

PARCEL "C"
 CITY LANDS TO BE
 ACQUIRED BY
 EXCHANGE
 FROM L.A.D.W.P.

461.7 ACRES
 \$125.00 VALUE

STATE LANDS
 COMMISSION

W 23158
 W 40243

OCTOBER 1989

T18S, R37E, M.D.M.

CALENDAR NO. SCALE 189
 4227
 MINUTE PAGE

LAND DESCRIPTION

Those lands situated in Sections 1 and 12, Township 17 South, Range 36 East, MDM, in the County of Inyo, State of California, being a portion of Parcels 2, 4, and 6, as conveyed by PPG Industries, Inc., a Corporation of the Commonwealth of Pennsylvania, to the State of California, by that certain Corporation Grant Deed, recorded October 11, 1983, as Document No. 834719 of the Official records of Inyo County, and being more particularly described as follows:

Parcel No. 2

The North half of the fractional northwest quarter of Section 12, Township 17 South, Range 36 East, MDM, shown as having 52.40 acres, according to the Official Plat thereof, dated August 13, 1856, for which Patent No. 978380 from the United States of America to Walter A. Kuhnert was issued under the date of April 29, 1926, and is recorded in the Office of Inyo County Recorder, in Volume 7, Page 357, of Official Records.

Parcel No. 4

The fractional southeast quarter of the southwest quarter of fractional Section 1, Township 17 South, Range 36 East, MDM, according to the Official Plat thereof, dated August 13, 1856.

ALSO, the northeast quarter of the southwest quarter of fractional Section 1, Township 17 South, Range 36 East, MDM, according to the Official Plat thereof, dated August 13, 1856.

ALSO, the West half of the southwest quarter of fractional Section 1, Township 17 South, Range 36 East, MDM, according to the Official Plat thereof, dated August 13, 1856.

EXCEPTING THEREFROM any portion thereof which was below the ordinary high water mark of Owens Lake as it existed on September 9, 1850.

SUBJECT TO any and all easements and rights-of-way, whether of record or not, granted to and held by the Southern Pacific Company.

Parcel No. 6

The South half of the fractional southwest quarter of Section 12, Township 17 South, Range 36 East, MDM, according to the Official Plat thereof, dated August 13, 1856.

ALSO, the South half of the fractional northwest quarter of Section 12, Township 17 South, Range 36 East, MDM, according to the Official Plat thereof, dated August 13, 1856.

ALSO, the North half of the fractional southwest quarter of Section 12, Township 17 South, Range 36 East, MDM, according to the Official Plat thereof, dated August 13, 1856.

The said Parcels No. 2, 4, and 6, having been previously conveyed to Columbia-Southern Chemical Corporation by Pittsburgh Plate Glass Company by Deed dated December 1, 1952 and recorded in Volume 100, Page 363, of Official Records of Inyo County.

EXCEPTING from the within conveyance of Parcels No. 2, 4, and 6, as hereinbefore described, the following lands and interests in lands heretofore conveyed or granted and as excepted and reserved in the said Deed from Pittsburgh Plate Glass Company to Columbia-Southern Chemical Corporation:

All that certain parcel of land conveyed by Pittsburgh Plate Glass Company to the State of California by Grant Deed, dated July 2, 1952, recorded in Volume 98, Page 117, Official records of Inyo County, and being more particularly described as follows:

A parcel of land lying across the West half of the West half of Section 12, and the West half of the Southwest quarter of Section 1, all in Township 17 South, Range 36 East, MDM, in the County of Inyo, State of California, which said parcel of land is more particularly described by metes and bounds as follows:

BEGINNING at the southwest corner of said Section 12; thence North $00^{\circ} 01' 08''$ West, along the west line of said Section 12, a distance of 1577.68 feet; thence, leaving said West Section line, North $04^{\circ} 03'$ East, 1051.86 feet; thence along a curve to the right with a radius of 20,080.00 feet through an angle of $01^{\circ} 50'$, a distance of 642.51 feet; thence North $05^{\circ} 53'$ East, 4,662.52 feet to the North line of said West half of the South west quarter of Section 1; thence East along said North line, a distance of 130.68 feet; thence, leaving said North line, South $05^{\circ} 53'$ West, 4,675.91 feet; thence along a curve to the left with a radius of 19,950.00 feet, through an angle of $01^{\circ} 50'$ a distance of 638.35 feet; thence, South $04^{\circ} 03'$ West, 1,206.74 feet; thence South $00^{\circ} 32'$ East, 194.02 feet; thence from a tangent which bears South $11^{\circ} 19' 26''$ West, along a curve to the left with a radius of 3,329.20 feet, through an angle of $21^{\circ} 09' 20''$, a distance of 1,229.25 feet to a point on the South line of said Section 12; thence West along said South line of Section 12, a distance of 103.42 feet, to the **POINT OF BEGINNING**.

Consisting of 22.38 acres, more or less, including 14.49 acres lying within the existing highway and within railroad right of way.

SO EXCEPTING from the within conveyance of Parcels No. 2, 4, and 6, as hereinbefore described, the following lands and interests in lands heretofore conveyed or granted by the said Columbia-Southern Chemical Corporation:

All that certain parcel of land conveyed by Columbia-Southern Chemical Corporation to the State of California, by a Grant Deed, dated October 2, 1956, recorded in Volume 123, Page 572, Official records of Inyo County, and being more particularly described as follows:

BEGINNING at a point in the West line of said Section 12, distant North $00^{\circ} 01' 08''$ West, 1577.68 feet from the southwest corner thereof, an angle point in the westerly line of the existing State Highway Lands, described in the Deed, recorded July 16, 1952, recorded in Book 98, Page 117, Official records of Inyo County, said point also being distant North $85^{\circ} 57'$ West, 80.00 feet from Engineer's Station K7 206+91.59 of the baseline of State Highway, Road IX-Iny-23-K; thence, from said **POINT OF BEGINNING**, along said westerly line described in said Deed, North $04^{\circ} 03'$ East, 826.74 feet to the intersection thereof with the northwesterly line of the 1929 State Highway, per S.C.C. 2739; thence South $15^{\circ} 00' 05''$ West, 227.05 feet to the intersection of said 1929 State Highway, with said West Section line; thence along said West section line, South $00^{\circ} 01' 08''$ East, 605.37 feet, more or less, to the **POINT OF BEGINNING**.

Conveyance of all of the parcels hereinabove described, together with the appurtenances thereto, is made expressly subject to all legal highways and to any and all valid subsisting conveyances, conditions, covenants, restrictions, reservations, exceptions, rights of way, easements, servitudes, and encumbrances affecting the same or any part thereof, whether or not specifically recited in this Deed

TOGETHER WITH all accretions and relictions accruing to said Parcels No. 2, 4, and 6, as described in said Confirmatory Deed from Columbia-Southern Chemical Corporation to Pittsburgh Plate Glass Company.

EXCEPTING FROM the above lands described in said Confirmatory Deed from Columbia-Southern Chemical Corporation to Pittsburgh Plate Glass Company, recorded in Volume 176, Page 149, Official Records of Inyo County, those portions of Parcels No. 2, 4, and 6 being more particularly described as follows:

Parcel 3 as shown on Parcel Map No. 70, filed in Parcel Map Book 1, Page 46, in the Office of the County Recorder of Inyo County.

ALSO EXCEPTING FROM the above lands described in said Confirmatory Deed, those portions of Parcels No. 2, 4, and 6 lying easterly of the westerly right-of-way line of the Southern Pacific Railroad Company railway right-of-way.

RESERVING an easement for ingress and egress over a strip of land 100 feet in width lying northerly of the northerly line of Parcel 3 as shown on Parcel Map No. 70, filed in Parcel Map Book 1, at Page 46, in the Office of the County Recorder of Inyo County, described as follows:

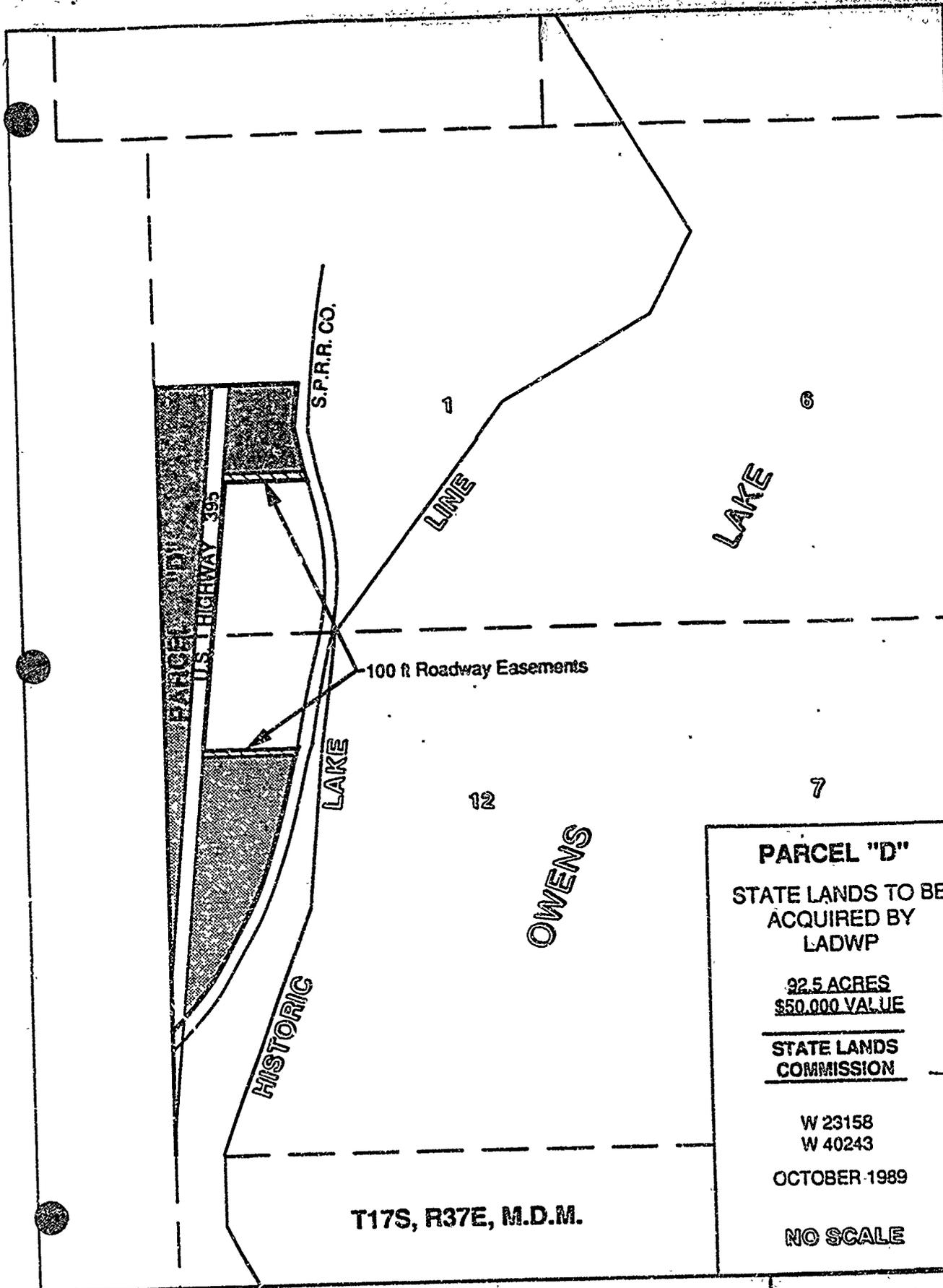
BEGINNING at the intersection of said northerly line of Parcel 3 with the westerly line of the Southern Pacific Railroad Company right-of-way; thence westerly along said northerly line to the easterly right-of-way line of U. S. Highway 395 and the end of the herein described line; the northerly line of said 100 foot strip to be lengthened or shortened to terminate at said easterly right-of-way line.

ALSO RESERVING an easement for ingress and egress over a strip of land 100 feet in width lying southerly of the southerly line of Parcel 3 as shown on Parcel Map No. 70, filed in Parcel Map Book 1, at Page 46, in the Office of the County Recorder of Inyo County, described as follows:

BEGINNING at the intersection of said southerly line of Parcel 3 with the westerly line of the Southern Pacific Railroad Company right-of-way; thence westerly along said southerly line to the easterly right-of-way line of U. S. Highway 395 and the end of the herein described line; the southerly line of said 100 foot strip to be lengthened or shortened to terminate at said easterly right-of-way line.

END OF DESCRIPTION

DESCRIPTION PREPARED BY OTHERS, REVIEWED AND REVISED SEPTEMBER 6, 1989, BY BOUNDARY INVESTIGATION UNIT No. 3



PARCEL "D"
 STATE LANDS TO BE
 ACQUIRED BY
 LADWP

92.5 ACRES
\$50,000 VALUE

STATE LANDS
 COMMISSION

W 23158
 W 40243

OCTOBER 1989

NO SCALE

T17S, R37E, M.D.M.

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EXHIBIT I
PARCEL E
KERN COUNTY

W 23158
W 40243

LAND DESCRIPTION

A parcel of land situated in the County of Kern, State of California, being more particularly described as follows:

Lots 1, 2, 3, 4, 5, 6, and 7, and also the Northeast 1/4 of Section 16, Township 25 South, Range 38 East, MDM, according to the Official Plat thereof, dated April 4, 1930.

EXCEPTING THEREFROM the Southwest 1/4 of the Northeast 1/4 of said Section 16.

END OF DESCRIPTION

PREPARED SEPTEMBER 6, 1989, BY BOUNDARY INVESTIGATION UNIT No. 3.

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8

9

10

LOT 2

LOT 1

PARCEL

LOT 3

LOT 4

17

16

15

LOT 6

LOT 5

LOT 7

N

T25S, R38E, M.D.M.

KERN COUNTY

21

20

PARCEL "E"
SCHOOL LANDS
TO BE ACQUIRED
BY LADWP

398.5 ACRES
\$75,000 VALUE

STATE LANDS
COMMISSION

W 23158
W 40243

OCTOBER 1909

NO SCALE 195
CALENDAR PAGE 4233
MINUTE PAGE

Department of Water and Power  the City of Los Angeles

TOM BRADLEY
Mayor

Commission
RICK J. CARUSO, *President*
JACK W. LEENEY, *Vice President*
ANGEL M. ECHEVARRIA
CAROL WHEELER
WALTER A. ZELMAN
JUDITH K. DAVISON, *Secretary*

NORMAN E. NICHOLS, *General Manager and Chief Engineer*
ELDON A. COTTON, *Assistant General Manager - Power*
DUANE L. GEORGESON, *Assistant General Manager - Water*
DANIEL W. WATERS, *Assistant General Manager - External Affairs*
NORMAN J. POWERS, *Chief Financial Officer*

October 19, 1989

Mr. James R. Frey
California State Lands
Commission
1807 13th Street
Sacramento, California 95814

Dear Mr. Frey:

Owens Lake Land Exchange

Enclosed please find two copies of a Memorandum of Agreement between the State of California, State Lands Commission (Commission) and the City of Los Angeles Department of Water and Power (Department), for a land exchange involving property in Inyo and Kern Counties. The Agreement is a draft, but has been transmitted as a final in the event that the Commission accepts it in its present form. Please review the Agreement and return the original with the Commissions' signature or proposed changes.

If you have any questions, please contact Mr. Steven B. McBain at (213) 481-3535.

Sincerely,

Dennis C. Williams
DENNIS C. WILLIAMS
Engineer in Charge
Los Angeles Aqueduct Division

Enclosures

c: Mr. Steven B. McBain

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MEMORANDUM OF AGREEMENT

This Agreement is entered into between the STATE OF CALIFORNIA, STATE LANDS COMMISSION ("COMMISSION") and the CITY OF LOS ANGELES, DEPARTMENT OF WATER AND POWER ("DEPARTMENT") and is made in recognition of the following facts:

Recitals

The COMMISSION is the owner of the bed of Owens Dry Lake in Inyo County. It has an existing lease with LAKE MINERALS CORPORATION ("LAKE MINERALS") to permit LAKE MINERALS to mine chemicals and minerals from the bed of Owens Lake.

The COMMISSION is considering expanding the mining of chemicals and minerals from the bed of Owens Lake and expanding the leasehold interest of LAKE MINERALS to do so.

The CITY OF LOS ANGELES is the owner of certain parcels of land in proximity to Owens Lake, which parcels are under the control and management of the DEPARTMENT. These parcels are needed by the COMMISSION to facilitate the proposed expanded mining operations of LAKE MINERALS.

It is proposed that the DEPARTMENT exchange these City-owned properties for certain parcels of land owned by the State of California in Inyo and Kern Counties. The City-owned properties have been determined to be of equal value with the State-owned parcels.

In 1987, the DEPARTMENT entered into an Agreement with LAKE MINERALS. This Agreement generally provided that the DEPARTMENT would exchange certain City lands with the State of California to facilitate the expanded mining operations on Owens

Lake. The Agreement between the DEPARTMENT and LAKE MINERALS provides, in part, that LAKE MINERALS will assume all risk of damages and waive any claim for damages against the DEPARTMENT for damages to its facilities, equipment, mine area and employees as a result of any flooding or water released on the Owens Lake by the DEPARTMENT. The Agreement further provided that LAKE MINERALS would pay to the DEPARTMENT certain prescribed sums of money for monitoring, research and mitigation measures for wind-caused dust that comes off Owens Lake as required of the DEPARTMENT by the Great Basin Unified Air Pollution Control District pursuant to Public Resources Code section 42316. A copy of this Agreement is attached hereto as Exhibit "A."

The Charter of the City of Los Angeles provides that all property owned by the City is owned in the name of the City of Los Angeles but may be under the control and management of certain departments of the City. The City parcels to be exchanged are owned by the City and under the control and management of the DEPARTMENT. Conveyance of these properties to the State requires approval by the City Council of the City of Los Angeles.

This Agreement has an Exhibit "A," "C," "D," and "E." There is no Exhibit "B."

The COMMISSION and the DEPARTMENT agree as follows:

1. The DEPARTMENT agrees to convey to the STATE OF CALIFORNIA all those certain lands in the County of Inyo and more particularly described on Exhibit "C," attached hereto. Such conveyance also includes an easement for ingress and egress over a strip of land 100 feet in width and more particularly described

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as Parcel No. 3 on Exhibit "C". Such conveyance will include all mineral rights. The Charter of the City of Los Angeles prohibits the conveyance of water or water rights without the approval of the City Council and a vote of two-thirds of the voters. Accordingly, all water and water rights on Parcel "C" are hereby reserved unto the CITY OF LOS ANGELES. A map (designated "Parcel 'C'") depicting the lands to be conveyed as described in Exhibit "C" is attached and follows Exhibit "C".

2. The COMMISSION agrees to convey to the City all those certain lands in the County of Inyo, State of California, as more particularly described on Exhibit "D," attached hereto. A map (designated "Parcel 'D'") depicting the lands to be conveyed as described in Exhibit "D" is attached and follows Exhibit "D".

3. The COMMISSION agrees to convey to the City all those certain lands in the County of Kern, State of California, and more particularly described on Exhibit "E," attached hereto. A map (designated "Parcel 'E'") depicting the lands to be conveyed as described as Exhibit "E" is attached and follows Exhibit "E".

4. The COMMISSION recognizes the City has certain dominant interests in the Agreement with Lake Minerals (Exhibit "A") and in this exchange of lands with the State. These interests include an agreement to indemnify and hold harmless the City by the State's lessee of Owens Lake for any damage caused by flooding or water released onto Owens Lake as provided in provision 3 of Exhibit "A." Further, the City seeks assistance regarding payment of costs for monitoring, research and

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mitigation measures relating to wind-blown dust off of Owens Lake as may be imposed by the Great Basin Air Pollution Control District pursuant to Public Resources Code section 42316, as set forth in provision 5 of Exhibit "A". The COMMISSION either believes it cannot legally bind successor Commissions, or it would not be prudent to bind successor Commissions to impose the conditions set forth on Exhibit A on any future lessees other than LAKE MINERALS, its successor or assigns. Nonetheless, the COMMISSION recognizes the concerns of the CITY OF LOS ANGELES and does agree that in the event the bed of Owens Lake is leased to a lessee other than LAKE MINERALS, its successors and assigns, that it will consider the concerns of the CITY OF LOS ANGELES as set forth in Exhibit A and may require the same or similar provisions of a future lessee other than LAKE MINERALS, its successors and assigns, as the COMMISSION deems reasonable, prudent, and fair, with due regard to the time and circumstances of such future lease.

5. The parties agree that the parcels to be exchanged are of equal value.

6. The City agrees to convey all mineral interests to the State in Parcel "C." The COMMISSION reserves all mineral interest to the State pursuant to Public Resources Code section 6401 in parcels described in Exhibit "D" and "E."

7. The DEPARTMENT shall retain all water rights in the parcel described in Exhibit "C" to be conveyed to the State.

8. The lands conveyed by the COMMISSION to the DEPARTMENT shall be burdened by constitutional and statute easements for fishing and highway access.

9. If either the DEPARTMENT or the COMMISSION desires title insurance, such party shall bear its own cost of title insurance.

10. The DEPARTMENT, pursuant to Public Resources Code section 6370, et seq., agrees to dedicate the Kern County parcel to open spaces and uses related to the operation and maintenance of water and electric facilities.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES
BY
BOARD OF WATER AND POWER COMMISSIONERS
OF THE CITY OF LOS ANGELES

By _____

And _____
Secretary

STATE LANDS COMMISSION

By _____
JAMES R. TROUT
Assistant Executive Officer

Dated: _____

4035

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MINUTE PAGE 4240

Water Misc.
NOV 19 1987

12

TO: BOARD OF WATER AND POWER COMMISSIONERS DATE: November 13, 1987

SUBMITTED BY:

Donald G. ...
Assistant General Manager - Water
Paul H. ...
General Manager
and Chief Engineer

SUBJECT:
Agreement No. 10009 with Lake Minerals Corp. that will facilitate the leasing of Owens Lake Bed for expanded mining operations

RECEIVED
NOV 17 1987

Board of Water & Power Com'rs.
CITY OF LOS ANGELES

FOR COMMISSION OFFICE USE:
RES. No. 88 103
NOV 19 1987

2 COPY RES. TO - Water 11/23/87
Leard

FOR: APPROVAL

INFORMATION

AGENDA:
CONSENT
REGULAR

COMMITTEE APPROVAL:
LAND/LEAS. COMMITTEE

[Signature]

ag 11/19/87

SUMMARY

Transmitted herewith for your approval is a resolution approved as to form and legality by the City Attorney, authorizing Agreement No. 10009, between the Department and Lake Minerals Corporation (LMC). The Agreement provides: 1) LMC will contribute significant sums of money to the Department, providing LMC proceeds with its plans to construct and operate a new soda ash plant at the lake, to defray costs incurred by the Department relating to monitoring, research, and mitigation of wind-caused dust that comes from Owens Lake; 2) protection for the Department from legal actions relative to flooding of the lake; and 3) commits the Department to use its best efforts to complete a proposed land exchange with the California State Lands Commission (SLC) of certain City-owned lands, under the control and management of the Department, adjacent to Owens Lake. The SLC, in turn, is to convey State lands of equal value to the City. Agreement No. 10009 becomes effective only after the completion of the land exchange with the SLC and commencement of LMC's expanded mining development on Owens Lake.

Agreement No. 10009 is only between LMC and the Department. It does not include the land exchange between the SLC and the Department which will take approximately three to six months from the date of this agreement to complete. Agreement No. 10009 is being processed at this time because it will aid LMC in securing financial partners for the project. LMC is aware that Agreement No. 10009 will not become effective unless the proposed land exchange between the SLC and the Department is subsequently approved by your Board and the City Council.

0004019

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November 13, 1987

BACKGROUND

The SLC, as proprietary owner of the bed of Owens Lake, has an existing lease with LMC to permit LMC to mine minerals from the bed of the lake. The SLC, at the request of LMC, has been considering the expansion of the lease-hold interest in the bed of the lake. The SLC, LMC, and the Department have been conferring and negotiating intermittently for approximately six years to put the expanded leasing operations in a proper practical and legal framework. Recently, LMC and the SLC have shown renewed interest and want to make the expanded mining operations a reality.

The Department is involved in these negotiations for several reasons. The Department has diverted and continues to divert the water that would naturally flow onto the lake. As a result, there has been a physical situation created that permits the mining of the dry lake bed. The City of Los Angeles owns certain property on the uplands around the lake that are under the control and management of the Department. These properties are necessary for the expanded mining operation on the lake. The Department is interested in ensuring its continued right to release water onto the lake in periods of extraordinary runoff, and is seeking assistance from any lessor of the bed of Owens Lake on any air quality duties imposed or assumed by the Department regarding Owens Lake pursuant to California Health and Safety Code Section 42316.

The City lands required for the expanded mining operation are the subject of a proposed land exchange with the SLC. This proposed land exchange is depicted on Attachments 1 and 2 hereto. It is proposed that the Department exchange Parcels A and C to the SLC in return for Parcels B, D, and E, as depicted on the attachments.

THE AGREEMENT

Agreement No. 10009 will not become effective until the completion of the land exchange. More specifically, it will not become effective until the vesting to the SLC of the City's 460-acre parcel designated as Parcel C.

The Department agrees to use its best efforts to complete the land exchange. The Department further agrees not to assert any royalty claim on the leased premises. Any potential royalty claim is highly questionable, in any event.

LMC agrees, in turn, not to make any claim against the Department, on any legal theory whatsoever, as a result of any

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flooding on Owens Lake. Twice in the past the Department has had to defend itself from such claims brought by the SLC's lessees of the bed of Owens Lake.

LMC further agrees to contribute to the Department's costs for air quality monitoring, research, and mitigation of dust emanating from Owens Lake. These costs are imposed on the Department by California Health and Safety Code Section 42316, as administered by the Great Basin Unified Air Pollution Control District. The Agreement provides LMC will share these research and mitigation costs, based on a formula, up to a maximum contribution to the Department of approximately \$100,000 per year with an inflationary adjustment plus a proportionate share of actual monitoring costs.

CONCLUSION

In accordance with the California Environmental Quality Act of 1970 (CEQA), it has been determined that the execution of the Agreement is exempt under Los Angeles City Guidelines Article III, Section 1.

The accompanying resolution authorizes and directs the General Manager and Chief Engineer or Assistant General Manager - Water to execute Agreement No. 10009 on behalf of the Department.

It is recommended that the Board adopt this resolution.

Attachments

RESOLUTION NO. 88 103

Be it resolved that the Board of Water and Power Commissioners authorize and directs the General Manager and Chief Engineer or the Assistant General Manager - Water to execute Agreement No. 10009 on behalf of the Department of Water and Power and perform the duties prescribed therein.

I hereby certify that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Water and Power Commissioners of The City of Los Angeles at its meeting held NOV 19 1987

Judith L. Division
Secretary

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AGREEMENT

THIS AGREEMENT is made and entered into this 19th day of NOV, 1987, between LAKE MINERALS CORPORATION, a California corporation (hereinafter "LMC"), and THE CITY OF LOS ANGELES, DEPARTMENT OF WATER AND POWER (hereinafter "DWP");

Recitals:

A. LMC is the lessee under existing leases with the California State Lands Commission (SLC) of approximately 16,120 acres of sovereign State land on the bed of Owens Lake for purposes of extraction of minerals, and LMC proposes to apply for a lease from SLC of approximately 3,200 acres of additional sovereign state land on said lake bed as well as state-owned uplands adjacent thereto. Some of said uplands are being acquired by SLC in a land exchange with DWP (hereinafter "Land Exchange"), which is being executed and consummated contemporaneously with the execution of this Agreement. The key parcel of the exchange is a certain 461-acre parcel of City land to be exchanged with SLC and generally depicted as Parcel C on the attached drawing (Exhibit 1).

It is the intent of the parties hereto that this Agreement shall be effective on the completion of said Land Exchange, which, for purposes of this Agreement, shall be deemed

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to have occurred on the date when the deed to the City's 461-acre parcel (Parcel C) shall have been recorded by SLC with the Inyo County Recorder demonstrating vesting title to the exchanged parcel in the State of California.

The land exchange is generally set forth in Exhibit 1. After the conveyance of Parcel C to the State by the City, the Department agrees to continue to pursue the completion of the rest of the land exchange and to use its best efforts to obtain the conveyance of Parcel B to the City in exchange for Parcel A, as set forth on Exhibit 1.

B. In reliance on said existing and proposed leases, LMC proposes to expand substantially and intensify its present mineral extraction operations on said lake bed lands and to construct and operate a soda ash plant on said uplands adjacent thereto, requiring substantial expenditures of money by LMC.

C. DWP owns certain uplands adjacent to said lake bed and certain lake land locations on said lake bed, and also owns and exercises water rights to divert water, from the Owens River and its tributaries upstream from Owens Lake, to the City of Los Angeles, for municipal use and hydroelectric power generation. This is water which otherwise would flow into Owens Lake. DWP also pumps groundwater from the Owens Valley to supplement the surface supply, with minimal pumping during wet years and maximum pumping during very dry years.

D. Upstream water diversions from the Owens River dating back to the late 1800s have resulted in dewatering most of the bed of Owens Lake. However, after DWP commenced operating the Los Angeles Aqueduct in 1913, there have been times when the dry lake bed was flooded. It is in the best interest of DWP, consistent with its own needs and based on reasonable decisions, not to release water onto Owens Lake but to use such water for beneficial purposes in the City of Los Angeles. Drawing upon historical precedent, it is inevitable that water will again be released or will run off onto the lake when the water runoff exceeds the carrying capacity of the Aqueduct facilities, and it is likely to occur one or more times during the life of LMC's operation on the lake bed. Small amounts of water may reach the lake from the lower Owens River bed under normal or drier conditions, as a result of a project or projects implemented by DWP as part of an agreement with Inyo County or pursuant to a court order.

E. LMC proposes to divert water from springs which are not tributary to the Owens River but are tributary to Owens Lake, and to pump groundwater from State or LMC lands adjacent to the lake for use in connection with its mineral extraction and processing operations. The maximum total amount of water expected to be used by LMC for its operations from springs and groundwater pumping is approximately 8,100 AF/yr.

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F. DWP has mitigation obligations with regard to airborne dust arising from the dewatered Owens Lake bed caused by the production, diversion, storage, or conveyance of water, which are not exclusive as to the obligation of other agencies or businesses which may have activities in the area.

G. The parties desire to provide assurances to each other as to the rights and obligations between them arising from the foregoing facts and to cooperate on air quality issues.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

1. LMC shall comply with all applicable laws and regulations, and shall cooperate and participate with DWP in the evaluation of dust conditions and the mitigation of airborne dust at Owens Lake.

2. DWP shall not assert any royalty claim or claim of invalidity against the existing or proposed leases by SLC to LMC of Owens Lake bed lands or uplands adjacent thereto.

3. DWP acknowledges that it is not its intent to release water to Owens Lake, except in those circumstances where such a release is the only reasonable alternative available to DWP to dispose of excess water, or where such release is in the interest of DWP as part of an enhancement/mitigation project as part of an agreement with Inyo County or court order. One of these enhancement/mitigation projects is the lower Owens River

enhancement project, which will place water in the lower Owens River below the City's diversion works, resulting in some of this water to flow naturally into Owens Lake.

If DWP, because of high runoff in the Eastern Sierra or other operational requirements, plans to release or dispose of water into Owens Lake, DWP agrees to give prompt notice to LMC of its plans so LMC can take action to remove or protect any equipment or materials it may have on the lake bed. Notwithstanding the foregoing, the flooding of Owens Lake is inevitable, and LMC agrees that it will assume all risks of damages due to flooding on Owens Lake, and that it will take whatever measures it deems necessary to protect its facilities, equipment, mining areas, and personnel from flooding, injury, and damage. LMC, for itself, its successors, and assigns, hereby waives all claims for damages and legal actions, on any theory whatsoever, against DWP or the City of Los Angeles and their officers and employees, for damages to its facilities, equipment, mining areas, or employees as a result of any flooding or water releases onto Owens Lake. LMC further agrees to indemnify and hold harmless DWP and the City of Los Angeles and their officers and employees from any claims for damages and legal actions, on any theory whatsoever, by employees, contractors, subcontractors, or persons or corporations using the lease premises with LMC's permission, due to flooding or water releases on Owens Lake.

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4. DWP has evaluated the proposed use by LMC of spring water not tributary to the Aqueduct which is adjacent to Owens Lake and LMC's proposed pumping of groundwater in the vicinity of the springs, and has found no conflict with the City of Los Angeles' existing and reasonable foreseeable use of water in and from the area. However, DWP shall not be precluded in the future from opposing or objecting to LMC's proposed use of spring water or proposed pumping of groundwater which, based on later evaluation, DWP finds would conflict with the City's existing and reasonable foreseeable use of water from the area.

5. DWP is required by Section 42316 of the California Health and Safety Code, as implemented by the Great Basin Unified Air Pollution Control District (the District), to undertake monitoring, research, and mitigation measures for wind-caused dust that comes from Owens Lake related to DWP's production, diversion, storage, or conveyance of water.

In consideration for DWP's commitments hereunder, LMC agrees to pay a portion of the monetary obligations of DWP that are required by the District by Board Order, negotiated agreement, or other process (including DWP self-imposed projects)¹ for

¹ Regarding self-imposed projects for monitoring, research, and mitigation for which LMC is obligated to contribute money to DWP pursuant to paragraph 5(a) and paragraphs 5(b) and 5(c) as limited by paragraph 5(d). DWP agrees to confer with LMC prior to undertaking such self-imposed projects.