures necessary for the Subscriber to use Malpas Entitlement Water with the appropriate entities (i.e., the City of Carmel, the County of Monterey, and Cal-Am).

Contact Information

Malpas Water Company, LLC:

Michael Waxer, malpasowater@gmail.com, (831) 625-1090.

Monterey Peninsula Water Management District:

Gabby Ayala, gabby@mpwmd.net, (831) 658-5630 or
Stephanie Kister, skister@mpwmd.net, (831) 658-5601.

California American Water Company:

Catherine Stedman, Catherine.stedman@amwater.com, (831) 646-3208.

City of Carmel (for parcels in the City of Carmel):

Marc Weiner, mwiener@ci.carmel.ca.us, (831) 620-2024.

County of Monterey (for parcels in unincorporated County of Monterey):

Nicki Fowler, FowlerNE@co.monterey.ca.us, (831) 755-4584.

EXHIBIT A
Subscriber Information

The following information must be completed in full, and submitted to Malpas Water Company, LLC either via email to: malpasowater@gmail.com or mail to: Malpas Water Co. LLC, P.O. Box 450, Carmel, CA. 93921 (Attention: Michael Waxer):

1. Subscriber (Owner) Name: _____
2. Street Address (of benefited property): _____
3. Monterey County Assessor's Parcel Number (APN): _____
4. Size of Existing Lot (exact or approximate, e.g., 4,000 square foot lot, ¼ acre lot, etc.):

5. Check all that apply, and add additional notes as necessary:
- _____ vacant residential lot in the City of Carmel
 - _____ vacant residential lot in the unincorporated area of Monterey County
 - _____ remodel/addition to existing home in the City of Carmel
 - _____ remodel/addition to existing home in the unincorporated area of Monterey County
 - _____ non-residential use, and/or non-residential parcel, in the City of Carmel
 - _____ non-residential use, and/or non-residential parcel, in the unincorporated area of Monterey County
 - _____ other use (Please explain: _____)

Additional Notes: _____

6. Subscriber's contact information:
Email address: _____ Telephone: _____
Mailing Address: _____

7. Amount of Malpas Water Entitlement being requested by Subscriber:

_____ acre-feet per year (af/yr) (amount must be at least 0.10 af/yr and must be stated in some 0.01 af/yr increment)

8. Purchase Price: \$_____ (the amount of water entitlement times \$2,400 per 0.01 af/yr)

9. How soon would you like to enter into an agreement to purchase this Water Entitlement (select only one):
____Mar/Apr 2016 ____Jul/Aug 2016 ____Nov/Dec 2016

10. I, _____ (Subscriber/Purchaser) request that Malpas prepare a Subscription Agreement and send it to me so that I may take the next step toward purchasing a Malpas Water Entitlement for my property, identified above.