EXHIBIT "H"

FROM: The Board of Trustees
Mendocino County Russian River Flood
Control and Water Conservation
Improvement District.

TO: The Board of Directors
Redwood Valley County Water District
Redwood Valley
California 95470

MEMORANDUM OF GUARANTEES OF RUSSIAN RIVER WATER FOR REDWOOD VALLEY WATER PROJECT.

The Board of Directors of the Mendocino County Russian River Flood Control and Water Conservation Improvement District has given thorough consideration to your request for a commitment of a guaranteed supply of water for your planned project of furnishing Russian River water for your District.

The Board has, by resolution, authorized me to direct this Memorandum to you setting forth guarantees which, we trust, will be satisfactory for your needs.

Such guarantees are, of necessity, based on alternatives for the reasons, and in the manner, hereinafter set forth.

A short summary of the position of our District with respect to the overall Russian River project will be helpful in clarifying the guarantees:

The Mendocino County Russian River Flood Control and Water Conservation Improvement District was formed in 1955 pursuant to Water Code-Appendix Section 54-36 et seq., for the purpose of participating in the construction and sharing in the benefits of the Coyote Valley Dam and Reservoir.

Concurrently with formation of the District, the inhabitants of the District voted a bond issue in the amount of $650,000.00 which, together with the $5,598,000.00 contributed by the Sonoma County District, constituted the required local funds for participation with the U. S. Corps of Engineers in the Coyote project.

For this sum, the Mendocino District was entitled to approximately 8,000 acre-feet from the yield of the dam.

Subsequently, after hearings before the State Water Rights Board in Decision D-1030, confirmed this right in the following language:

> " The right to export water from the Russian River Valley under these permits is subject to depletion by consumptive use of project water appropriated under these permits of 8,000 acre-feet per annum for beneficial use in the service area of Mendocino County Russian River Flood Control and Water Conservation Improvement District. "

Thus, this District has 8,000 acre-feet from the yield of the dam which it must put to beneficial use within the District.

A portion of this, of course, has already been put to use, and it is anticipated that the full amount will be required for use within the District prior to 1990.

In 1969 the Sonoma County Water Agency, in cooperation with Marin Municipal Water District, North Marin County Water District , and this District, prepared a report entitled "The Russian River Water Plan, 1969". Under this report, the 8,000 acre-feet of the firm yield of Lake Mendocino to this District is acknowledged.

Other units of the proposed plan are projected as follows:

The Warm Springs project is scheduled for completion in 1978. This District is allocated 12,000 acre-feet in the event it wishes to commit itself to purchase the same. The District also, under this report, is allocated 2,000 acre-feet in the enlargement of Lake Mendocino, scheduled in 1994. Additional water supplies which may be needed after the year 2004 may be obtained from the authorized Knights Valley project, from the Eel River, or from other proposed reservoirs in the Russian River basin.

It should be noted here also that in the State Water Rights Decision, referred to above, D-1030, provided that this District would have its first option to participate to the extent it deems necessary and desirable in the enlargement of the Coyote Valley project.

The District is presently engaging in a series of meetings with the Sonoma District, and other interested agencies looking to the formation of a tri-county Pool Concept wherein all

parties will join in revenue sharing as well as debt retirement and operation and maintenance of all segments of the Russian River project to assure all participants of water as needed at minimum expense.

There are legal, engineering, and practical problems in the formation of such a pool which must be overcome before this concept becomes a reality, but it is the present belief of the Board of Directors of this District that the same would be feasible, and to the best interests of all participants.

Redwood Valley, so far as this District is concerned, will be invited to participate in the proposed Pool Concept.

Thus, from the foregoing it appears to this District that there is a source of water wavailable, first, from Lake Mendocino (the reservoir of the Coyote project), so long as the same is not required in this District, and, thereafter, from the Warm Springs project, or other sources of the overall Russian River project.

Hence, this District is in a position to, and does, give your District the following assurances:

1. In the event the Pool Concept becomes a reality, this District shall take all reasonable steps to ensure your District becoming a participant. This plan assures sufficient water for all participants subject, of course, to prorated deficiency in the dry year of record.

This proposal contemplates your payment of a lump sum to this District, or as determined by Sonoma and other pool participants, to equalize your position, and you, thereafter, would share water revenues and costs in the entire pool with provisions for a prorata reduction of use, based on assessed valuation, in the event of a dry year. This lump sum shall not be due until your District commences utilizing the water on behalf of its consumers.

2. In the event the Pool Concept does not become a reality, this District shall exercise its proferred right under the aforesaid Russian River Water Plan, 1969, to the extent necessary to fulfill the requirements of your District and an additional supply of water for this District, if needed.

3. In the meantime, this District shall contract with your District for your District to use the unused portion of the 8,000 acre-feet to the extent of your requirement until and as the same is required for consumptive use in this District, after which time this District shall provide to your District the additional water you need from Warm Springs. Provided, further, that your District will bear the expense of replacement water at the Warm Springs project cost.

We trust this meets with your approval and gives you adequate assurances for you to proceed with your project application.

Dated: February 28, 1972.

Chas. Shimmin

Charles Shimmin, President
Board of Trustees

AGREEMENT BETWEEN MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL AND WATER CONSERVATION IMPROVEMENT DISTRICT TO FURNISH WATER TO REDWOOD VALLEY COUNTY WATER DISTRICT.

(INTERIM AGREEMENT)

THIS AGREEMENT made and entered into this 4th day of October, 1972, by and between MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL AND WATER CONSERVATION IMPROVEMENT DISTRICT, hereinafter referred to as "MENDOCINO RUSSIAN RIVER DISTRICT", and REDWOOD VALLEY COUNTY WATER DISTRICT, hereinafter referred to as "REDWOOD VALLEY DISTRICT",

W I T N E S S E T H

EXHIBIT I

WHEREAS, the Board of Directors of MENDOCINO RUSSIAN RIVER DISTRICT has heretofor given guarantees to REDWOOD VALLEY DISTRICT for the proposed project of REDWOOD VALLEY DISTRICT, which said guarantees are contained in that certain memorandum dated February 28, 1972, headed Memorandum of Guarantees of Russian River Water for Redwood Valley Water Project, a copy of which said memorandum is attached hereto and made a part hereof, and marked Exhibit "A", and

WHEREAS, since the date of said memorandum, a meeting has been held between the boards of directors of Sonoma County Russian River Flood Control and Water Conservation District, North Marin Water District, Redwood Valley District and Mendocino Russian River District, at which time all parties signified their intent to effectuate the "Pool Concept" referred to in said memorandum, and

WHEREAS, it is to the best interests of both parties hereto that this interim agreement be made to provide a definite commitment to REDWOOD VALLEY DISTRICT until the Pool Concept is finalized,

NOW, THEREFORE, the parties agree as follows:

1. MENDOCINO RUSSIAN RIVER DISTRICT does hereby agree to furnish from Lake Mendocino such amount of unused water of said district's allocation therein as required for the REDWOOD VALLEY DISTRICT project until and as the same is required for consumptive use in the MENDOCINO RUSSIAN RIVER DISTRICT. The cost therefor chargeable to the REDWOOD VALLEY DISTRICT shall be the water cost to MENDOCINO RUSSIAN RIVER DISTRICT, including a pro-rata share of

annual Bond Interest and Redemption and administrative costs determined by applying the ratio of the assessed valuation of REDWOOD VALLEY DISTRICT to the combined total valuation of the two Districts.

At such time as it is determined that the full MENDOCINO RUSSIAN RIVER DISTRICT allocation is required in said MENDOCINO RUSSIAN RIVER DISTRICT, said district will provide additional water from Warm Springs project at the cost and expense of REDWOOD VALLEY DISTRICT.

The cost of Warm Springs project water to REDWOOD VALLEY DISTRICT will be the same cost as if MENDOCINO RUSSIAN RIVER DISTRICT were purchasing water for its own use, and such price will be determined by Sonoma County when all costs of constructing Warm Springs dam are known.

2. PAYMENT: REDWOOD VALLEY DISTRICT shall pay the annual cost of water on or before the 1st day of July in the year following the first summer during which REDWOOD VALLEY DISTRICT takes delivery of water, and on or before July 1st of each year thereafter, during the life of this agreement.

3. REDWOOD VALLEY DISTRICT shall bear all expenses of taking the water from Lake Mendocino, including, but not limited to, the furnishing and maintenance of intake facilities at the lake, and shall abide by the rules and regulations of the Corps of Engineers in the installation and maintenance thereof. Provided, further, that REDWOOD VALLEY DISTRICT shall hold MENDOCINO RUSSIAN RIVER DISTRICT harmless from any and all liability for personal injury or property damage arising out of taking delivery of water hereunder, and arising out of the operation of the REDWOOD VALLEY DISTRICT, unless such injury or damage is caused by the fault of MENDOCINO RUSSIAN RIVER DISTRICT, its employees or agents.

4. It is understood that this is an interim agreement pending the completion of the Pool Concept arrangement with Sonoma County Flood Control and Water Conservation District and/or other interested parties. In the event MENDOCINO RUSSIAN RIVER DISTRICT enters into such Pool Concept agreement, REDWOOD VALLEY DISTRICT agrees that it shall also join in such agreement, and the obligations and responsibilities hereunder shall cease, except for the obligation of REDWOOD VALLEY DISTRICT to make payment as set forth in paragraph 5 hereof.

5. It is understood and agreed that at such time as the districts enter into the Pool Concept as set forth in Exhibit "A". the lump sum payment referred to therein shall be payable to MENDOCINO RUSSIAN RIVER DISTRICT in accordance with the schedule of payments provided in Exhibit "B" hereof, as the same may be updated on the due date.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hand the day and year first above written.

MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL AND WATER CONSERVATION IMPROVEMENT DISTRICT.

By _____
Charles Shimmin, President
Board of Trustees.

REDWOOD VALLEY COUNTY WATER DISTRICT.

By _____
President, Board of Directors.