FORBEARANCE AND FALLOWING PROGRAM AGREEMENT

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AND

PALO VERDE IRRIGATION DISTRICT

AUGUST 2004

FORBEARANCE AND FALLOWING PROGRAM AGREEMENT

THIS FORBEARANCE AND FALLOWING PROGRAM AGREEMENT ("Program Agreement") is made, entered into, and effective as of August 18, 2004 ("Effective Date"), by and between Palo Verde Irrigation District ("PVID"), formed pursuant to the Palo Verde Irrigation District Act (West's Water Code Appendix, Chapter 33); and The Metropolitan Water District of Southern California ("Metropolitan"), organized and existing under the Metropolitan Water District Act (West's Water Code Appendix, Chapter 109). Each of said agencies is at times referred to individually as "Party" and both of which are at times collectively referred to as "Parties."

RECITALS

A. PVID, Metropolitan, and certain other California water agencies have water delivery contracts with the United States for the delivery and use of Colorado River water available for use within California ("Federal Water Delivery Contracts"). These contracts allocate Colorado River water among the contracting water agencies according to seven priorities, the first three of which aggregate 3.85 million acre-feet per year ("AFY") of consumptive use.

B. Notwithstanding the foregoing Federal Water Delivery Contract priorities, under The Law of the River, Colorado River water available for use in California is limited to 4.4 million AFY plus 50 percent of any surplus decreed by the Secretary of the Interior and any Colorado River water apportioned to, but unused in, Arizona and Nevada that the Secretary releases for use in California.

C. Metropolitan's Federal Water Delivery Contract provides for the delivery of the following quantities of Colorado River water: (1) A fourth priority for beneficial consumptive use on the Coastal Plain of Southern California of 550,000 AFY and (2) a fifth priority for beneficial consumptive use on the Coastal Plain of Southern California of 662,000 AFY. Metropolitan's Colorado River Aqueduct was sized to accommodate these entitlements.

D. Until recent years, Colorado River water available for use in California was sufficient to satisfy Metropolitan's fourth and fifth priority entitlements. Since then, however, there has been insufficient Colorado River water available for use in California to satisfy all of Metropolitan's fifth priority, a situation that Metropolitan desires to alleviate by a transfer to Metropolitan of higher priority Colorado River water.

E. PVID's priorities pursuant to the 1931 Seven Party Agreement and its Federal Water Delivery Contract are as follows: (1) A first priority for beneficial use exclusively upon lands in PVID (as it then existed) and upon lands between PVID (as it then existed) and the Colorado River, aggregating a gross area of 104,500 acres (such water being referred to herein as "Priority 1 Water" and such lands being referred to herein as "Priority 1 Lands"), (2) a third priority, shared with the Imperial Irrigation District ("IID") and the Coachella Valley Water District ("CVWD"), for use exclusively on 16,000 acres in that area known as the Lower Palo

Verde Mesa for beneficial consumptive use (such water being referred to herein as "Priority 3 Water" and such lands being referred to herein as "Priority 3 Lands"), and (3) certain water with a sixth priority shared with IID and CVWD. PVID also holds a present perfected right to Colorado River water with a priority date of 1877 pursuant to the Supreme Court's January 9, 1979 supplemental decree in *Arizona v. California*. PVID's Federal Water Delivery Contract entitlement includes the water to which PVID is entitled under its present perfected right.

F. Both Priority 1 Lands and Priority 3 Lands are currently being irrigated and farmed with Colorado River water delivered by the United States under PVID's Federal Water Delivery Contract. A reduction of irrigation of some of these lands through fallowing and a corresponding forbearance in the consumptive use of Colorado River water by PVID would, absent claims by other California water agencies under their Federal Water Delivery Contracts, increase the amount of Colorado River water available to Metropolitan under its Federal Water Delivery Contract. A transaction embodying these elements would constitute a forbearance (through fallowing) transaction between PVID and Metropolitan under applicable law.

G. While Metropolitan desires to enter into a long-term forbearance and fallowing transaction with PVID, Metropolitan has concluded that it should do so only with respect to (1) Priority 1 Water because of issues associated with the third priority which PVID shares with other California water agencies and (2) Priority 1 Land that is eligible to and receives delivery of Priority 1 Water with a recent history of crop irrigation. This is acceptable to PVID.

H. Accordingly, the Parties have determined to establish and implement through this Program Agreement a verifiable PVID/Metropolitan forbearance and fallowing program (such program being referred to herein as the "Program"), the elements of which are described generally in this Recital.

(1) Owners of Priority 1 Land that elect to participate in the Program (such owners being described herein as "Participating Landowners") will commit to fallow owned or leased Program Qualified Land in a Base Amount each Contract Year and in an additional amount in accord with periodic fallowing calls issued by Metropolitan. PVID will forbear from diverting Colorado River water that otherwise would have been used to irrigate Fallowed Lands, with the objective that an equivalent amount of Colorado River water (less any conveyance losses) will then be available for diversion by Metropolitan pursuant to Metropolitan's Federal Water Delivery Contract.

(2) The maximum amount of Priority 1 Land that may be fallowed under the Program in each of any ten (10) full Contract Years is limited to approximately twenty-nine percent (29%) of the total Priority 1 Land (approximately 26,500 water toll acres) and approximately 24,000 water toll acres in each of the other Contract Years. The Program places essentially comparable limits on the amount of Program Qualified Land any Participating Landowner may fallow, such being pegged to the amount of Program Qualified Land owned by a Participating Landowner at the time of joining the Program.

(3) The Program will be open on an equal basis to all owners of Priority 1 Land receiving Priority 1 water. Participation in the Program will be through Landowner

Agreements ("Landowner Agreements") between each Participating Landowner and PVID and Metropolitan. The Program will become effective if certain conditions precedent are met or waived by the Parties by December 31, 2004, including the deposit into escrow of executed Landowner Agreements committing to fallow at least 13,250 water toll acres of Priority 1 Land in each of any ten (10) full Contract Years (each such commitment by a Participating Landowner being referred to herein as that landowner's "Maximum Fallowing Commitment").

I. In September 2002 pursuant to the requirements of the California Environmental Quality Act, PVID issued the "Final Environmental Impact Report for the Proposed Palo Verde Irrigation District Land Management, Crop Rotation and Water Supply Program" ("Final Program EIR"). The proposed program described in that Final Environmental Impact Report is the same as the Program that is the subject of this Program Agreement. The Final EIR concluded that "implementing the Program would result in less-than-significant effects on the environment and would not require mitigation," relying for such conclusion in part on certain land management measures that would be part of the proposed program. Those measures and commitments are specified in this Program Agreement as part of the Program.

J. By resolution dated August 17, 2004, PVID's board of trustees determined the following with respect to the Program that is the subject of this Program Agreement: (1) the opportunity to participate in the Program will be offered to all owners of Priority 1 Land that is eligible to and receives delivery of Priority 1 Water, (2) interest exists among owners of Priority 1 Lands in participating in the Program, (3) the Program will further the public policies of the state regarding the use of water, (4) the source of the water for the Program will be conservation by owners of Priority 1 Lands through fallowing; (5) accordingly, implementation of the Program will create water excess or surplus to the needs of PVID and will not affect PVID's ability to supply water to Priority 1 Lands that are not fallowed under the Program, (6) the Program will be otherwise consistent with PVID's obligations to landowners, (7) the Program will assist California in adhering to its basic 4.4 million acre-foot apportionment of Colorado River water, help provide a reliable and flexible water supply for urban southern California, and help stabilize the farm economy in the Palo Verde Valley, (8) the Program will be in the best interests of PVID and PVID landowners, and (9) the Program will conform to all requirements of applicable law.

K. The Parties propose to enter into this Program Agreement pursuant to the Palo Verde Irrigation District Act; the Metropolitan Water District Act; applicable provisions of the California Water Code, and federal Reclamation Law, including the Boulder Canyon Project Act.

AGREEMENT

NOW, THEREFORE, the Parties agree as follows:

1. Definitions

As used in this Program Agreement, the following terms shall have the following meanings:

1.1 "AFY" means acre-feet per year.

1.2 "Base Amount" means the amount of Program Qualified Land a Participating Landowner is required to fallow every Contract Year pursuant to subsection 3.7.1 (Base Amount Fallowing).

1.3 "Conditions Precedent Notice" means the Parties' notice, executed pursuant to section 6 (Conditions Precedent), that all conditions precedent to certain of their obligations and rights have been satisfied or waived.

1.4 "Contract Year" means the twelve-month period from August 1 through the following July 31 of the following year, the first full Contract Year commencing the August 1 immediately following satisfaction or waiver of the conditions precedent pursuant to section 6 (Conditions Precedent). In the event that the Operative Date does not fall on August 1, the period following the Operative Date and preceding August 1 shall be referred to herein as a partial Contract Year and shall not be counted as a full Contract Year.

1.5 "CVWD" means the Coachella Valley Water District.

1.6 "Effective Date" is the date set forth in the introductory paragraph of this Program Agreement on which this Program Agreement becomes effective.

1.7 "Fallowed Land" means Program Qualified Land owned by or leased to a Participating Landowner that is fallowed pursuant to a Landowner Agreement.

1.8 "Fallowing Calls" mean the calls by Metropolitan to Participating Landowners for fallowing of Program Qualified Land in addition to the Base Amount.

1.9 "Fallowing Easement" means the easement a Participating Landowner is required to deliver to PVID and Metropolitan pursuant to subsection 3.4.3.2 (Notice of Required Documents) for the purpose of ensuring that Program Qualified Land is fallowed as specified in this Program Agreement.

1.10 "Federal Water Delivery Contracts" means the contracts for the delivery of Colorado River water between the United States and CVWD, IID, Metropolitan, and PVID, respectively.

1.11 "Final Program EIR" means the "Final Environmental Impact Report for the Proposed Palo Verde Irrigation District Land Management, Crop Rotation and Water Supply Program" dated September 2002.

1.12 "IID" means the Imperial Irrigation District.

1.13 "Landowner Agreement" means the agreement with PVID and Metropolitan through which a Participating Landowner participates in the Program and commits to fallow Program Qualified Land.

1.14 "Landowner Participation Offer" means the offer by a landowner, described more particularly in subsection 3.2.2 (Offers by Landowners), to make a specified Maximum Fallowing Commitment and to participate in the Program.

1.15 "Late Arising Claim" means a claim described in subsection 9.17 (Pending and Late Arising Claims).

1.16 "Maximum Fallowing Commitment" means the largest amount of Program Qualified Land Metropolitan may require a Participating Landowner to fallow during any Contract Year (Base Amount fallowing plus Fallowing Call), such being limited to ten (10) consecutive or non-consecutive full Contract Years.

1.17 "Metropolitan" means The Metropolitan Water District of Southern California.

1.18 "Operative Date" is the date on which the initial partial Contract Year, or first full Contract Year if there is no partial Contract Year, begins and is the earlier of (1) the date that the Parties execute Conditions Precedent Notices if the conditions precedent have been satisfied or waived prior to December 31, 2004, or (2) January 1, 2005 if neither Party has given notice on or before December 31, 2004 that the conditions precedent will not be satisfied or waived and that the Program shall terminate in accordance with clause (3) of subsection 2.1(Term).

1.19 "Participating Landowner" means a landowner that is participating in the Program through a Landowner Agreement.

1.20 "Participation Waiver" has the meaning set forth in subsection 3.5.5.

1.21 "Party" means Metropolitan or PVID; and when used in the plural, it means Metropolitan and PVID.

1.22 "Priority 1 Lands" means those lands described in section 1 of Article (6) of the Federal Water Delivery Contract between the United States and PVID dated February 7, 1933.

1.23 "Priority 1 Water" means the water delivered to PVID pursuant to section 1 of Article (6) of the Federal Water Delivery Contract between the United States and PVID dated February 7, 1933.

1.24 "Priority 3 Lands" means those lands described in section 3(b) of Article (6) of the Federal Water Delivery Contract between the United States and PVID dated February 7, 1933.

1.25 "Priority 3 Water" means the water delivered to PVID pursuant to section 3(b) of Article (6) of the Federal Water Delivery Contract between the United States and PVID dated February 7, 1933.

1.26 "Program" means the PVID/Metropolitan Forbearance and Fallowing Program that is the subject of this Program Agreement.

1.27 "Program Agreement" means this agreement entered into by and between Metropolitan and PVID.

1.28 "Program Encumbered Land" means land owned by a Participating Landowner that meets the requirements for fallowing set forth in subsection 3.7.5.2 (Land Designated for Fallowing) and is subject to a Fallowing Easement.

1.29 "Program Qualified Land" means land that (1) is eligible to and receives delivery of Priority 1 Water, and (2) has produced irrigated crops in two of the five Contract Years (or the August 1 to July 31 periods prior to the Effective Date) immediately prior to the year in which the landowner (i) makes a Landowner Participation Offer pursuant to subsection 3.2.2 (Offers by Landowners), (ii) proposes the land for substitution as Program Encumbered Land pursuant to subsection 3.7.8 (Substitution of Program Encumbered Land), or (iii) designates the land for fallowing pursuant to subsection 3.7.5 (Designation of Fallowed Land).

1.30 "PVID" means the Palo Verde Irrigation District.

1.31 "Reimbursable Costs" means those costs of PVID that Metropolitan is required to reimburse, as more particularly described in subsection 5.2.1 (General Obligation).

1.32 "Reimbursable Cost Budget" means the budget developed by the Parties for each Contract Year for the Reimbursable Costs to be incurred by PVID as more specifically described in subsection 5.2.2 (Annual Budget).

1.33 "Saved Water" means water that is conserved by fallowing pursuant to the Program and this Program Agreement.

1.34 "Solicitation Notice" means the notice, described more particularly in subsection 3.2.1 (Solicitation of Landowner Participation Offers), by which PVID is to solicit participation in the Program by Participating Landowners.

1.35 "Termination Date" means the date this Program Agreement terminates as more particularly specified in section 2 (Term of Agreement).

1.36 "USBR" means the United States Bureau of Reclamation.

2. Term of Agreement

2.1 Term

This Program Agreement shall be effective as of the Effective Date and, subject to the provisions of subsection 2.2 (Early Termination by Metropolitan), shall terminate on the earliest of (1) July 31 of the thirty-fifth (35^{th}) full Contract Year following the Operative Date, (2) July 31 of the Contract Year in which an early termination is effective in the event that Metropolitan should exercise its right of termination under subsection 2.2 (Early Termination by Metropolitan), or (3) December 31, 2004 if either Party gives notice on or before that date that the conditions precedent described in section 6 (Conditions Precedent) will not be timely satisfied or waived (such date of termination being referred to herein as the "Termination Date").

2.2 Early Termination by Metropolitan

Metropolitan may terminate this Program Agreement as of July 31 of the tenth (10^{th}) or any subsequent full Contract Year following the Operative Date by giving notice of such termination and the effective date thereof to PVID and all Participating Landowners at least five (5) calendar years prior to the effective date of the termination.

2.3 Continuing Obligations

The obligations and rights of the Parties under the following provisions shall survive termination of this Program Agreement: section 1 (Definitions); subsection 5.1 (Payments by Metropolitan to Landowners) as to obligations incurred prior to termination; subsection 5.2 (Payments by Metropolitan to PVID) as to obligations incurred prior to termination; section 8 (Remedies and Dispute Resolution); and section 9 (Miscellaneous Agreements).

3. PVID/Metropolitan Forbearance and Fallowing Program

3.1 Program Established

3.1.1 This Program Agreement establishes the PVID/Metropolitan Forbearance and Fallowing Program ("Program").

3.2 Landowner Participation in Program

3.2.1 Solicitation of Landowner Participation Offers

As soon as practicable after the Effective Date, PVID shall, by notice to all PVID landowners, including Metropolitan, solicit offers to participate in the Program through the fallowing of Program Qualified Land pursuant to Landowner Agreements (such notice being referred to herein as the "Solicitation Notice" and such offers being referred to herein as "Landowner Participation Offers").

3.2.2 Offers by Landowners

Landowner Participation Offers by landowners, including Metropolitan, (1) shall be made within seventy-five (75) days after the date of the Solicitation Notice, (2) shall be on forms supplied by PVID and approved by Metropolitan, (3) shall be submitted to both PVID and Metropolitan, and (4) shall be tiered and contain information as specified in this subsection 3.2.2 (Offers by Landowners). Landowner Participation Offers may be made by individual landowners or, as provided in subsection 3.5 (Participating Landowner Groups), by groups of landowners.

3.2.2.1 The first tier of a Landowner Participation Offer shall specify a Maximum Fallowing Commitment the landowner proposes to make, the acreage of which shall not exceed an amount equal to twenty-nine percent (29%) of the total Program Qualified Land then owned by the landowner.

3.2.2.2 If the first tier of a Landowner Participation Offer specifies the maximum acreage permitted by subsection 3.2.2.1, the Landowner Participation Offer may contain a second tier specifying an additional Maximum Fallowing Commitment the landowner proposes to make, the acreage of which, when added to the acreage specified in the first tier, may not exceed an amount equal to thirty-five percent (35%) of the total Program Qualified Land then owned by the landowner.

3.2.2.3 All Landowner Participation Offers other than by Metropolitan shall also include, separately for each tier, a legal description and PVID Water Toll Number of the Program Qualified Land the landowner proposes as Program Encumbered Land, the proposed land for each tier being equal in acreage to the proposed Maximum Fallowing Commitment for that tier and in parcels that are reasonably compact and at least five (5) water toll acres in size.

3.2.2.4 All Landowner Participation Offers shall include a legal description, PVID Water Toll Number, and acreage of the total amount of Program Qualified Land then owned by the landowner.

3.2.3 Provisional Approval of Landowner Participation Offers

3.2.3.1 As soon as practicable after the period specified in subsection 3.2.2 (Offers by Landowners) for making Landowner Participation Offers, the Parties shall, as provided in this subsection 3.2.3 (Provisional Approval of Landowner Participation Offers) provisionally approve Landowner Participation Offers that were timely made and in compliance with this Program Agreement, such approval being for the purpose of determining those offers as to which an escrow is to be established pursuant to subsection 3.4.1 (Escrow). A Landowner Participation Offer shall be subject to further approval by the Parties only (1) provisionally by Metropolitan, pursuant to subsection 3.2.4 (Metropolitan Approval of Proposed Program Encumbered Land), with respect to land proposed in the offer as Program Encumbered Land, and (2) for verification by the Parties, pursuant to subsection 3.2.5 (Verification of Program Qualified Land), of the landowner's ownership of the land identified in the offer as Program Qualified Land and its eligibility to receive Priority 1 Water.

3.2.3.2 First Tier Landowner Participation Offers

The Parties shall provisionally approve the first tier of all Landowner Participation Offers.

3.2.3.3 Second Tier Landowner Participation Offers

If the first tier of Landowner Participation Offers aggregate less than 26,500 water toll acres of Maximum Fallowing Commitments, the Parties shall first provisionally approve the second tier of all Landowner Participation Offers to the extent of the smallest percentage of total Program Qualified Land specified in the second tier of any offer. The Parties shall next provisionally approve the second tier of all Landowner Participation Offers to the extent of the next smallest percentage of total owned Program Qualified Land specified in any offer. The Parties shall follow this process until the second tier of all Landowner Participation Offers have been provisionally approved or the provisionally approved first and second tiers of Maximum Fallowing Commitments in Landowner Participation Offers aggregate approximately 26,500 water toll acres, whichever first occurs.

3.2.3.3.1 Notwithstanding the foregoing, Metropolitan may elect to reserve a portion of the Maximum Fallowing Commitments in its second tier equal to an amount of up to two percentage points of its Program Qualified Land. If Metropolitan makes this election, it shall be authorized to use the reserved portion of its Maximum Fallowing Commitments in an amount equal to any shortfall in the aggregate amount of provisionally approved Maximum Fallowing Commitments resulting from the reasons stated in subsection 3.6.1, provided that the final approved percentage of Metropolitan's Maximum Fallowing Commitments shall not exceed the highest approved percentage of other Landowner Participation Offers. Metropolitan shall utilize any reserved second tier Maximum Fallowing Commitments in accordance with subsection 3.6 (Subsequent Solicitation of Participation Offers).

3.2.3.4 Subject to the satisfaction of conditions in subsection 3.2.3.1, the Maximum Fallowing Commitment to be incorporated into a Landowner Agreement, expressed in terms of acreage and percentage of Program Qualified Land, shall be the sum of the first and second tiers of the Landowner Participation Offer as provisionally approved.

3.2.4 Metropolitan Approval of Proposed Program Encumbered Land

The provisions of this subsection shall apply to Landowner Participation Offers from all landowners other than Metropolitan.

3.2.4.1 Within thirty (30) days after the period specified in subsection 3.2.2 (Offers by Landowners) for making Landowner Participation Offers, Metropolitan shall, by notice to PVID and the landowner, either provisionally approve or disapprove the land proposed in such offer as Program Encumbered Land. Metropolitan may disapprove proposed land only to the extent it (1) does not meet the requirements specified in subsection 3.7.5.2 (Land Designated for Fallowing) for land that is to be fallowed under Landowner Agreements, or (2) is not feasible, in Metropolitan's reasonable judgment, for fallowing by Metropolitan in the event of a default by the Participating Landowner. Metropolitan may not unreasonably withhold

provisional approval of land offered as Program Encumbered Land. Any notice of disapproval given by Metropolitan shall describe the land disapproved and state with particularity the reasons for the disapproval.

3.2.4.2 Any land proposed by a landowner as Program Encumbered Land under subsection 3.2.2.3 that Metropolitan does not provisionally approve or disapprove within the period specified in subsection 3.2.4.1, shall nonetheless be deemed to have been provisionally approved by Metropolitan.

3.2.4.3 Any landowner as to whom Metropolitan has disapproved proposed Program Encumbered Land pursuant to subsection 3.2.4.1 shall have the right, on notice given to PVID and Metropolitan within seven (7) days after the date of giving notice of such disapproval, to require a meeting with the PVID and Metropolitan Agreement Administrators for purposes of either disputing the basis for Metropolitan's disapproval or offering substitute land for the disapproved Program Encumbered Land. PVID and Metropolitan Agreement Administrators shall meet with any such disputing landowner within seven (7) days after the date of the landowner's notice.

3.2.4.4 If a meeting held pursuant to subsection 3.2.4.3 does not resolve the dispute between the landowner and Metropolitan regarding land proposed as Program Encumbered Land, the landowner shall have the further right, on notice given to PVID and Metropolitan within seven (7) days after such meeting, to require a meeting with the chief executive officer of Metropolitan and general manager of PVID for purposes of resolving the dispute. The Metropolitan chief executive officer and PVID general manager, or persons they individually designate as representing their respective agencies, shall meet with any disputing landowner within seven (7) days of the landowner's notice. If Metropolitan and the landowner are unable to resolve the dispute, Metropolitan's decision on the land proposed as Program Encumbered Land shall be final and shall not be subject to the provisions of section 8 (Remedies and Dispute Resolution). In such event, however, the landowner shall have the following rights, which must be exercised within ten (10) days following the notice of Metropolitan's final decision: (1) to propose one further offer of substitute Program Encumbered Land, as to which the provisions of subsection 3.2.4 (Metropolitan Approval of Proposed Program Encumbered Land) shall apply, or (2) to withdraw the Landowner Participation Offer.

3.2.4.5 If subsequent to a disapproval of proposed Program Encumbered Land by Metropolitan under subsection 3.2.4.1, Metropolitan subsequently provisionally approves such lands or provisionally approves alternate lands proposed by the landowner as Program Encumbered Land, Metropolitan shall promptly give notice to that effect to PVID and the landowner.

3.2.4.6 Proposed Program Encumbered Land provisionally approved by Metropolitan under this subsection 3.2.4 (Metropolitan Approval of Proposed Program Encumbered Land) remains subject to verification of its eligibility for and receipt of Priority 1 Water and of its ownership by the landowner making the Landowner Participation Offer and similar verification of other Program Qualified Land described in the Landowner Participation Offer, and upon such verification shall be the Program Encumbered Lands described in the Landowner Agreement and Fallowing Easement provided to the landowner for execution and

delivery into escrow pursuant to subsection 3.4.2 (Notice of Provisional Acceptance to Landowners; Documents for Delivery by Landowners into Escrow).

3.2.5 Verification of Program Qualified Land

3.2.5.1 Metropolitan shall, as expeditiously as possible, obtain title reports on all Priority 1 Land with respect to (1) ownership of the land, and (2) liens, encumbrances on, and security interests in, such land.

3.2.5.2 As soon as practicable after (1) receipt of each Landowner Participation Offer and (2) receipt of a title report respecting the Program Qualified Land identified in such offer, the Parties will verify ownership of such land by the offering landowner(s) and its eligibility for and receipt of Priority 1 Water.

3.2.5.3 If a title report obtained by Metropolitan reflects that the Program Qualified Land identified in a Landowner Participation Offer either is not owned by the landowner(s) making the offer or is ineligible to receive Priority 1 Water, the Parties shall promptly confer with the affected landowner to (1) modify the offer to conform to the title report, (2) identify any errors in the Landowner Participation Offer, (3) identify any errors in the title report, or (4) otherwise remedy the situation.

3.3 Metropolitan as Participating Landowner

Metropolitan's participation in the Program as a Participating Landowner shall be governed by and in accord with the provisions of this Program Agreement and the provisions of the form of Landowner Agreement attached hereto as Exhibit A other than those provisions relating to Program Encumbered Land and payments to Participating Landowners. No separate Landowner Agreement shall be required of Metropolitan.

3.4 Process for Incorporating Landowner Participation Offers into Landowner Agreements

3.4.1 Escrow

As soon as practicable after a Landowner Participation Offer has been provisionally approved pursuant to subsection 3.2 (Landowner Participation in Program), but not later than required by each Landowner Agreement, Metropolitan shall establish an escrow respecting such agreement with a qualified escrow agent selected by Metropolitan, subject to reasonable approval by PVID.

3.4.2 Notice of Provisional Acceptance to Landowners; Documents for Delivery by Landowners into Escrow

As soon as practicable after a Landowner Participation Offer has been provisionally approved as provided in subsection 3.2.3 (Provisional Approval of Landowner Participation Offers), the proposed Program Encumbered Land has been provisionally approved as provided in subsection 3.2.4 (Metropolitan Approval of Proposed Program Encumbered Land), and the status of the lands offered for fallowing has been verified as provided in

subsection 3.2.5 (Verification of Program Qualified Land), the Parties shall give the landowner notice that the landowner's offer has been accepted, accompanied by the documents specified in this subsection 3.4.2 (Notice of Provisional Acceptance to Landowners; Documents for Delivery by Landowners into Escrow).

3.4.2.1 A copy of this Program Agreement.

3.4.2.2 Escrow instructions consistent with this Program Agreement for execution by the landowner and delivery into escrow.

3.4.2.3 For execution by the landowner and delivery into escrow, a Landowner Agreement substantially in the form attached to this Program Agreement as Exhibit A that includes the landowner's provisionally accepted Maximum Fallowing Commitment.

3.4.2.4 Metropolitan's notice of the initial Fallowing Call.

3.4.3 Deliveries by PVID and Metropolitan into Escrow

3.4.3.1 Executed Counterparts of the Landowner Agreement

As soon as practicable after each Participating Landowner has duly executed and delivered to the Parties the Landowner Agreement and escrow instructions, the Parties shall execute counterparts of the Landowner Agreement and escrow instructions. Metropolitan shall establish an escrow within seven (7) days after the Landowner Agreement is duly executed and the Parties shall deposit the Landowner Agreement and escrow instructions into the escrow.

3.4.3.2 Notice of Required Documents

In accordance with the terms of the Landowner Agreement, Metropolitan shall give the Participating Landowner written notice, based on a current preliminary title report obtained by Metropolitan, of each owner of Program Encumbered Land who appears to be required to execute a fallowing easement under subsection 4.2 (Fallowing Easement) of the Landowner Agreement, each encumbrance for which an encumbrance subordination agreement appears to be required under subsection 4.5.2 (Encumbrance Subordination Agreement) of the Landowner Agreement, each lease reflected in the preliminary title report or disclosed by the Participating Landowner for which a tenant subordination agreement appears to be required under subsection 4.5.1 (Tenant Subordination Agreement) of the Landowner Agreement, and each landowner in a Participating Landowner Group who is not a party to the Landowner Agreement from whom a participation waiver appears to be required by subsection 3.5.5 of this Program Agreement.

3.4.3.3 Conditions Precedent Notice

Promptly upon the satisfaction or waiver of the conditions precedent set forth in section 6 (Conditions Precedent), PVID and Metropolitan shall execute and deliver the Conditions Precedent Notice into escrow. In the event that the Conditions Precedent Notice is not executed and deposited into escrow prior to December 31, 2004 and this Program Agreement

and the Landowner Agreements are not terminated by notice given pursuant to clause (3) of subsection 2.1 (Term), the requirement for a Conditions Precedent Notice shall be deemed to be waived.

3.4.3.4 Deposit of Funds by Metropolitan

In accordance with the terms of the Landowner Agreement, Metropolitan shall deposit into escrow the funds for the initial payment to the Participating Landowner and sufficient funds to cover the estimate of costs of escrow.

3.4.4 Closure or Termination of Escrow

The escrow for each Landowner Agreement shall close when the escrow agent has received in proper form the funds and documents specified in the Landowner Agreement, provided that Metropolitan or PVID may terminate any escrow if the Participating Landowner fails to deliver all required documents into escrow within the time allowed by the Participating Landowner's Landowner Agreement.

3.5 Participating Landowner Groups

3.5.1 Landowners, including Metropolitan, may join together for purposes of pooling their participation in the Program as to (1) a Landowner Participation Offer; (2) Program Qualified Land for purposes of calculating the limitations on first and second tier Maximum Fallowing Commitments specified in Landowner Participation Offers; (3) Maximum Fallowing Commitments; (4) Program Encumbered Land; (5) Fallowed Land; and (6) receipt of Initial Payments and Annual Payments by Metropolitan. As among the Participating Landowners in the group, the pooling shall be on such terms and conditions as the Participating Landowners may agree.

3.5.2 There shall be a single Landowner Participation Offer for each group which shall (1) identify and be signed by all landowners who are in the group; (2) specify which landowners are to be Participating Landowners and parties to the Landowner Agreement for the group; (3) identify all owners of the Program Qualified Land that is to be considered for purposes of calculating the limitations on the first and second tier Maximum Fallowing Commitments specified in the Landowner Participation Offer in the same manner as specified in subsection 3.2.2.4 for the description of the land; and (4) designate a single landowner as agent for the group for all purposes in connection with the Landowner Participation Offer other than execution of the Landowner Agreement and other instruments required in connection with the Landowner Agreement.

3.5.3 The Maximum Fallowing Commitment and annual fallowing requirements for the group shall be determined with respect to the aggregate of Program Qualified Land owned by all landowners signing the Landowner Participation Offer, and Program Encumbered Land under the Landowner Agreement may be designated on Program Qualified Land of any one or more of the Participating Landowners. References to "landowner" and "Participating Landowner" in this Program Agreement and in the Landowner Agreements shall be deemed to refer to all landowners and Participating Landowners in the group collectively, and references to Program Qualified Land owned by a landowner or a Participating Landowner shall be deemed to

refer to the aggregate Program Qualified Land owned by all landowners and Participating Landowners in the group collectively.

3.5.4 There shall be a single Landowner Agreement for each group which shall designate a single Participating Landowner as agent for all purposes under the Landowner Agreement, including designating and substituting Program Encumbered Land, receiving Fallowing Calls, making designations of Program Qualified Land to be fallowed, receiving all payments by Metropolitan, and giving and receiving notices and other communications to or from PVID and Metropolitan. The Participating Landowners in a group may change the Participating Landowner that is to act as agent for all Participating Landowners in the group by notice signed by all Participating Landowners in the group to PVID and Metropolitan. The change shall be effective on the tenth (10^{th}) day after the date on which the notice is given.

3.5.5 All landowners in a group whose Program Qualified Land is to be designated as Program Encumbered Land pursuant to subsection 3.2.4 (Metropolitan Approval of Proposed Program Encumbered Land) or may be substituted for Program Encumbered Land pursuant to subsection 3.7.8 (Substitution of Program Encumbered Land) shall be parties to the Landowner Agreement. In addition, each landowner who is not a party to the Landowner Agreement but who owns Program Qualified Land that is described in the Landowner Participation Offer for the group shall provide, as a part of the escrow under subsection 3.4.2 (Notice of Provisional Approval to Landowners; Documents for Delivery by Landowners into Escrow), a Participation Waiver, in recordable form, by which the landowner authorizes the use of that landowner's Program Qualified Land described in the Landowner Participation Offer for purposes of calculating the limitations on first and second tier Maximum Fallowing Commitments specified in the Landowner Participation Offer and irrevocably waives the right to have such land used for such purpose in connection with any other Landowner Participation Offer.

3.6 Subsequent Solicitation of Participation Offers

3.6.1 This subsection 3.6 (Subsequent Solicitation of Participation Offers) shall apply if and to the extent the Maximum Fallowing Commitments contained in provisionally approved Landowner Participation Offers aggregate approximately 26,500 water toll acres and (1) subsequently Landowner Agreements are executed for less than 26,500 water toll acres or (2) escrows are terminated pursuant to subsection 3.4.4 (Closure or Termination of Escrow).

3.6.2 If the conditions specified in subsection 3.6.1 occur, Metropolitan may utilize the portion of its own Maximum Fallowing Commitments reserved pursuant to subsection 3.2.3.3.1 to increase the aggregate Maximum Fallowing Commitments to the amount provisionally approved, provided that the percentage of Metropolitan's Maximum Fallowing Commitment shall not exceed the percentage of the highest approved Maximum Fallowing Commitment for other Participating Landowners. If, after Metropolitan has applied its reserved Maximum Fallowing Commitments, the aggregate Maximum Fallowing Commitments continues to be less than 26,500 water toll acres, the Parties will, on Metropolitan's request, solicit additional offers from PVID landowners for participation in the Program on terms essentially similar to those specified for Landowner Participation Offers under subsection 3.2 (Landowner Participation in Program) and otherwise consistent with this Program Agreement.

3.7 Fallowing of Program Qualified Land

3.7.1 Base Amount Fallowing

Except as provided in subsection 3.7.4.2 (Temporary Reductions), Participating Landowners shall fallow Program Qualified Land in an amount equal to twenty-five percent (25%) of the Participating Landowner's total Maximum Fallowing Commitment during each partial or full Contract Year occurring after the conditions precedent in the applicable Landowner Agreement have been satisfied or waived, such amount being referred to herein as "Base Amount."

3.7.2 Calls by Metropolitan for Additional Fallowing

Periodically during the term of this Program Agreement, Metropolitan shall, by notice, issue Fallowing Calls to Participating Landowners for fallowing of Program Qualified Land in addition to the applicable Base Amount. Metropolitan's Fallowing Calls shall be such that:

(1) For each Landowner Agreement in effect on termination of this Program Agreement, the annual average (based on Contract Years) of the lands required to be fallowed pursuant to subsection 3.7.1 (Base Amount Fallowing) and Fallowing Calls for all full Contract Years following the Operative Date will be an amount equal to at least forty-five and three-tenths percent (45.3%) of the landowner's Maximum Fallowing Commitment, adjusted for any temporary reductions pursuant to subsection 3.7.4.2 (Temporary Reductions); and

(2) Fallowed Land under each Landowner Agreement shall not exceed (i) an amount equal to the Maximum Fallowing Commitment in such agreement in any Contract Year and (ii) an amount equal to ninety and six-tenths percent (90.6%) of Maximum Fallowing Commitments in more than a total of ten (10) full Contract Years (consecutive or nonconsecutive).

Each Metropolitan Fallowing Call shall require fallowing for at least two full consecutive Contract Years. For a Fallowing Call that involves fallowing for the partial Contract Year in which the Conditions Precedent Notice is executed or deemed waived, the Fallowing Call shall require fallowing for only one (1) full Contract Year, in addition to the remainder of such partial Contract Year. A Fallowing Call once made may not be rescinded or diminished.

3.7.3 Notice of Fallowing Calls; Acreage Specification

Metropolitan shall give Participating Landowners notice of Fallowing Calls as follows: (1) concurrently with delivery of the notice to the Participating Landowner that the Landowner's Participation Offer has been provisionally accepted in accordance with subsection 3.4.2 (Notice of Provisional Acceptance to Landowners; Documents for Delivery by Landowners into Escrow) for fallowing that is to occur during the initial partial Contract Year, if any, and the first full Contract Year; and (2) at least one Contract Year in advance for fallowing that is to occur in subsequent Contract Years. Fallowing Calls issued by Metropolitan shall specify (1) the percentage of the Participating Landowner's Maximum Fallowing Commitment that the

Fallowed Land must equal, with the percentage being the same for all Participating Landowners, and (2) the amount of Program Qualified Land to be fallowed.

3.7.4 Special Fallowing Circumstances

3.7.4.1 Commencement of Fallowing Prior to First Full Contract Year

In response to the first Fallowing Call issued to a Participating Landowner by Metropolitan, the Participating Landowner shall not be required to begin to fallow any parcel of Program Qualified Land designated for Base Amount fallowing or for fallowing pursuant to the initial Fallowing Call by Metropolitan until the earlier of (1) the date on which any crop growing on such parcel as of the Effective Date of the Participating Landowner's Landowner Agreement has been harvested, or (2) one hundred twenty (120) days after the closing date of escrow for the Participating Landowner's Landowner Agreement.

3.7.4.2 Temporary Reductions

Participating Landowners may, for any Contract Year, request approval to reduce or eliminate land to be fallowed. Such approval may be given or denied by Metropolitan, in its sole discretion. Metropolitan shall promptly notify PVID of any such request, of Metropolitan's action on the request, and, if the request is granted to any extent, the identity by PVID Water Toll Number of the land withdrawn from fallowing.

3.7.5 Designation of Fallowed Land

3.7.5.1 Time and Manner of Designation

Participating Landowners shall give written notice to PVID and Metropolitan designating the parcels of Program Qualified Land to be fallowed pursuant to the Landowner Agreement as follows:

(1) As to Program Qualified Land that will be fallowed to meet the Participating Landowner's obligation to fallow a Base Amount, and as to Program Qualified Land that will be fallowed to meet the Participating Landowner's obligation to fallow in response to Metropolitan's initial Fallowing Call, such notice shall be given at least thirty (30) days in advance of the date on which fallowing is to begin, and

(2) As to Program Qualified Land to be fallowed to meet the Participating Landowner's obligation pursuant to a Fallowing Call, other than the first Fallowing Call, issued by Metropolitan, such notice shall be given at least sixty (60) days in advance of the date on which such fallowing is to begin.

All designations shall be made by the applicable PVID Water Toll Number, on forms provided by PVID and approved by Metropolitan, which forms shall authorize PVID and Metropolitan to enter the designated land for purposes of ascertaining whether it is being fallowed in accordance with the applicable Landowner Agreement. Any Participating Landowner's designation that includes land leased to the Participating Landowner

shall be accompanied by a copy of the applicable lease(s). Participating Landowners may change any such designations with respect to land that has been fallowed for twelve (12) consecutive months by giving PVID and Metropolitan notice, sixty (60) days in advance of such change, specifying (1) the effective date of the change, (2) the Program Qualified Land that no longer will be fallowed, and (3) the Program Qualified Land that thereafter will be fallowed.

3.7.5.2 Land Designated for Fallowing

All land designated for fallowing under Landowner Agreements shall be (1) Program Qualified Land that otherwise would be irrigated, and (2) in parcels that are reasonably compact and are at least five (5) water toll acres in size.

3.7.6 Requirements for Fallowing

Participating Landowners shall fallow, or cause to be fallowed, all land designated for Base Amount fallowing pursuant to clause (1) of subsection 3.7.5.1 (Time and Manner of Designation) and, in accord with the applicable Metropolitan Fallowing Call, all land designated for fallowing pursuant to clause (2) of subsection 3.7.5.1 (Time and Manner of Designation). Participating Landowners shall comply with their obligations respecting fallowing by not undertaking or permitting the following activities on Fallowed Land: (1) growing of agricultural crops or any other vegetation; (2) application of water (other than rain that naturally falls on the Fallowed Land); (3) extraction of or application of groundwater; and (4) use or collection of surface water provided, however, that water may be utilized for dust control as permitted under the applicable Landowner Agreement. Participating Landowners shall also comply with those land management measures identified in the Final Program EIR and incorporated as an exhibit to the form of Landowner Agreement attached hereto as Exhibit A.

3.7.7 Limitations on Fallowing

No land shall be fallowed for purposes of the Program for more than five (5) consecutive Contract Years, provided that this requirement shall not apply to any Program Encumbered Land which Metropolitan is causing to be fallowed through the exercise of its rights under the Fallowing Easement applicable to such land on default in the performance of the Participating Landowner's fallowing obligations under the applicable Landowner Agreement.

3.7.8 Substitution of Program Encumbered Land

Participating Landowners may, subject to Metropolitan's approval given in the same manner as specified in subsection 3.2.4 (Metropolitan Approval of Proposed Program Encumbered Land), substitute other Program Qualified Land for Program Encumbered Land by giving notice to PVID and Metropolitan of the Participating Landowner's intent to do so. Such notice shall specify, by PVID Water Toll Number and legal description, the land proposed to be removed as Program Encumbered Land and the Program Qualified Land proposed to be substituted for it. Upon approval by Metropolitan it shall give the substituting Participating Landowner notice to that effect. The substitution shall be effective as provided in subsection 4.3 (Substitution of Program Encumbered Land) of the Landowner Agreement.

3.7.9 Re-conveyance of Program Encumbered Land

PVID and Metropolitan shall execute, deliver and record a re-conveyance of Fallowing Easements

(1) As to all Program Encumbered Land, within thirty (30) days after the termination of this Program Agreement, and

(2) As to land that is to be removed as Program Encumbered Land under subsection 3.7.8 (Substitution of Program Encumbered Land), promptly on receipt of, and concurrently with recording of, a Fallowing Easement for the substituted Program Encumbered Land.

3.7.10 Payment of Taxes, Tolls

Participating Landowners shall pay to PVID or ensure that there are paid all taxes, water tolls, standby charges, and assessments imposed by PVID on Program Qualified Land fallowed, and Program Encumbered Land owned, by them.

3.8 Forbearance by PVID

PVID shall not divert, take delivery of, authorize the diversion or use of, or transfer to third parties any Saved Water.

3.9 USBR Determination of Saved Water

It is the expectation of the Parties that USBR will determine the amount of Saved Water developed under Landowner Agreements and available for diversion by Metropolitan under its Federal Water Delivery Contract each calendar year. PVID and Metropolitan shall cooperate in gathering and furnishing to USBR information pertinent to this determination. The Parties shall use their best efforts to have USBR establish a methodology, acceptable to the Parties, that can be used both to estimate at the beginning of any Contract Year the amount of Saved Water that will be conserved under Landowner Agreements and to determine after the end of the Contract Year the amount of Saved Water that was conserved under Landowner Agreements. Metropolitan's and PVID's non-privileged data and records relative to the calculation of Program Saved Water shall be available to the other Party and the USBR for inspection and copying during their normal business hours in their respective headquarters, building or storage space.

3.10 Diversion of Saved Water by Metropolitan

The amount of water that will be available for diversion by Metropolitan by virtue of this Program Agreement will be the amount of Saved Water as determined by USBR less any conveyance losses determined by USBR, subject to any challenge by Metropolitan to the extent permitted by federal law and its Federal Water Delivery Contract. PVID makes no representations, warranties, or guaranties with respect to the amount of water available to Metropolitan by virtue of this Program Agreement.

4. Administration of Program

4.1 PVID Responsibilities

4.1.1 Data Base

PVID shall maintain a computerized data base management system to maintain current records of (1) Landowner Agreements, (2) Maximum Fallowing Commitments under Landowner Agreements, (3) parcels of Program Qualified Land designated by Participating Landowners for fallowing and changes in such designations, (4) Program Encumbered Land and substitutions for such land, (5) water orders by District landowners, and (6) delivery of water pursuant to such water orders.

4.1.2 Notice of Violations

PVID shall promptly notify Metropolitan of any apparent violations of Landowner Agreements such as irrigation of Fallowed Land.

4.1.3 Canal Breaks

PVID shall promptly repair any break in its canals that may inundate Fallowed Land and shall return the surface water, through pumping or otherwise, to either its drain or supply canals; and provide required weed control, if any, for Fallowed Land flooded by a canal break.

4.1.4 Provision of Data

PVID shall provide Metropolitan with related Program data including, but not limited to, water applied to Fallowed Land and other lands within PVID; and the listing and number of acres of crops grown within PVID.

4.1.5 Default Notification

PVID shall notify Metropolitan of any default by a Participating Landowner in payment of PVID water toll, standby charges or assessment fees.

4.1.6 Water Delivery

PVID shall terminate deliveries of water to land that is subject to a designation for fallowing pursuant to subsection 3.7.5 (Designation of Fallowed Land) to the maximum extent permitted by the configuration of PVID's water delivery system and in the same manner as PVID customarily curtails water deliveries to landowners that are delinquent in the payment of water tolls and assessments to PVID.

4.1.7 No Charges on Saved Water

Other than taxes, water tolls, standby charges, and assessments levied by PVID on land within the District, including Fallowed Land and Program Encumbered Land, PVID shall

not levy any additional taxes, fees or other charges on Saved Water to be made available for diversion by Metropolitan.

4.2 Metropolitan Responsibilities

Metropolitan shall have exclusive responsibility for enforcing fallowing obligations under Landowner Agreements, including the prohibition against fallowing any parcel for more than five (5) years.

4.3 Allocation of Responsibilities by Parties

The Agreement Administrators may jointly from time to time, in writing and in the sole discretion of the Parties they represent, allocate responsibilities for administration of the Program not otherwise allocated in this Program Agreement between the Parties in a manner consistent with this Program Agreement.

4.4 Agreement Administrators

Metropolitan shall, at its own cost, retain a Metropolitan Agreement Administrator to coordinate its activities under this Program Agreement and the Landowner Agreements with PVID and to monitor, enforce, audit, and prepare reports regarding implementation of the Program as provided in this Program Agreement and the Landowner Agreements. PVID shall, as a Reimbursable Cost, retain a PVID Agreement Administrator to coordinate its activities under this Program Agreement and the Landowner Agreements with Metropolitan and to monitor, enforce, audit, and prepare reports regarding implementation of the Program as provided in this Program Agreement and the Landowner Agreements. PVID and Metropolitan each agrees to fully cooperate and to meet regularly with the Agreement Administrator of the other Party for purposes of sharing information and coordination of Program administration.

5. Payments

5.1 Payments by Metropolitan to Landowners

5.1.1 Metropolitan Obligation

All payments to be made by Metropolitan to a Participating Landowner under its Landowner Agreement shall be made by Metropolitan, and PVID will not have any obligation respecting such payments.

5.1.2 Initial Payment

Metropolitan shall make an initial payment to each Participating Landowner at a base rate of three thousand one hundred seventy dollars ($3,170.00) per water toll acre of its Maximum Fallowing Commitment. The initial payment shall be made in installments over a two to five year period as elected by each Participating Landowner in the Landowner Agreement, the amount of each installment being as specified in the form of Landowner Agreement attached hereto as Exhibit A.

5.1.3 Annual Payments

Each Contract Year Metropolitan shall make an annual payment to each Participating Landowner for each water toll acre of Program Qualified Land to be fallowed by it during the Contract Year. The annual payment (1) shall be at the rate of six hundred two dollars ($602.00) per water toll acre for the first full Contract Year, (2) thereafter shall be subject to adjustment as provided in the form of Landowner Agreement attached hereto as Exhibit A, (3) shall be pro-rated for any period in which fallowing occurs prior to the first full Contract Year, and (4) shall be subject to deductions for any water applied to Fallowed Land as provided more specifically in the form of Landowner Agreement attached hereto as Exhibit A. Annual payments for fallowing that is to occur prior to the first full Contract Year following the Operative Date shall be made within fifteen (15) days of the close of escrow, and for all subsequent Contract Years shall be made by September 1 of the Contract Year to which the payment relates.

5.2 Payments by Metropolitan to PVID

5.2.1 General Obligation

Metropolitan shall reimburse PVID for all Reimbursable Costs. Reimbursable Costs are costs reasonably incurred by PVID in (1) developing the Program, this Program Agreement, and the Landowner Agreement, provided that the amount of reimbursement for the cost of legal services shall not exceed $192,500.00, and (2) performing its obligations with respect to administration of the Program, this Program Agreement, and the Landowner Agreements. Reimbursable Costs shall include, without limitation, capital outlays for computers, computer programs, and other purposes, but shall not include costs incurred by PVID under subsection 4.1.3 (Canal Breaks) to repair any break in its canals.

5.2.2 Annual Budget

5.2.2.1 PVID and Metropolitan shall jointly develop, through their respective Agreement Administrators, a budget for the Reimbursable Costs the Parties anticipate PVID will incur during each partial and full Contract Year (the "Reimbursable Cost Budget"). The Parties shall develop the Reimbursable Cost Budget for the initial partial Contract Year within fifteen (15) days after the Effective Date and thereafter by June 1 prior to the beginning of each full Contract Year or at such other date as the PVID and Metropolitan Agreement Administrators may agree.

5.2.2.2 If the PVID and Metropolitan Agreement Administrators cannot agree on all elements of a Reimbursable Cost Budget, then the Parties shall proceed as follows.

(1) The Agreement Administrators shall identify in writing the administrative responsibilities as to which there is agreement and the Reimbursable Cost Budget for such responsibilities (such budget being referred to herein as "Partial Reimbursable Cost Budget").

(2) The Agreement Administrators shall identify in writing those administrative responsibilities as to which there is disagreement and which are not required by this

Program Agreement to be performed by PVID. Metropolitan shall assume responsibility for performing such administrative responsibilities.

(3) The Agreement Administrators shall identify in writing (i) those administrative responsibilities as to which there is disagreement and which are required by this Program Agreement to be performed by PVID (such responsibilities being referred to herein as "Disputed Responsibilities") and (ii) the extent of the budget disagreement with respect to each, noting separately PVID's estimate of the proper Reimbursable Cost Budget for each such Disputed Responsibility (such estimate being referred to herein as the "PVID Disputed Responsibility Cost Budget") and Metropolitan's estimate of the proper Reimbursable Cost Budget for each such Disputed Responsibility (such estimate being referred to herein as the "Metropolitan Disputed Responsibility Cost Budget"). Neither Party may institute dispute resolution proceedings under section 8 (Remedies and Dispute Resolution) of this Program Agreement with respect to the proper budget for Disputed Responsibilities, provided that this provision is without prejudice to the right of either Party to institute dispute resolution proceedings with regard to the Parties' respective rights and obligations under subsection 5.2.1 (General Obligation) after the conclusion of the Contract Year in question in connection with the "Annual True-Up" provided for in subsection 5.2.4 (Annual "True Up") with regard to the Parties' respective rights and obligations under subsection 5.2.1 (General Obligation).

5.2.2.3 PVID shall use all reasonable efforts to remain within any Reimbursable Cost Budget adopted pursuant to subsection 5.2.2.1, any Partial Reimbursable Cost Budget adopted pursuant to clause (1) of subsection 5.2.2.2, and any PVID Disputed Responsibility Reimbursable Cost Budget under clause (3) of subsection 5.2.2.2 and shall notify Metropolitan whenever PVID has reason to believe it may exceed any such budget.

5.2.3 Annual Advance Payments

Metropolitan shall make advance payments to PVID to be applied to PVID's Reimbursable Costs for the initial partial Contract Year and for each subsequent Contract Year in an amount that, unless the Parties agree otherwise in writing shall be either (1) the amount of the Reimbursable Cost Budget adopted pursuant to subsection 5.2.2.1, or (2) the sum of any Partial Reimbursable Cost Budget adopted pursuant to clause (1) of subsection 5.2.2.2, and any Metropolitan Disputed Responsibility Reimbursable Cost Budget under clause (3) of subsection 5.2.2.2. The advance payment for the initial partial Contract Year shall be made within thirty (30) days after the Effective Date and shall be made on or before August 31 of each subsequent Contract Year.

5.2.4 Annual "True-Up"

By August 15 of each Contract Year and the August 31 following the Termination Date, PVID shall provide Metropolitan with a statement of the Reimbursable Costs incurred by PVID during the prior Contract Year (such statement being referred to herein as PVID's "Reimbursable Cost Statement") and the advance payments made by Metropolitan for that Contract Year. If such costs exceed the advance payment made by Metropolitan, Metropolitan shall pay such excess within thirty (30) days after presentation. If the advance payment

exceeded such costs, the amount of such excess shall be credited to the advance payment due August 31 of the Contract Year, with any remaining excess returned to Metropolitan within thirty (30) days after the Reimbursable Cost Statement is due. Any payment by Metropolitan or credit or return by PVID shall be without prejudice to Metropolitan's right to dispute any element of PVID's Reimbursable Cost Statement pursuant to subsection 5.2.6 (Audit).

5.2.5 Record Keeping

PVID shall keep full, true and accurate records of all Reimbursable Costs incurred by PVID in accordance with generally accepted accounting practices.

5.2.6 Audit

Annually, Metropolitan may at its expense audit or cause to be audited PVID's Reimbursable Cost Statement and PVID's records relating to the statement. All costs reflected on any PVID Reimbursable Cost Statement shall be deemed to have been accepted by Metropolitan except to the extent Metropolitan institutes dispute resolution proceedings with respect to such statement pursuant to section 8 (Remedies and Dispute Resolution) of this Program Agreement within one year after the date on which PVID submitted the Reimbursable Cost Statement to Metropolitan under subsection 5.2.4 (Annual "True-Up").

6. Conditions Precedent

The effectiveness of the Landowner Agreements is subject to the satisfaction or waiver by both Parties of subsections 6.1 (Required Agreement) through 6.3 (Landowner Agreements), such being conditions precedent, on or before December 31, 2004. The conditions precedent shall be deemed to have been satisfied or waived unless either Party provides written notice to the other Party, on or before December 31, 2004, that any one of the conditions will not be timely met and will not be waived. In the event that the conditions precedent have been satisfied or waived prior to December 31, 2004, the Parties shall promptly execute Conditions Precedent Notices and deposit them into each open escrow in accordance with subsection 3.4.3.3 (Conditions Precedent Notice).

6.1 Required Agreement

The written agreement by CVWD, and IID, dated October 10, 2003, that these agencies will consent to Metropolitan's diversion and use of the Saved Water made available by virtue of this Program Agreement for the entire thirty-five (35) year term of this Program Agreement irrespective of conditions on the Colorado River, and that these agencies will not assert any claim or right under their Federal Water Delivery Contracts or otherwise to any of the Saved Water made available for diversion by Metropolitan by virtue of this Program Agreement, shall not have been revoked or amended on or before the date on which the remaining conditions precedent have been satisfied or waived.

6.2 No Litigation or Administrative Proceedings

No litigation or proceeding before a federal or state administrative agency shall be pending or, to the actual knowledge of either Party, be threatened which relates to this Program

Agreement or the subject matter hereof or which, if adversely determined, would materially and adversely affect the ability of the Parties, or either of them, to perform their respective obligations under this Program Agreement or which raises a question as to the validity of the Landowner Agreements. Without limiting the generality of the foregoing, no challenge to this Program Agreement or the Landowner Agreements under the California Environmental Quality Act, the National Environmental Policy Act, the California Endangered Species Act, or the Federal Endangered Species Act shall be pending.

6.3 Landowner Agreements

Landowner Participation Offers have been solicited from all owners of Priority 1 Land and Landowner Agreements and related documents with Maximum Fallowing Commitments aggregating at least 13,250 water toll acres have been deposited into escrow pursuant to subsections 3.4.2 (Notice of Provisional Acceptance to Landowners; Documents for Delivery by Landowners into Escrow) and 3.4.3.1 (Executed Counterparts of the Landowner Agreement).

7. Representations and Warranties

7.1 Representations and Warranties of PVID

As a material inducement to Metropolitan to enter into this Program Agreement, PVID represents, warrants, and covenants as follows:

7.1.1 Power and Authority

PVID is a special district duly organized and validly existing under the laws of the State of California. The execution and delivery hereof to Metropolitan and the performance by PVID of its obligations hereunder will not violate the terms or provisions of any agreement, document or instrument to which PVID is a party or by which PVID is bound.

7.1.2 Authorization; Valid Obligation

Subject to satisfaction or waiver of all the Conditions Precedent specified in subsections 6.1 (Required Agreement) through 6.3 (Landowner Agreements), all proceedings required to be taken by or on behalf of PVID to authorize it to make, deliver and carry out the terms have been duly and properly taken.

7.1.3 No Litigation

To PVID's actual knowledge, there is no litigation or administrative proceeding described in subsection 6.2 (No Litigation or Administrative Proceedings) to which PVID is (or, with respect to threatened litigation, would be) a party.

7.2 Representations and Warranties of Metropolitan

As a material inducement to PVID to enter into this Program Agreement, Metropolitan represents, warrants and covenants as follows:

7.2.1 Power and Authority

Metropolitan is a metropolitan water district, duly organized and validly existing under the laws of the State of California. The execution and delivery hereof by Metropolitan and the performance by Metropolitan of its obligations hereunder will not violate the terms or provisions of any agreement, document or instrument to which Metropolitan is a party or by which Metropolitan is bound.

7.2.2 Authorization; Valid Obligation

Subject to satisfaction or waiver of all the Conditions Precedent specified in subsections 6.1 (Required Agreement) through 6.3 (Landowner Agreements), all proceedings required to be taken by or on behalf of Metropolitan to authorize it to make, deliver and carry out the terms of this Program Agreement have been duly and properly taken.

7.2.3 No Litigation

To Metropolitan's actual knowledge, there is no litigation or administrative proceeding described in subsection 6.2 (No Litigation or Administrative Proceedings) to which Metropolitan is (or, with respect to threatened litigation, would be) a party.

8. Remedies and Dispute Resolution

8.1 Remedies of Metropolitan

In the event PVID fails to perform any of the obligations of PVID under this Program Agreement, Metropolitan shall have the remedies through binding arbitration: (1) of recovery and/or offset of amounts advanced, or to be advanced, under subsection 5.2.3 (Annual Advance Payments); or (2) to compel PVID to specifically perform its obligations under this Program Agreement. Under no circumstances shall PVID be required to pay indirect or consequential damages to Metropolitan.

8.2 Remedies of PVID

In the event Metropolitan fails to perform any of its obligations, or fails to make any payment due to PVID, under this Program Agreement, PVID shall have the remedies through binding arbitration: (1) for a failure to pay monies due to PVID, suspending all performance hereunder until payment is made; (2) to compel Metropolitan to specifically perform its obligations under this Program Agreement; or (3) of a monetary award for amounts determined to be owing to PVID pursuant to this Program Agreement.

8.3 Limitation on Remedies

No Party shall be entitled to seek any remedy for a breach of, or default under, this Program Agreement by the other Party unless (1) such Party has first given written notice specifically stating the alleged breach or default, (2) the Party claimed to be in default fails to cure the default within ten (10) days of receipt of such written notice as to alleged breaches of the obligation to pay money and thirty (30) days of receipt of such written notice as to all other

alleged breaches, and (3) the Parties have attempted to resolve their dispute respecting such asserted breach or default as provided in subsections 8.4 (Negotiation) and 8.5 (Resolution by Executives).

8.4 Negotiation

If a Party gives notice of breach or default under subsection 8.3 (Limitation on Remedies) and the other Party disputes any aspect of such notice, representatives of the Parties below the level of chief executive officer authorized to settle the matter shall meet within thirty (30) days of such notice and attempt to negotiate a resolution of the issues in dispute.

8.5 Resolution by Executives

If Party representatives are unable to resolve a notice of breach or default within thirty (30) days of negotiation commencement, the chief executive officer of Metropolitan and general manager of PVID, or comparable officials, shall meet within thirty (30) days thereafter to endeavor to resolve the dispute. The obligations imposed by this subsection on the Parties' chief executive officer and general manager, respectively, may not be delegated.

8.6 Arbitration

If the claim is not resolved within sixty (60) days after negotiation commences, either Party may submit to binding arbitration as provided in this subsection 8.6 (Arbitration) and in the California Arbitration Act (Part 3 [commencing with §1280], Title 9, California Code of Civil Procedure), including section 1283.05.

8.6.1 Selection of Arbitrators

The Parties may agree on a sole arbitrator. In the absence of such agreement, the Parties agree on a three-member panel to be selected as follows:

(a) One member shall be selected by PVID;

(b) One member shall be selected by Metropolitan; and

(c) The third member shall be selected by the other two members of the panel.

If the two members selected by Metropolitan and by PVID are unable to agree on the selection of a third member, either Party may petition a court to appoint the third member pursuant to Code of Civil Procedure section 1281.6. Two votes shall be required for any decision by the panel.

8.6.2 Arbitration Fees and Expenses

Each Party shall be responsible for any fees and expenses of the member of the panel appointed by that Party, and the fees and expenses of the third member of the panel (or of the sole arbitrator if there is only one) shall be shared fifty percent (50%) by PVID and fifty percent (50%) by Metropolitan. Each Party shall bear its other costs of arbitration.

8.6.3 Award of Arbitration Panel

The arbitration panel may order any relief specified in this section 8 (Remedies and Dispute Resolution), and not otherwise. The award of the panel (including orders and directives contained therein) shall be judicially enforceable.

9. Miscellaneous Agreements

9.1 Non-Waiver

None of the provisions of this Program Agreement shall be considered waived by any of the Parties unless such waiver is given in writing. The waiver of a breach of any term or condition of this Program Agreement shall not be deemed to constitute the waiver of any other breach of the same or any other term or condition.

9.2 Effect of Agreement

Nothing in this Program Agreement shall affect other rights and obligations of Metropolitan or PVID pursuant to applicable law or regulations, or separate agreements, except as expressly provided herein. The Parties do not intend to create rights in or to grant remedies to any third party or others as a beneficiary of this Program Agreement or of any duty, covenant, obligation or undertaking established hereunder.

9.3 Governing Law

This Program Agreement shall be interpreted in accordance with, governed by and construed under the laws of the State of California and any applicable federal laws without giving effect to any choice-of-law or conflicts-of-laws rule or principles that would result in the application of the laws of any other jurisdiction.

9.4 Assignment

Neither Party may assign, delegate, or otherwise transfer this Program Agreement, any interest therein, or the Party's rights or obligations under this Program Agreement without the prior written consent of the other Party, which consent may be withheld at such other Party's absolute discretion. Any such purported assignment or transfer shall be void and without effect.

9.5 Metropolitan Indemnity

Metropolitan shall defend, indemnify and hold PVID harmless from and against all claims asserted by a third party (or parties) for direct or indirect damages, losses, judgments, costs and expenses arising out of an act or omission of Metropolitan, its employees or agents in the performance of its obligations under this Program Agreement. Metropolitan shall also defend, indemnify and hold PVID harmless from and against all claims asserted by third parties arising out of or in connection with this Program Agreement or its validity. PVID shall have the right of reasonable approval of any counsel retained by Metropolitan pursuant to this subsection.

9.6 Insurance

PVID shall, at Metropolitan's request, acquire, at Metropolitan's expense, commercial general liability and comprehensive automobile liability insurance in form and from insurers acceptable to the other, naming Metropolitan, its board of directors, officers, and employees as additional insureds.

9.7 Notice Procedures and Designation of Mailing Address

All notices, requests, demands and other communications under this Program Agreement must be (1) in writing, (2) delivered in person or sent by certified mail, postage prepaid, overnight delivery, or facsimile transmission, and (3) dated as of the day the notice is delivered or sent. Notices relating to a breach of, or default under, this Program Agreement shall be addressed as follows:

If to PVID:

General Manager
Palo Verde Irrigation District
180 West 14th Avenue
Blythe, California 92225
Facsimile number: (760) 922-8294

If to Metropolitan:

Chief Executive Officer
The Metropolitan Water District of Southern California
Post Office Box 54153 (for certified mail)
700 North Alameda Street (for overnight delivery)
Los Angeles, California 90054-0153
Facsimile number: (213) 217-5704

All other notices shall be addressed as follows:

If to PVID:

General Manager
Palo Verde Irrigation District
180 West 14th Avenue
Blythe, California 92225
Facsimile number: (760) 922-8294

If to Metropolitan, to the designated Agreement Administrator as follows:

Fadi Kamand, Agreement Administrator
The Metropolitan Water District of Southern California
Post Office Box 54153 (for certified mail)
700 North Alameda Street (for overnight delivery)
Los Angeles, California 90054-0153
Facsimile number: (213) 830-4557

Any Party may change the person or address to which notice or communication is forwarded upon ten (10) days written notice to the other Party. All notices and other communications required or permitted under this Program Agreement which are addressed as provided in this subsection are effective (1) upon delivery, if delivered personally, (2) upon delivery, if delivered by overnight mail or certified mail and confirmed in writing by the delivery service or by return receipt, and (3) upon delivery, if delivered by facsimile and written confirmation is received by the addressee's facsimile machine, provided that any notice given by facsimile shall be deemed received on the next business day if it is received after 4:30 pm Pacific time or on a nonbusiness day.

9.8 Construction of Agreement

The language in all parts of this Program Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any of the Parties hereto and section 1654 of the Civil Code has no application to interpretation of this Program Agreement. If the day on which performance of any act or the occurrence of any event hereunder is due is not a business day, the time when such performance or occurrence shall be due shall be the first business day occurring after the day on which performance or occurrence would otherwise be due hereunder. All times provided in this Program Agreement for the performance of any act are to be strictly construed, time being of the essence of this Program Agreement.

9.9 Amendment

Neither this Program Agreement nor any provision hereof may be waived, modified, amended, or discharged, except by an instrument in writing signed by both Parties, and then only to the extent set forth in such writing.

9.10 Entire Agreement

This Program Agreement and the agreements provided herein constitute the entire understanding between the Parties with respect to the matters set forth herein and supersede all prior or contemporaneous understandings or agreements among the Parties with respect to the subject matter hereof, whether oral or written. This Program Agreement may not be modified or amended except in writing executed by the Parties.

9.11 Cumulative Rights; Waiver

The rights created under this Program Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by any Party to exercise, and no delay in exercising, any rights shall be construed or deemed to be a waiver

thereof, nor shall any single or partial exercise by any Party preclude any other or future exercise thereof or the exercise of any other right. Any waiver of any provision or of any breach of any provision of this Program Agreement must be in writing, and any waiver by any Party of any breach of any provision of this Program Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Program Agreement. The failure of any Party to insist upon strict adherence to any term of this Program Agreement on one or more occasions shall not be considered or construed or deemed a waiver of any provision or any breach of any provision of this Program Agreement or deprive that Party of the right thereafter to insist upon strict adherence to that term or provision or any other term or provision of this Program Agreement. No delay or omission on the part of any of the Parties in exercising any right under this Program Agreement shall operate as a waiver of any such right or any other right under this Program Agreement.

9.12 Severability

In the event that a court of competent jurisdiction determines that a provision included in this Program Agreement is legally invalid, illegal or unenforceable, and such decision becomes final, such provision shall be deemed to be severed and deleted from this Program Agreement and the balance of this Program Agreement shall be reasonably interpreted so as to effect the intent of the Parties hereto. The Parties further agree to replace such void or unenforceable provision of this Program Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

9.13 Counterparts

This Program Agreement and any amendment thereto may be executed in two or more counterparts, and by each Party on a separate counterpart, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document. Any signature page of this Program Agreement or of such an amendment, may be detached from any counterpart without impairing the legal effect of any signatures thereon, and may be attached to another counterpart identical in form thereto but having attached to it one or more additional signature pages. In proving this Program Agreement or any such amendment, it shall not be necessary to produce or account for more than one counterpart thereof signed by the Party against whom enforcement is sought.

9.14 Further Assurances

Each Party hereto, upon the request of another Party, agrees to perform such further acts and to execute and deliver such other documents as are reasonably necessary to carry out the provisions of this Program Agreement.

9.15 Opinions and Determinations

Where the terms of this Program Agreement provide for an action or decision to be based upon the approval, review, or determination of a Party, in other than its sole discretion, such

terms are not intended to be and shall be not be construed as permitting such opinion, judgment, approval, review or determination to be arbitrary, capricious, or unreasonable.

9.16 Ambiguities

Each Party has participated fully in the drafting of this Program Agreement. A rule of construction to the effect that ambiguities are to be resolved against the drafting Party is not to apply in interpreting this Program Agreement, including any amendments or modifications.

9.17 Pending and Late Arising Claims

If a claim arising under or with respect to one or more terms of this Program Agreement has not been resolved when such term terminates, or if such a claim is brought after this Program Agreement has terminated but within the period of time for bringing such a claim under California law ("Late Arising Claim"), the applicable provisions of this Program Agreement shall continue in full force and effect for such additional period of time for the purpose only of resolving such claims and to satisfy the rights and obligations of the Parties hereto with respect thereto.

IN WITNESS WHEREOF, the Parties have caused this Program Agreement to be executed by their respective duly authorized representatives as of the date first set forth hereinabove.

PALO VERDE IRRIGATION DISTRICT

By: _____
Edward W. Smith
General Manager

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Ronald R. Gastelum
Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Jeffrey Kightlinger
General Counsel

EXHIBIT A

LANDOWNER AGREEMENT

LANDOWNER AGREEMENT
FOR FALLOWING IN THE
PALO VERDE IRRIGATION DISTRICT

("LANDOWNER AGREEMENT")

BETWEEN

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

AND

PALO VERDE IRRIGATION DISTRICT

AND

_____

_____

LANDOWNER AGREEMENT
FOR FALLOWING IN THE
PALO VERDE IRRIGATION DISTRICT

THIS LANDOWNER AGREEMENT FOR FALLOWING IN THE PALO VERDE IRRIGATION DISTRICT ("Landowner Agreement") is made and entered into as of _____, 2004 ("Effective Date") by and between The Metropolitan Water District of Southern California ("Metropolitan"), organized and existing under the Metropolitan Water District Act (West's Water Code Appendix, Chapter 109), and the Palo Verde Irrigation District ("PVID"), formed pursuant to the Palo Verde Irrigation District Act (West's Water Code Appendix, Chapter 33), and _____, a _____ ("Landowner"), each of which is at times referred to individually as "Party" and all of which are at times collectively referred to as "Parties".

RECITALS

A. Metropolitan and PVID have entered into that certain Forbearance and Fallowing Program Agreement ("Program Agreement") that provides for implementation of a program for the fallowing of certain lands in the PVID ("Program"). The Program Agreement further provides that Metropolitan shall make monetary payments to Participating Landowners in consideration of the Saved Water developed by the Fallowing that will be available for Metropolitan's use.

B. Landowner is owner of certain real property located in the PVID that is Program Qualified Land as defined in the Program Agreement and is more particularly identified on Exhibit "A" attached hereto ("Landowner's Program Qualified Land and Maximum Fallowing Commitment"), totaling ____water toll acres.

C. PVID has solicited an offer from Landowner for participation in the Program as provided in the Program Agreement. Landowner has received and reviewed a copy of the Program Agreement and desires to participate in the Program with regards to certain of the Landowner's Program Qualified Land, subject to the terms and conditions of this Landowner Agreement.

D. Landowner has timely submitted a Landowner Participation Offer to PVID and Metropolitan as required under the Program Agreement specifying (1) the maximum amount of Program Qualified Land that Landowner proposes to fallow pursuant to the terms and conditions of this Landowner Agreement ("Maximum Fallowing Commitment") and (2) the Landowner's Program Qualified Land, as described on Exhibit B attached hereto ("Landowner's Program Encumbered Land), that Landowner proposes to encumber in connection with this Landowner Agreement with a Fallowing Easement as prescribed in the Program Agreement and this Landowner Agreement ("Landowner's Program Encumbered Land"). Landowner's Maximum Fallowing Commitment comprises ___% of Landowner's Program Qualified Land, and totals ____ water toll acres.

E. Metropolitan has, by written notice to Landowner, provisionally approved the proposed Landowner's Program Encumbered Land. PVID and Metropolitan have verified the eligibility for and receipt of delivery of Priority 1 Water, and ownership by Landowner of, the Landowner's Program Qualified Land and have accepted the Maximum Fallowing Commitment, subject to the acceptance requirements, conditions and limitations provided in the Program Agreement.

F. Metropolitan, PVID and Landowner now desire to enter into an agreement for the fallowing of Program Qualified Lands subject to the terms and conditions of this Landowner Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants and obligations set forth herein, and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. Definitions

As used in this Landowner Agreement, the following terms shall have the following meanings:

1.1 "AFY" means acre-feet per year.

1.2 "Annual Payment" means that payment to be made by Metropolitan to Landowner pursuant to subsection 8.3 (Annual Payments).

1.3 "Base Amount" means the amount of Program Qualified Land that Landowner shall Fallow in every Contract Year under this Landowner Agreement as further defined in subsection 5.1 (Base Amount Fallowing).

1.4 "Commencement Date" means the date on which the Parties obligations to Fallow and make payments under this Landowner Agreement begin, and is the Closing Date of Escrow.

1.5 "Contract Year" means the twelve (12) month period from August 1 through the following July 31 of the following year, the first Contract Year commencing the August 1 following satisfaction or waiver of the conditions precedent pursuant to section 6 (Conditions Precedent) of the Program Agreement. In the event that the Operative Date does not fall on August 1, the period following the Operative Date and preceding August 1 shall be referred to herein as a partial Contract Year and shall not be counted as a full Contract Year.

1.6 "Effective Date" is the date set forth in the introductory paragraph of this Landowner Agreement on which this Landowner Agreement becomes effective.

1.7 "Encumbrance" means any mortgage, deed of trust, or other monetary encumbrance or security device that is a lien on the Landowner's Program Encumbered Land.

1.8 "Encumbrance Subordination Agreement" means those agreements to be provided by Landowner subordinating any Encumbrance on the Landowner's Program Encumbered Land to the Fallowing Easement as provided in subsection 4.5.2 (Encumbrance Subordination Agreement).

1.9 "Escrow" means that account held by a title company selected by Metropolitan pursuant to subsection 3.2 (Escrow) for the purpose of consummating the transactions described in section 3 (Conditions Precedent and Escrow) and section 4 (Program Encumbered Land).

1.10 "Escrow Holder" means that title company selected by Metropolitan pursuant to subsection 3.2 (Escrow) for the purpose of holding the Escrow.

1.11 "Fallow" or "Fallowing" means not undertaking or permitting the activities described in subsection 5.5 (Actions Required for Fallowing).

1.12 "Fallowed Land" means Program Qualified Land that is owned by or leased to Landowner and is Fallowed pursuant to this Landowner Agreement.

1.13 "Fallowing Calls" means the calls by Metropolitan pursuant to this Landowner Agreement for Fallowing of Program Qualified Land in addition to the Base Amount as provided in subsection 5.2 (Calls by Metropolitan for Additional Fallowing).

1.14 "Fallowing Easement" means the easement that Landowner will convey to PVID and Metropolitan pursuant to subsection 4.2 (Fallowing Easement) for the purpose of ensuring that Program Qualified Land is Fallowed as specified in this Landowner Agreement.

1.15 "Landowner's Program Encumbered Land" means that land owned by the Landowner that will be subject to the Fallowing Easement under this Landowner Agreement and is more particularly described on Exhibit "B" (Landowner's Program Encumbered Land) as the same may be amended as provided in this Landowner Agreement.

1.16 "Landowner's Program Qualified Land" means those Program Qualified Lands that are owned by Landowner as of the Effective Date and are more particularly described on Exhibit "A" (Landowner's Program Qualified Land and Maximum Fallowing Commitment).

1.17 "Maximum Fallowing Commitment" means the maximum amount of Program Qualified Land that Landowner agrees, subject to the limitations in section 5 (Landowner's Fallowing Obligation), to Fallow (Base Amount Fallowing plus Fallowing Call) in any Contract Year under this Landowner Agreement.

1.18 "Metropolitan" means The Metropolitan Water District of Southern California.

1.19 "Metropolitan Agreement Administrator" means that person designated by Metropolitan pursuant to section 12 (Agreement Administrator) for purposes of coordinating with Landowner and monitoring and enforcing this Landowner Agreement.

1.20 "Participating Landowners" means all of the landowners that are participating in the Program through landowner agreements.

1.21 "Participation Waiver" has the meaning set forth in subsection 3.5.5 of the Program Agreement.

1.22 "Party" means Landowner, Metropolitan or PVID; and when used in the plural, it means all of them.

1.23 "Priority 1 Water" means the water delivered to PVID pursuant to section 1 of Article (6) of the Federal Water Delivery Contract between the United States and PVID dated February 7, 1933.

1.24 "Priority 1 Lands" means those lands described in section 1 of Article (6) of the Federal Water Delivery Contract between the United States and PVID dated February 7, 1933.

1.25 "Program Agreement" means that agreement entered into by and between PVID and Metropolitan for the PVID/Metropolitan Forbearance and Fallowing Program.

1.26 "Program Encumbered Land" means Program Qualified Land owned by Landowner that is subject to a Fallowing Easement pursuant to subsection 4.2 (Fallowing Easement).

1.27 "Program Qualified Land" means land that (1) is eligible to and can receive delivery of Priority 1 Water from PVID, and (2) has produced irrigated crops in two of the five Contract Years (or the August 1 to July 31 periods prior to the Effective Date) immediately prior to the year in which the Landowner (i) makes a Landowner Participation Offer pursuant to subsection 3.2.2 of the Program Agreement, (ii) proposes the land for substitution as Program Encumbered Land pursuant to subsection 4.3 (Substitution of Program Encumbered Land) of this Landowner Agreement, or (iii) designates the land for fallowing pursuant to subsection 5.4 (Designation of Fallowed Land) of this Landowner Agreement.

1.28 "PVID" means the Palo Verde Irrigation District.

1.29 "Saved Water" means water that is developed by Fallowing pursuant to the Program Agreement and this Landowner Agreement.

1.30 "Tenant Subordination Agreement" means those agreements to be provided by Landowner subordinating any Tenant Lease on the Landowner's Program Encumbered Land to the Fallowing Easement and this Landowner Agreement as provided in subsection 4.5.1 (Tenant Subordination Agreement).

1.31 "Termination Date" means the date this Landowner Agreement terminates as more particularly specified in subsection 2.3 (Termination Date) and subsection 2.4 (Early Termination).

2. Term of Agreement

2.1 Effective Date

This Landowner Agreement shall be effective upon the date of mutual execution by Metropolitan, PVID and Landowner as shown above.

2.2 Commencement Date

The Landowner's participation in the Program shall commence ("Commencement Date"), and the obligation to Fallow and make payments hereunder shall begin, on the Closing Date of Escrow as defined in subsection 3.2 (Escrow), below.

2.3 Termination Date

This Landowner Agreement shall expire on July 31 of the thirty-fifth (35^{th}) full Contract Year unless earlier terminated as provided in subsection 2.4 (Early Termination) below.

2.4 Early Termination

This Landowner Agreement shall terminate prior to July 31 of the thirty-fifth (35^{th}) full Contract Year in the event of the following:

2.4.1 Upon failure of Escrow to close within the period specified in subsection 3.2 (Escrow), below.

2.4.2 Upon election by Metropolitan to terminate in the event of Landowner's Default under this Landowner Agreement as provided in subsection 11.1.1.4 (Termination), below.

2.4.3 Upon election by Metropolitan to rescind in the event of Landowner's Default under this Landowner Agreement as provided in subsection 11.1.1.5 (Rescission and Reimbursement), below.

2.4.4 Upon the expiration or earlier termination of the Program Agreement for any reason including, but not limited to, the termination of the Program Agreement on December 31, 2004 as a result of Metropolitan's or PVID's giving notice on or before that date that the conditions precedent described in section 6 (Conditions Precedent) of the Program Agreement will not be timely satisfied or waived.

2.5 Continuing Obligations

The obligations and rights of the Parties under the following provisions shall survive the termination of this Landowner Agreement: section 1 (Definitions); subsection 4.4 (Re-conveyance of Program Encumbered Land); the indemnity provisions of subsection 6.2 (Entry for Inspection) and subsection 14.4 (Indemnity); subsection 8.3 (Annual Payments) as to payment or deduction obligations incurred prior to termination; section 11 (Remedies); section 13 (Dispute Resolution); and section 14 (Miscellaneous Agreements).

3. Conditions Precedent and Escrow

3.1 Conditions Precedent

The Landowner's participation in the Program and the related obligations of the Parties under this Landowner Agreement, including but not limited to, any obligations of Metropolitan to make payment or of Landowner to Fallow Landowner's Program Qualified Land, are contingent upon the satisfaction or waiver by the Parties of the following conditions (each a "Landowner Agreement Condition Precedent"):

3.1.1 Program Agreement

PVID and Metropolitan shall have satisfied or waived all conditions precedent under the Program Agreement as set forth in section 6 (Conditions Precedent) thereof, on or before December 31, 2004.

3.1.2 No Litigation

No litigation or proceeding before a federal or state administrative agency shall be pending, or to the actual knowledge of any Party, be threatened which relates to this Landowner Agreement or the subject matter hereof or which, if adversely determined would materially and adversely affect the ability of the Parties, or any of them, to perform their respective obligations under this Landowner Agreement or which raises a question as to the validity of the Landowner Agreement. Without limiting the generality of the foregoing, no challenge to this Landowner Agreement or the Program Agreement under the California Environmental Quality Act, the National Environmental Policy Act, the California Endangered Species Act, or the Federal Endangered Species Act shall be pending. This condition shall be deemed satisfied or waived unless any Party provides written notice to the other Parties, on or before the Closing Date, of the existence or threat of litigation or administrative proceedings as described herein

3.2 Escrow

Within seven (7) days after the Effective Date, Metropolitan shall establish an escrow ("Escrow") with _____ Title Company ("Escrow Holder"). Escrow shall be open when each of the Parties has deposited a fully executed counterpart of this Landowner Agreement and identical escrow instructions with Escrow Holder. Escrow Holder shall notify each Party in writing of the date Escrow is opened and the Closing Date, as defined below. Each Party agrees to execute, deliver and be bound by any reasonable or customary supplemental escrow instructions of Escrow Holder or such other documents as may reasonably be required by Escrow Holder in order to consummate the transaction contemplated by this Landowner Agreement such instructions and documents to be consistent with the Program Agreement and this Landowner Agreement.

The Closing Date shall be the date that each of the conditions precedent provided in subsection 3.1 (Conditions Precedent) has been satisfied or waived by the Parties, each of the required documents specified in subsection 3.2.3 (Required Documents) has been deposited into Escrow, and the Fallowing Easement deed, any required Tenant Subordination Agreement(s), and any required Encumbrance Subordination Agreement(s) are recorded in the official records of the

county or counties in which the Landowner's Program Encumbered Land is located. The Closing Date shall occur no later than sixty (60) days following the opening of Escrow, unless the Parties agree in writing to extend the Escrow. In the event that the Escrow does not close within the sixty-day period, or such longer period as the Parties may agree to in writing, this Landowner Agreement shall terminate.

3.2.1 Title Report and Notice of Required Documents

3.2.1.1 No later than ten (10) days after the opening of Escrow, Metropolitan shall order, at Metropolitan's expense, a current preliminary title report issued by _____ Title Company or other title company acceptable to Metropolitan ("Title Company") with respect to the Landowner's Program Encumbered Land. Metropolitan shall have ten (10) days after receipt of the current preliminary title report to give Landowner written notice identifying (1) each owner who is required to execute the Fallowing Easement deed pursuant to subsection 4.2 (Fallowing Easement) and (2) each Encumbrance for which, and each holder of such Encumbrance from which, an Encumbrance Subordination Agreement is required pursuant to subsection 4.5.2 (Encumbrance Subordination Agreement). Such notice shall reflect whether each identified owner, Encumbrance, and Encumbrance holder is (1) reflected on the current preliminary title report, or (2) is reasonably believed by Metropolitan to then exist but not of record, in which case the notice shall also specify with particularity the basis for Metropolitan's belief.

3.2.1.2 If Landowner disputes (1) the existence of an encumbrance specified in Metropolitan's notice, or (2) that a person specified in Metropolitan's notice has an interest in the Program Encumbered Land as specified in Metropolitan's notice, Landowner shall promptly give Metropolitan and PVID notice to that effect, and the Landowner and the PVID and Metropolitan Agreement Administrators shall then promptly confer with each other and the Title Company, if appropriate, to resolve the dispute. If such meeting does not resolve the dispute between the Landowner and Metropolitan, the Landowner shall have the further right, on notice given to PVID and Metropolitan within seven (7) days after such meeting, to require a meeting with the chief executive officer of Metropolitan and general manager of PVID for purposes of resolving the dispute. The Metropolitan chief executive officer and PVID general manager, or persons they individually designate as representing their respective agencies, shall meet with any disputing Landowner within seven (7) days of the Landowner's notice. If the Parties are unable to resolve the dispute, Metropolitan's decision on the documents required shall be final and shall not be subject to the provisions of Section 11 (Remedies) or Section 13 (Dispute Resolution). In such event, however, Landowner shall have: (1) the right to propose substitute Program Encumbered Land, as to which the provisions of subsection 3.2.4 of the Program Agreement (Metropolitan Approval of Proposed Program Encumbered Land) shall apply, or (2) the right to terminate this Landowner Agreement; or (3) the right to deposit into Escrow a properly executed and acknowledged quitclaim deed in recordable form by the person(s) specified in Metropolitan's notice as having an interest in the Program Encumbered Land that quitclaims any interest such person(s) may have in the Program Encumbered Land.

3.2.2 Cost of Escrow

Metropolitan shall pay the costs of Escrow and the premium for any policy of title insurance that Metropolitan, in its discretion, decides to obtain respecting the Fallowing Easement.

3.2.3 Required Documents

Within thirty (30) days after Metropolitan's written notice to Landowner of required documents pursuant to subsection 3.2.1 (Title Report and Notice of Required Documents), or such longer period as the Parties may agree upon in writing, Landowner shall cause to be executed and delivered into Escrow the following: (1) a Fallowing Easement deed as required under subsection 4.2 (Fallowing Easement) below; (b) Tenant Subordination Agreement(s) as required under subsection 4.5.1 (Tenant Subordination Agreement) below, (c) Encumbrance Subordination Agreement(s) as required under subsection 4.5.2 (Encumbrance Subordination Agreement) below, (d) in the event that Landowner is a Participating Landowner Group as described in subsection 14.16 (Participating Landowner Groups) below, Participation Waivers duly executed by any landowner in the Participating Landowner Group who is not a party to this Landowner Agreement but who owns Program Qualified Land that is described in the Landowner Participation Offer for the group, and (e) the Initial Land Designation Notice as required by subsection 5.4.1 (Time and Manner of Designation) with the period covered ending no earlier than at least the end of the first full Contract Year.

4. Program Encumbered Land

4.1 Program Encumbered Land

Landowner shall encumber a portion of Landowner's Program Qualified Land ("Landowner's Program Encumbered Land") with a Fallowing Easement in the form and manner required under subsection 4.2 (Fallowing Easement). The Landowner's Program Encumbered Land shall consist of acreage in an amount equal to the Landowner's Maximum Fallowing Commitment (as the same may be adjusted as provided in this Landowner Agreement) and be made up of parcels reasonably compact and of at least five (5) acres in size. The Landowner's Program Qualified Land described on Exhibit "B" (Landowner's Program Encumbered Land) has been identified by Landowner and provisionally approved by Metropolitan as provided under the terms and conditions of the Program Agreement as land equal in acreage to the Landowner's Maximum Fallowing Commitment, to be encumbered as Landowner's Program Encumbered Land by a Fallowing Easement as provided in subsection 4.2 (Fallowing Easement) below.

4.2 Fallowing Easement

Landowner shall, within the period specified in subsection 3.2.3 (Required Documents), execute, acknowledge and deliver into Escrow an easement deed applicable to the Landowner's Program Encumbered Land ("Fallowing Easement") in the form attached as Exhibit "C" (Fallowing Easement Deed), providing Metropolitan and PVID with certain specified rights to Fallow the subject land in the event of certain Defaults by Landowner under this Landowner Agreement as provided in subsection 11.1.1.2 (Enforcement of Easement Rights), below. The Fallowing Easement deed shall be executed and acknowledged by each owner of the affected Landowner's Program

Encumbered Land as specified in Metropolitan's notice given pursuant to subsection 3.2.1.1, subject to resolution of any dispute pursuant to subsection 3.2.1.2. The spouse of any owner of an interest that is the separate property of the owner shall execute and acknowledge the Consent of Landowner's Spouse in the form shown as part of the Fallowing Easement attached hereto as Exhibit "C" (Fallowing Easement Deed). On Close of Escrow, Escrow Holder shall record the Fallowing Easement deed provided pursuant to this subsection 4.2 in the Official Records of the California county or counties where the affected Landowner's Program Encumbered Land is located.

In the event of the acceptance under subsection 3.6 (Subsequent Solicitation of Participation Offers) of the Program Agreement of Landowner's subsequent Landowner Participation Offer, if any, the Parties shall amend this Landowner Agreement, increase Landowner's Maximum Fallowing Commitment and Metropolitan's payments, record the Fallowing Easement Deed and any required Tenant Subordination Agreement(s) and Encumbrance Subordination Agreements(s), in the manner described in section 7 (Acceptance of Subsequent Participation Offers), below.

4.3 Substitution of Program Encumbered Land

Landowner may, subject to Metropolitan's approval given in the same manner as specified in subsection 3.2.4 of the Program Agreement (Metropolitan Approval of Proposed Program Encumbered Land) substitute other Program Qualified Land for Landowner's Program Encumbered Land by giving written notice to PVID and Metropolitan of the Participating Landowner's intent to do so. Such notice shall specify, by PVID Water Toll Number and legal description, the land proposed to be removed as Program Encumbered Land and the Program Qualified Land proposed to be substituted for it. Upon approval by Metropolitan it shall give the Landowner notice to that effect. The substitution shall be effective, and the Parties shall amend Exhibit "B" (Landowner's Program Encumbered Land) to this Landowner's Agreement to reflect the approved substitution, upon receipt by Metropolitan of a Fallowing Easement deed as provided in subsection 4.2 (Fallowing Easement) and the documents specified in subsections 4.5.1 (Tenant Subordination Agreement) and 4.5.2 (Encumbrance Subordination Agreement) for the substituted Program Encumbered Land.

4.4 Re-conveyance of Program Encumbered Land

PVID and Metropolitan shall execute, deliver and record a re-conveyance of the Fallowing Easements specified in subsection 4.2 (Fallowing Easement) (1) as to all Program Encumbered Land, within thirty (30) days of the termination of this Landowner Agreement, and (2) as to land that is to be removed as Program Encumbered Land under subsection 4.3 (Substitution of Program Encumbered Land), promptly on receipt of, and concurrently with recording of, a Fallowing Easement deed for the substituted Program Encumbered Land.

4.5 Leases and Encumbrances

4.5.1 Tenant Subordination Agreement

Nothing in the Landowner Agreement shall prohibit Landowner from leasing ("Tenant Lease") all or a portion of the Landowner's Program Encumbered Land ("Premises") to a third party tenant ("Tenant") subject to the terms and conditions of this subsection 4.5.1 (Tenant

Subordination Agreement). Landowner shall give Metropolitan written notice of any Tenant Lease for the Landowner's Program Encumbered Land within ten (10) days of the opening of Escrow for any Tenant Lease existing on the Effective Date and prior to the effective date of any Tenant Lease subsequently created on the Landowner's Program Encumbered Land. Landowner shall provide a copy of this Landowner Agreement to any existing or subsequent Tenant leasing any of the Landowner's Program Encumbered Land and obtain from such Tenant a fully executed and acknowledged agreement recognizing, and subordinating the Tenant Lease to, the terms and conditions of this Landowner Agreement and the Fallowing Easement as applicable to the Premises substantially in conformance with the form of Exhibit "D," attached hereto (Tenant Subordination Agreement). The executed and acknowledged Tenant Subordination Agreement for any Tenant Lease of any Landowner's Program Encumbered Land existing on the opening of Escrow shall be delivered into Escrow within the time period provided in subsection 3.2.3 (Required Documents). The Tenant Subordination Agreement for any subsequent Tenant Lease of any Landowner's Program Encumbered Land shall be delivered to Metropolitan prior to the commencement date of the applicable lease. Metropolitan shall have the right, at its sole cost and expense, to record any Tenant Subordination Agreement provided pursuant to this subsection 4.5.1 (Tenant Subordination Agreement) subsequent to the close of Escrow in the Official Records of the California county or counties where the affected Landowner's Program Encumbered Land is located.

Notwithstanding Landowner's lease of any portion of Landowner's Program Encumbered Land, Landowner shall remain responsible to Metropolitan and PVID under this Landowner Agreement for any breach in the terms hereof. Metropolitan shall make payments under this Landowner Agreement solely to Landowner and Metropolitan shall have no responsibility for providing compensation to any Tenant.

4.5.2 Encumbrance Subordination Agreement

Nothing in this Landowner Agreement shall prohibit Landowner from encumbering by mortgage, deed of trust or other monetary encumbrance or security device ("Encumbrance") any of the Landowner's Program Encumbered Land, subject to the terms and conditions of this subsection 4.5.2 (Encumbrance Subordination Agreement). Landowner shall provide a copy of this Landowner Agreement to the holder of any Encumbrance on any of Landowner's Program Encumbered Land existing on the Effective Date and to the holder of any subsequently created Encumbrance. Landowner shall obtain from each holder of an Encumbrance a fully executed and acknowledged agreement subordinating such Encumbrance to the terms and conditions of the Fallowing Easement substantially in conformance with the form of Exhibit "E," attached hereto (Encumbrance Subordination Agreement). The Encumbrance Subordination Agreement for any Encumbrance existing as of the opening of Escrow and specified in Metropolitan's written notice of required documents pursuant to subsection 3.2.1 (Title Report and Notice of Required Documents) shall be delivered into Escrow within the time period provided in subsection 3.2.3 (Required Documents). The Encumbrance Subordination Agreement for any Encumbrance created after the Effective Date shall be delivered to Metropolitan prior to the effective date of the applicable Encumbrance. Metropolitan shall have the right, at its sole cost and expense, to record any Encumbrance Subordination Agreement provided subsequent to the close of Escrow in the Official Records of the California county or counties where the affected Landowner's Program Encumbered Land is located.

4.5.3 No Change to Condition of Title

Landowner shall not convey or encumber, and shall not permit conveyance or encumbrance, of title or any other property interest, including a Tenant Lease or Encumbrance, in or to Landowner's Program Encumbered Land, prior to the day following the Closing Date without giving prior written notice to PVID and Metropolitan and providing any documents required by Metropolitan to perfect the Fallowing Easement as to all ownership interests, or to subordinate any Tenant Lease or Encumbrance to the Fallowing Easement.

5. Landowner's Fallowing Obligation

5.1 Base Amount Fallowing

Except as provided in subsection 5.7 (Temporary Reductions), Landowner shall Fallow Program Qualified Land during each partial or full Contract Year in an amount equal to twenty-five percent (25%) of the Landowner's total Maximum Fallowing Commitment, such amount being specified on Exhibit "A" as the "Base Amount." The Base Amount shall be ____ water toll acres, subject to recalculation for adjustments for the acceptance of subsequent participation offers as provided in section 7 (Acceptance of Subsequent Participation Offers), below.

5.2 Calls by Metropolitan for Additional Fallowing

5.2.1 Fallowing Calls

Periodically during the term of this Landowner Agreement, Metropolitan may, subject to the requirements and limitations of subsection 5.2 (Calls by Metropolitan for Additional Fallowing), by written notice to Landowner, issue "Fallowing Calls" to Landowner for the Fallowing by Landowner of Landowner's Program Qualified Land in addition to the Base Amount. Each Metropolitan Fallowing Call shall require Fallowing by Landowner for at least two (2) full consecutive Contract Years except for a Fallowing Call that involves Fallowing for the partial Contract Year in which the Landowner Agreement is executed, in which case the Fallowing Call shall require the Landowner to Fallow for the remainder of such partial Contract Year as well as the subsequent full Contract Year. A Fallowing Call once made may not be rescinded or diminished.

5.2.2 Minimum and Maximum Fallowing Requirements

Except as provided in subsection 5.7 (Temporary Reductions), Landowner shall Fallow Program Qualified Land in the amount specified in Metropolitan's Fallowing Calls, subject to the following minimum requirements and maximum limitations for Fallowing Calls:

5.2.2.1 Minimum Average Fallowing Requirements

Notwithstanding, anything to the contrary in this Landowner Agreement, Metropolitan will, during the Term of this Landowner Agreement, provide Fallowing Calls sufficient to ensure that the minimum average acres of Program Qualified Land that will be Fallowed by Landowner for all thirty-five (35) full Contract Years under subsection 5.1 (Base Amount Fallowing) and subsection 5.2 (Calls by Metropolitan for Additional Fallowing) shall be no less than

forty-five and three-tenths percent (45.3%) of the total of Landowner's Maximum Fallowing Commitment for all thirty-five (35) full Contract Years ("Minimum Average Fallowing Acreage"), subject to adjustment for any temporary reductions made pursuant to subsection 5.7 (Temporary Reductions). The Minimum Average Fallowing Acreage shall be ____ water toll acres, subject to recalculation for adjustments for the acceptance of subsequent participation offers as provided in section 7 (Acceptance of Subsequent Participation Offers), below.

Unless previously terminated as provided herein, compliance with the Minimum Average Fallowing Acreage requirement provided in this subsection 5.2.2.1 shall be determined during the first six (6) months of the twenty-fourth (24th) full Contract Year. If the average number of acres Fallowed by Landowner under this Landowner Agreement does not meet the Minimum Average Fallowing Acreage requirement at that time, Metropolitan shall take all actions necessary to meet this requirement during the remainder of the Term of this Landowner Agreement.

5.2.2.2 Maximum Fallowing Limits

5.2.2.2.1 Maximum Fallowing Commitment

Landowner shall not be required to Fallow Program Qualified Land (whether owned by Landowner or leased as provided in subsection 5.4.2.2 (Leased Land)) under this Landowner Agreement in any Contract Year in excess of the Landowner's Maximum Fallowing Commitment. The Landowner's Maximum Fallowing Commitment shall be ____ water toll acres, subject to recalculation for adjustment for the acceptance of subsequent participation offers as provided in section 7 (Acceptance of Subsequent Participation Offers), below.

5.2.2.2.2 Ten Year Maximum

Landowner shall not be required to Fallow Program Qualified Land under this Landowner Agreement in an amount greater than ninety and six-tenths percent (90.6%) of the Maximum Fallowing Commitment in more than ten (10) (consecutive or nonconsecutive) full Contract Years.

5.3 Notice of Fallowing Calls; Acreage Specification

Metropolitan shall give Landowner written notice of Fallowing Calls ("Fallowing Call Notice") as follows: (1) concurrently with delivery of notice to Landowner that Landowner's Participation Offer has been provisionally accepted in accordance with subsection 3.4.2 (Notice of Provisional Acceptance to Landowners; Documents for Delivery by Landowners into Escrow) of the Program Agreement for Fallowing that is to occur during the initial partial Contract Year, if any, and the first full Contact Year; and (2) at least one Contract Year in advance for Fallowing that is to occur in subsequent Contract Years. Fallowing Calls issued by Metropolitan shall specify (1) the percentage of the Landowner's Maximum Fallowing Commitment that the Landowner's Fallowed Land must equal, with the percentage being the same for all Participating Landowners, and (2) the acreage amount of Program Qualified Land to be Fallowed by the Landowner.

5.4 Designation of Fallowed Land

5.4.1 Time and Manner of Designation

Landowner shall, by written notice to PVID and Metropolitan in the form described below as the "Landowner's Land Designation Notice," designate Program Qualified Land to be Fallowed pursuant to this Landowner Agreement ("Fallowed Land") as follows:

(1) As to Program Qualified Land that will be Fallowed to meet the Landowner's obligation to Fallow a Base Amount, and as to Program Qualified Land that will be Fallowed to meet the Landowner's obligation to Fallow in response to Metropolitan's initial Fallowing Call, such notice shall be given at least thirty (30) days in advance of the date on which Fallowing is to begin ("Initial Landowner's Land Designation Notice"); and

(2) As to Program Qualified Land to be Fallowed to meet the Landowner's obligation pursuant to a Fallowing Call, other than the first Fallowing Call, issued by Metropolitan, such notice shall be given at least sixty (60) days in advance of the date on which such Fallowing is to begin.

The form to be utilized as the Landowner's Land Designation Notice shall be provided by PVID and approved by Metropolitan, and shall identify all designated Program Qualified Land by the applicable PVID Water Toll Numbers and include Landowner's representation and warranty that (1) the designated land satisfies the requirements for land to be Fallowed specified in subsection 5.4.2 (Requirements for Land to be Designated for Fallowing), (2) that Landowner has the right to Fallow the designated land as required under this Landowner Agreement; and (3) that Landowner has the right to grant PVID and Metropolitan the right of entry for inspection required under subsection 6.2 (Entry for Inspection) and authorizes PVID and Metropolitan to enter the designated land for purposes of ascertaining whether such land is being Fallowed in accordance with this Landowner Agreement as provided in subsection 6.2 (Entry for Inspection).

Landowner may change any such designations with respect to land that has been fallowed for twelve (12) consecutive months by giving PVID and Metropolitan a modified Landowner's Land Designation Notice, sixty (60) days in advance of such change, specifying (1) the effective date of the change, (2) the Program Qualified Land that no longer will be Fallowed, and (3) the Program Qualified Land that thereafter will be Fallowed.

5.4.2 Requirements for Land to be Designated for Fallowing

5.4.2.1 Basic Land Requirements for Fallowing

All land designated for Fallowing under this Landowner Agreement shall be (1) Program Qualified Land that otherwise would be irrigated, and (2) in parcels that are reasonably compact and are at least five (5) acres in size.

5.4.2.2 Leased Land

Landowner may, in any Landowner's Land Designation Notice, designate Program Qualified Land for Fallowing under this Landowner Agreement that is not owned by Landowner, but is leased by Landowner ("Leased Land") subject to satisfaction of the following conditions:

(1) The Leased Land shall comply with the requirements for land designated for Fallowing provided in subsection 5.4.2.1 (Basic Land Requirements for Fallowing), above, and shall not have been included in any other Land Designation Notice under the Program.

(2) The owner of the Leased Land ("Lessor") shall consent in writing, in the lease or otherwise, to the designation of the Leased Land for Fallowing pursuant to the terms of this Landowner Agreement and authorize PVID and Metropolitan to enter the Leased Land according to the terms and conditions of subsection 6.2 (Entry for Inspection) for purposes of ascertaining whether the Leased Land is being Fallowed in accordance with the requirements of this Landowner's Agreement. Landowner's Land Designation Notice that designates Leased Land for Fallowing shall be accompanied by a copy of the applicable lease and any other document reasonably necessary to evidence compliance with the requirements of this subsection 5.4.2.2 (Leased Land) in a form reasonably acceptable to Metropolitan.

5.5 Actions Required for Fallowing

Landowner shall, at Landowner's sole cost and expense, comply with its Fallowing obligations under this Landowner Agreement in any Contract Year by not undertaking or permitting the following activities on Program Qualified Land designated for Fallowing on the applicable Landowner's Land Designation Notice: (1) the growing of agricultural crops or any other vegetation; (2) application of water (other than rain that naturally falls on the Fallowed Land); (3) extraction of or application of groundwater; and (4) use or collection of surface water provided, however, that water may be utilized for dust control in connection with the land management measures specified in subsection 6.4 (Land Management Measures), subject to provisions for deductions in Metropolitan's payment obligations in subsection 6.5 (Deductions for Deficient Saved Water).

5.6 Limitations on Fallowing

No Program Qualified Land shall be Fallowed for purposes of this Landowner Agreement for more than five (5) consecutive Contract Years, provided that this limitation shall not apply to any Program Encumbered Land which Metropolitan is causing to be Fallowed through exercising of its rights under the Fallowing Easement as permitted under this Landowner Agreement in subsection 11.1.1.2 (Enforcement of Easement Rights).

5.7 Temporary Reductions

Landowner may request in writing approval to reduce or eliminate land to be Fallowed in response to a Fallowing Call. Such approval shall be given or denied by Metropolitan, in its sole discretion, within thirty (30) days of Metropolitan's receipt of the request. Metropolitan shall promptly notify PVID of any such request and of Metropolitan's action on the request. In the event

that Metropolitan approves the reduction or elimination of land to be Fallowed in response to a Fallowing Call, the Annual Payment to the Landowner shall be re-calculated in accordance with subsection 8.3 (Annual Payments) based on the revised number of acres of Program Qualified Land to be Fallowed by Landowner. If Metropolitan has already made the Annual Payment to the Landowner for the Contract Year for which the number of acres of Program Qualified Land to be Fallowed has been revised, Metropolitan's notice of approval of the Landowner's request shall include a calculation of the amount of overpayment and Landowner shall, upon notice by Metropolitan, make payment to Metropolitan of that amount within fifteen (15) days of the notice.

5.8 Commencement of Fallowing Prior to First Full Contract Year

In response to the first Fallowing Call issued to Landowner by Metropolitan, Landowner shall not be required to begin to Fallow the Program Qualified Land designated for Base Amount Fallowing or for Fallowing pursuant to the initial Fallowing Call by Metropolitan until the earlier of (1) the date on which any crop growing on such parcel as of the Effective Date has been harvested, or (2) one hundred twenty (120) days after the Closing Date of Escrow.

6. Other Covenants of Landowner

6.1 Payments of Taxes and Tolls

Landowner shall pay to PVID, or ensure the payment to PVID of, all taxes, water tolls, standby charges, and assessments imposed by PVID on Landowner's Program Encumbered Land and on all Program Qualified Land Fallowed by Landowner under this Landowner Agreement.

6.2 Entry for Inspection

Landowner shall, upon twenty-four (24) hours prior written notice, allow Metropolitan and/or PVID to enter onto and inspect the Program Qualified Land designated for Fallowing under this Landowner Agreement at the time of such entry. Such entry shall be for the purpose of inspection to confirm Landowner's performance of its Fallowing obligation hereunder. Any such entry for inspection shall be done without expense to the Landowner, and Metropolitan and/or PVID, as applicable, shall indemnify, defend and hold Landowner and the subject property harmless from and against any and all claims, demands, actions, causes of action, suits, judgments, losses, damages, injuries, liabilities, penalties, costs and expenses (including without limitation attorneys' fees and costs), whether direct or indirect, known or unknown arising out of, connected with or incidental to the entry onto the property under this subsection 6.2 (Entry for Inspection). This indemnity shall survive the expiration or earlier termination of this Landowner Agreement.

6.3 Non Assignment

Landowner acknowledges that it does not have the right to, and shall not transfer or assign (by lease, license, easement, grant or any other form of agreement) any rights to the Saved Water that is developed through Fallowing pursuant to this Landowner Agreement.

6.4 Land Management Measures

Landowner shall, at Landowner's sole cost and expense, implement the land management measures described on Exhibit "F" attached hereto (Land Management Measures) on the Program Qualified Land Fallowed by Landowner in accordance with the requirements of this Landowner Agreement.

6.5 Deductions for Deficient Saved Water

6.5.1 Deduction Calculation

The Parties acknowledge that all water applied to Fallowed Land during a Contract Year, other than naturally falling rain or water from a PVID canal break, ("Applied Water) will cause a deficiency in the amount of Saved Water that Metropolitan would otherwise receive ("Deficient Saved Water"). Each Contract Year Metropolitan shall be entitled to compensation for any Deficient Saved Water resulting from application of Applied Water during the Contract Year by means of a deduction from future payments owed by Metropolitan to Landowner, in the amount determined in accordance with this subsection 6.5.1 (Deduction Calculation).

(1) Within ninety (90) days after the end of any Contract Year in which Applied Water has been applied to Fallowed Land, PVID and Metropolitan shall jointly determine the amount of Applied Water using the best available data and employing calculation techniques customarily used by irrigation districts to determine the amount of water applied to fields from irrigation canals, groundwater pumping, and other sources. Any disagreement between PVID and Metropolitan with respect to such determination shall be resolved through the Dispute Resolution provisions set forth in section 8 (Remedies and Dispute Resolution) of the Program Agreement.

(2) The amount of Deficient Saved Water deemed to have resulted from the application of Applied Water shall be calculated as follows: the amount of Applied Water determined in accordance with paragraph (1), above, shall be multiplied by a fraction, the numerator of which is the total of (a) the amount of Colorado River water diverted by PVID for the year less (b) the amount of return flows credited to PVID for the year, and the denominator of which is the total amount of diversions by PVID for that year. The numerator and denominator of the fraction shall be obtained using data from the United States Bureau of Reclamation's "Compilation of Records in Accordance with the Decree of the Supreme Court of the United States in *Arizona v. California*" for the most recent calendar year for which such compilation is available.

(3) The amount of the total deduction to which Metropolitan is entitled under this subsection 6.5 (Deductions for Deficient Saved Water) shall be calculated by multiplying the number of acre-feet of Deficient Saved Water as calculated in accordance with paragraph (2), above, by a unit rate of One Hundred and Fifty-Four Dollars ($154.00) per acre-foot for the first Contract Year. The unit rate shall be adjusted in the same manner provided in subsection 8.3.2 (Initial Payment and Escalation) for the adjustment of Annual Payments.

6.5.2 Notice of Deduction Calculation

Within ten (10) days of commencing the process of determining the amount of Applied Water pursuant to paragraph (1) of subsection 6.5.1 (Deduction Calculation), PVID and Metropolitan shall give notice to Landowner that they are assessing the issue of Applied Water on Landowner's Fallowed Land and may determine that Metropolitan is entitled to a deduction for Deficient Saved Water as a result of the Applied Water. Landowner may submit any information or documentation to PVID and Metropolitan for consideration in the determination.

Metropolitan shall give Landowner notice of any determination of Deficient Saved Water within thirty (30) days of the determination by PVID and Metropolitan of the amount of Applied Water, specifying (1) the amount of Applied Water and, with particularity, the data and methodology used to make the determination, (2) the calculations of Deficient Saved Water and the total amount of any deduction to which Metropolitan is entitled, and (3) the future payment(s) from which the deduction will be taken. No deduction shall be taken from any payment prior to thirty (30) days after the notice is given.

6.6 No Challenge to Fallowing Easement

Metropolitan has entered into this Landowner Agreement in reliance upon the validity and enforceability of the Fallowing Easement against all owners of the Program Encumbered Land, and Landowner covenants that Landowner will not challenge the validity or enforceability of the Fallowing Easement.

7. Acceptance of Subsequent Participation Offers

The parties acknowledge and agree that under the terms and conditions of the Program Agreement subsection 3.6 (Subsequent Solicitation of Participation Offers), Metropolitan and PVID may solicit additional offers from PVID landowners for participation in the Program on terms essentially similar to those specified in the Program Agreement except for the limit on the amount of Landowner's Program Qualified Land that may be included in the Maximum Fallowing Commitments. In the event that PVID and Metropolitan solicit such subsequent Landowner Participation Offers, and Landowner makes a Landowner Participation Offer that is provisionally approved by Metropolitan and PVID, this Landowner Agreement will be amended through the escrow procedures set forth herein to reflect the changes in Landowner's Program Qualified Land, Maximum Fallowing Commitment, and Landowner's Program Encumbered Land, upon compliance with each of the requirements of this Landowner Agreement for satisfaction of the applicable conditions precedent set forth in section 3 (Conditions Precedent and Escrow).

8. Payments by Metropolitan to Landowner

8.1 Metropolitan's Obligation

All payments to be made to Landowner for Fallowing as provided under this Landowner Agreement shall be made by Metropolitan, and PVID shall have no obligation or liability to Landowner respecting any payments due to Landowner under this Landowner Agreement.

8.2 Initial Payment

Metropolitan shall pay to Landowner an initial payment of Three Thousand One Hundred and Seventy Dollars ($3,170.00) for each water toll acre of Landowner's Maximum Fallowing Commitment, such payment to be made in annual installments over a two (2) to five (5) year period according to the sign-up payment option which Landowner shall have irrevocably elected in Landowner's Participation Offer. Landowner has elected to receive the initial payment in accordance with Option ___ described below.

The first installment of the initial payment shall be made by deposit into Escrow upon the satisfaction of, or waiver by Metropolitan of, all contingencies to the close of Escrow. All subsequent installments of the initial payment shall be made by Metropolitan to the Landowner as follows:

☐ **Option A:** Two (2) separate payments, (i) the first payment of One Thousand Five Hundred Eighty-Five Dollars ($1,585.00) for each water toll acre of Landowner's Maximum Fallowing Commitment to be payable into Escrow upon the satisfaction of, or waiver by Metropolitan of, all conditions precedent to the close of Escrow and deposit into Escrow by Landowner of all required documents pursuant to subsection 3.2.3 (Required Documents); and (ii) the second payment of One Thousand Six Hundred Thirty Dollars ($1,630.00) for each water toll acre of Landowner's Maximum Fallowing Commitment to be due and payable one (1) calendar year after the Commencement Date.

☐ **Option B:** Three (3) separate payments, each of One Thousand Seventy-Eight Dollars ($1,078.00) for each water toll acre of Landowner's Maximum Fallowing Commitment, (i) the first of which is to be payable into Escrow upon the satisfaction of, or waiver by Metropolitan of, all conditions precedent to the close of Escrow and deposit into Escrow by Landowner of all required documents pursuant to subsection 3.2.3 (Required Documents); (ii) the second of which is due and payable one (1) calendar year after the Commencement Date; and (iii) the third of which is due and payable two (2) calendar years after the Commencement Date.

☐ **Option C:** Four (4) separate payments each of Eight Hundred Thirteen Dollars ($813.00) for each water toll acre of Landowner's Maximum Fallowing Commitment, (i) the first of which is to be payable into Escrow upon the satisfaction of, or waiver by Metropolitan of, all conditions precedent to the close of Escrow and deposit into Escrow by Landowner of all required documents pursuant to subsection 3.2.3 (Required Documents); (ii) the second of which is due and payable one (1) calendar year after the Commencement Date; (iii) the third of which is due and payable two (2) calendar years after the Commencement Date; and (iv) the fourth of which is due and payable three (3) calendar years after the Commencement Date.

☐ **Option D:** Five (5) separate payments, each of Six Hundred Fifty-Five Dollars ($655.00) for each water toll acre of Landowner's Maximum Fallowing Commitment, (i) the first of which is to be payable into Escrow upon the satisfaction of, or waiver by Metropolitan of, all conditions precedent to the close of Escrow and deposit into Escrow by Landowner of all required documents pursuant to subsection 3.2.3 (Required Documents); (ii) the second of which is due and payable one (1) calendar year after the Commencement Date; (iii) the third of which is due and

payable two (2) calendar years after the Commencement Date; (iv) the fourth of which is due and payable three (3) calendar years after the Commencement Date; and (v) the fifth of which is due and payable four (4) calendar years after the Commencement Date.

8.3 Annual Payments

8.3.1 Annual Payment Formula

8.3.1.1 Metropolitan shall pay Landowner an annual payment ("Annual Payment") for each water toll acre of Fallowed Land at the annual per water toll acre rate ("Annual Rate") specified for the applicable Contract Year as provided in Section 8.3.2 (Initial Payment and Escalation). The Annual Payment shall be calculated by multiplying the number of water toll acres of Program Qualified Land to be Fallowed by Landowner under this Landowner Agreement in the applicable Contract Year times the applicable Annual Rate. Except as provided in subsection 8.3.1.2 for an initial Contract Year that is a partial Contract Year, annual payments shall be made on September 1st of the applicable Contract Year.

8.3.1.2 If Commencement Date is not August 1, then a prorated installment payment shall be made within fifteen (15) days following the later of the Commencement Date or the date of the Fallowing Call Notice, or if no Fallowing Call Notice is given on or before the Commencement Date, then within fifteen (15) days after the Commencement Date for the Base Amount of Fallowing to be performed through the end of the partial Contract Year. The pro-rated payment shall be calculated at the rate of Fifty and No/100ths Dollars ($50.00) per water toll acre of Fallowed Land per month payable for the period until the beginning of the first Contract Year following the Commencement Date.

8.3.2 Initial Payment and Escalation

The Annual Rate for any partial Contract Year and the first full Contract Year shall be Six Hundred Two Dollars ($602.00). Commencing the Contract Year beginning August 1, 2006, and continuing to the tenth full Contract Year, the Landowner will receive from Metropolitan a two and one-half percent (2.5%) per Contract Year prospective increase in the Annual Rate compounded each year. Commencing in the eleventh full Contract Year, continuing through the remaining term of this Landowner Agreement, the Landowner shall receive an adjustment in the Annual Rate which shall be a minimum increase of two and one-half percent (2.5%), and a maximum increase of five percent (5%) compounded annually. Subject to this minimum and maximum increase provision, the adjustment for the eleventh and subsequent full Contract Years shall be equal to the percentage change (increase only) in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor for Los Angeles-Riverside-Orange County All Items (1982-84=100) ("Index") applicable on the adjustment date from that applicable on the immediately prior adjustment date. The applicable adjustment date in each instance shall be the August 1 of the applicable Contract Year. If the Index is no longer issued, Metropolitan and PVID shall utilize an equivalent index. Exhibit "G" (Annual Payment Schedule for Fallowed Acres) depicts the compounded payment schedule for the term of this Landowner Agreement.

9 Representations and Warranties

9.1 Representations and Warranties of Landowner

As a material inducement to Metropolitan and PVID to enter into this Landowner Agreement, Landowner represents, warrants and covenants as follows:

9.1.1 Ownership

Landowner is the fee owner of Landowner's Program Qualified Land shown in Exhibit "A" (Landowner's Program Qualified Land and Maximum Fallowing Commitment), and of Landowner's Program Encumbered Land shown in Exhibit "B" (Landowner's Program Encumbered Land).

9.1.2 No Guaranty of Saved Water

Landowner makes no representation, warranty, or guaranty with respect to the amount of Saved Water that may be developed by Landowner's compliance with the terms of this Landowner Agreement.

9.1.3 No Litigation or Impediment

No legal impediment exists to prevent Landowner from entering into and performing under this Agreement.

9.1.4 Consultation with Legal Counsel

Landowner has had an opportunity to consult with legal counsel regarding this Agreement.

10. Default

The occurrence of any one or more of the following events shall constitute an "Event of Default" and a material breach under this Landowner Agreement by the nonperforming party ("Defaulting Party"):

10.1 Failure to Pay When Due

The failure of a Party to make any payment required to be made by that Party under this Landowner Agreement as, and when due, where such failure is not cured within ten (10) business days following receipt of written notice thereof by the Defaulting Party from the other Party ("Non-Defaulting Party"); or

10.2 Failure to Perform Non-Monetary Obligations

The failure by a Party to observe or perform any of the covenants, conditions or obligations applicable to that Party under this Landowner Agreement other than as described in subsection 10.1 above, or if any representation or warranty made by any Party shall be untrue or be breached in a

material way, where such failure is not cured within thirty (30) days following receipt of written notice thereof by the Defaulting Party from the Non-Defaulting Party specifically stating the alleged default; provided that if the nature of such failure requires more than thirty (30) days to cure, then it shall not be deemed an Event of Default if the Defaulting Party shall have commenced to cure the failure within the thirty (30) day period and thereafter diligently pursues such cure to completion, in which event the Defaulting Party shall have such additional time as is reasonably necessary to cure the failure before an Event of Default occurs.

10.3 Limitation on Remedies

No Party shall be entitled to seek any remedy for breach of, or default under, this Landowner Agreement by the other Party unless the Non-Defaulting Party shall have first given the written notice specifically required in this section 10, and the Defaulting Party claimed to be in default shall not have cured the alleged default or breach in the allotted cure period provided in this section 10.

11. Remedies

11.1 Metropolitan's Remedies

On the occurrence of an Event of Default by Landowner, Metropolitan shall have the right to pursue any one or more of the following specified remedies, and none other.

11.1.1 For Landowner's Failure to Fallow

On the occurrence of an Event of Default by Landowner with regards to Landowner's Fallowing obligations under section 5 (Landowner's Fallowing Obligation), or subsections 6.2 (Entry for Inspection) or 6.4 (Land Management Measures), Metropolitan shall have the right to pursue any one or more of the following remedies, and none other:

11.1.1.1 Suspension of Payments

Metropolitan may elect to suspend any payment obligations it may have under this Landowner Agreement until Landowner complies with the terms of this Landowner Agreement and cures such failure to perform Landlord's Fallowing obligation or to allow entry to inspect the Fallowed Land (if this Landowner Agreement is not terminated prior to such cure), or until it has been determined by mutual agreement of Metropolitan and Landowner or by final judgment entered by a court of competent jurisdiction, that Landowner has not breached or defaulted or failed to perform its obligations under this Landowner Agreement. Notwithstanding such suspension of Metropolitan's payment obligations, this Landowner Agreement shall remain in effect unless and until Metropolitan elects to terminate this Landowner Agreement under subsection 11.1.1.4 (Termination), in which case termination shall occur in accordance with and as provided in such provision. If Metropolitan has suspended payments to Landowner under this subsection 11.1.1.1 (Suspension of Payments) but this Landowner Agreement has not been terminated, Metropolitan shall reimburse Landowner for any monies withheld and then due to Landowner for Landowner's obligations that have been performed, without interest, as soon as Landowner again fully complies with and cures its breach or default under Landowner Agreement. Notwithstanding an election by Metropolitan under this subsection 11.1.1.1 to suspend payment obligations, Metropolitan or

Landowner may thereafter seek to resolve any dispute under Section 13 (Dispute Resolution) or in a court of competent jurisdiction.

11.1.1.2 Enforcement of Easement Rights

Metropolitan may elect to exercise its rights under the Fallowing Easement to the extent necessary to cure Landowner's failure to Fallow the required acres of Program Qualified Land in accordance with Landowner's Fallowing obligation under this Landowner Agreement. Metropolitan may enforce the Fallowing Easement as to all or portions of the Landowner's Program Encumbered Land subject to the Fallowing Easement. If Metropolitan enforces the Fallowing Easement, the land that is Fallowed through enforcement of the Fallowing Easement shall be deemed to be Fallowed Acres for purposes of Landowner's obligations under this Landowner Agreement and Metropolitan's payment obligations under subsection 8.2 (Initial Payment) and subsection 8.3 (Annual Payments).

At any time, the Landowner may provide written notice to PVID and Metropolitan that Landowner has cured the failure to Fallow by implementing Fallowing of the required Program Qualified Land or by providing evidence of Landowner's ability and consent to assume the Fallowing of the Program Encumbered Land on which Metropolitan is exercising it rights under the Fallowing Easement. Within fifteen (15) days after receipt of the notice, PVID and Metropolitan shall confirm whether the failure to Fallow has been cured, or the Landowner has provided sufficient evidence of Landowner's ability to assume the Fallowing of the Program Encumbered Land being Fallowed by Metropolitan. If the Landowner's failure to Fallow has been cured by Fallowing of appropriate Program Qualified Land or continued Fallowing of the Program Encumbered Land, Metropolitan shall cease to exercise its rights under the Fallowing Easement.

Metropolitan shall submit invoices to Landowner for the additional reasonable direct costs Metropolitan incurs as a result of performing the Fallowing obligations that Landowner has failed to perform. Landowner's payment of the invoices shall be due thirty (30) days after receipt, and if not paid, Metropolitan may elect to deduct the amount due, together with interest calculated in accordance with subsection 14.12 (Interest), from amounts owed to Landowner pursuant to subsection 11.1.2.2 (Setoff).

11.1.1.3 Deductions for Deficient Fallowed Acres

If Landowner fails to Fallow all or a portion of Landowner's Base Amount or, if applicable, fails to comply with Metropolitan's Fallowing Call pursuant to this Landowner Agreement, Metropolitan may, after the expiration of the notice and cure period provided in section 10 (Default), deduct from subsequent payments an amount calculated by multiplying the difference between Landowner's Base Amount and, if applicable, Metropolitan's Fallowing Call for that Contract Year and the actual number of water toll acres of Program Qualified Land Fallowed by Landowner for that Contract Year ("Deficient Fallowed Acres") by four and two-tenths (4.2) times that unit rate ($/AF) determined pursuant to subsection 6.5.1 (Deduction Calculation). In the event that Metropolitan elects to take deductions from Landowner's payments under this subsection 11.1.1.3, Metropolitan shall not take any deductions for Deficient Saved Water under subsection 6.5

(Deficient Saved Water) due to the failure to Fallow the lands for which a deduction is taken pursuant to this subsection 11.1.1.3.

11.1.1.4 Termination

Metropolitan may elect to terminate this Landowner Agreement by giving notice of such termination to Landowner effective thirty (30) days after receipt by Landowner, unless within such thirty (30) day period, Landowner shall have cured the Event of Default. Once the termination notice is effective, this Landowner Agreement shall be terminated and the Parties shall be released from all further obligations or liabilities under this Landowner Agreement except for Metropolitan's right to recover payments made to Landowner that were not earned by subsequent performance by the Landowner of its Fallowing obligations under this Landowner Agreement, those provisions of this Landowner Agreement that expressly survive such termination, or as provided for in subsection 14.13 (Pending and Late Arising Claims).

11.1.1.5 Rescission and Reimbursement

Metropolitan has entered into this Landowner Agreement in reliance upon the validity and enforceability of the Fallowing Easement against all owners of the Program Encumbered Land, all holders of Encumbrances on the Program Encumbered Land, and all Tenants with a Tenant Lease on the Program Encumbered Land. If on default of Landowner for failure to Fallow, (1) Metropolitan seeks to enforce its rights, or Landowner or any other person or entity seeks to preclude Metropolitan from enforcing its rights, under subsection 11.1.1.2 (Enforcement of Easement Rights) and the Fallowing Easement through a court proceeding, (2) the court determines that Landowner has breached Landowner's obligation to Fallow under this Landowner Agreement, (3) the court determines that Metropolitan's rights under subsection 11.1.1.2 (Enforcement of Easement Rights) and the Fallowing Easement are invalid or unenforceable for any reason, and (4) the court has entered a final judgment, then such circumstance shall constitute a material failure of consideration for Metropolitan's obligations under this Landowner Agreement. In that event, within one hundred eighty (180) days of entry of final judgment, Metropolitan may elect to rescind this Landowner Agreement effective upon thirty (30) days written notice to Landowner. Upon such rescission, Landowner shall reimburse Metropolitan for the pro-rated amount of Initial Payments made to Landowner based on the proportionate number of Contract Years of the Program remaining at the time of rescission, together with the total sum of Annual Payments made to Landowner up to the time of rescission less any amounts of the Annual Payments for which Landowner actually performed Fallowing of Program Qualified Land in accordance with Landowner's Fallowing Agreement. Metropolitan shall provide Landowner with notice of the amount due for reimbursement at the same time that notice of rescission is given to Landowner. Landowner's reimbursement of the amount is due and payable within one-hundred twenty (120) days following receipt of the notice.

11.1.2 For Landowner's Failure to Pay

11.1.2.1 PVID Payments

If Landowner fails to make tax, water toll, standby charge, and assessment payments required by PVID for Landowner's Program Encumbered Land, Metropolitan may, at its

option, after ten (10) days prior notice thereof to Landowner, directly make such payments, including any PVID associated penalty charges, to PVID on Landowner's behalf, and Landowner shall reimburse Metropolitan for all reasonable costs and expenses incurred in connection with such curative action, plus interest as provided in subsection 14.12 (Interest), within ten (10) days of receipt of demand therefor, together with reasonable documentation supporting the expenditures made.

11.1.2.2 Setoff

Metropolitan shall have the right to deduct from any amounts Metropolitan owes Landowner under this Landowner Agreement the sum of Landowner's payment obligations to Metropolitan under this Landowner Agreement. Metropolitan's right of setoff may be exercised upon ten (10) days prior written notice Landowner. No right of setoff will be deemed to have been waived by any act or conduct on the part of Metropolitan, or by any neglect to exercise such right of setoff, or by any delay in doing so. Every right of setoff will continue in full force and effect until specifically waived or released by an instrument in writing executed by Metropolitan.

11.1.3 Notice of Election of Remedies

Metropolitan shall advise Landowner of the remedy or remedies which Metropolitan intends to pursue with respect to such failure to perform, default or breach. Metropolitan may elect and enforce its remedy or remedies without first complying with section 13 (Dispute Resolution). Landowner may challenge at any time, pursuant to section 13 (Dispute Resolution), whether in fact there has been a failure to perform, breach or default under this Landowner Agreement by Landowner.

11.2 Landowner Remedies in Event of Metropolitan's Failure to Perform

On the occurrence of an Event of Default by Metropolitan, Landowner shall have the right, without any further demand or additional notice of any kind (except as required by law or by section 10 (Default)) to pursue any one or more of the following specified remedies.

11.2.1 Continued Performance

Landowner may seek to resolve a dispute under section 13 (Dispute Resolution) or by bringing an action in a court of competent jurisdiction, but shall continue performance under this Landowner Agreement until the dispute is resolved by mutual agreement between Landowner and PVID and/or Metropolitan, as applicable, or until resolved by final judgment entered by a court of competent jurisdiction.

11.2.2 Reimbursement

Landowner shall be entitled to reimbursement from Metropolitan for any and all payments required to be made by Metropolitan under section 8 (Payments by Metropolitan to Landowner) including without limitation, interest as provided in subsection 14.12 (Interest), except to the extent that Metropolitan has given written notice of Default for the Landowner obligations for which the payments are required to be made. If, after Metropolitan asserts that Landowner caused or

allowed an Event of Default, it is determined by mutual agreement of Metropolitan and Landowner or by final judgment entered by a court of competent jurisdiction, that the Landowner was not in breach or default of an obligation under the Landowner Agreement, Metropolitan shall reimburse Landowner for any monies withheld and then due to Landowner, with interest.

11.3 PVID's Remedies

PVID shall have the right, but not the obligation, to enforce Landowner's obligations as set forth in section 5 (Landowner's Fallowing Obligation) in the same manner as these provisions may be enforced by Metropolitan pursuant to subsection 11.1.1 (Metropolitan's Remedies For Landowner's Failure to Fallow). PVID shall further have the right, but not the obligation to enforce subsection 6.2 (Entry for Inspection), and subsection 6.4 (Land Management Measures) through the process provided by section 13 (Dispute Resolution) or by an action in a court of competent jurisdiction. Nothing in this Landowner Agreement shall affect PVID's existing rights and remedies to collect any payments owed by Landowner pursuant to subsection 6.1 (Payment of Taxes and Tolls).

11.4 Remedies Cumulative

All of the remedies permitted or available to Metropolitan or Landowner under this Landowner Agreement shall be cumulative and not alternative, and invocation of any such right or remedy shall not constitute a waiver or election of remedies with respect to any other permitted or available right or remedy.

12. Agreement Administrator

Metropolitan shall provide for monitoring and enforcement of compliance with this Landowner Agreement through an agreement administrator ("Metropolitan Agreement Administrator") appointed by Metropolitan. Metropolitan shall provide written notice to Landowner of the name and address of the Metropolitan Agreement Administrator. Except as otherwise directed, Landowner shall coordinate all contact with Metropolitan through the Metropolitan Agreement Administrator. Metropolitan reserves the right to change the designated Metropolitan Agreement Administrator upon written notice to Landowner. Any approval or notice to be given or determination to be made by Metropolitan shall become effective upon notice by its Agreement Administrator.

13. Dispute Resolution

13.1 Delegation of Authority to Resolve Disputes

Any dispute between the Parties, including any dispute as to the existence of an Event of Default or whether an Event of Default has been cured, shall be submitted to the other Parties in writing, and the Landowner, PVID and the Metropolitan Agreement Administrator shall meet within ten (10) days of the written notice to attempt to negotiate a resolution of such dispute.

If Landowner and PVID and/or the Metropolitan Agreement Administrator, as applicable, are unsuccessful in resolving the claim within fifteen (15) days after written notice of the dispute, the Landowner may request the PVID general manager and/or Metropolitan chief executive

officer, as applicable, or such PVID or Metropolitan employee senior to the PVID or Metropolitan Agreement Administrator as the PVID general manager or Metropolitan chief executive officer may delegate, to resolve the dispute. If the Parties fail to resolve the dispute within fifteen (15) days after the delegation, any Party may bring an action in a court of competent jurisdiction to resolve the dispute.

13.2 Effect of Program Agreement Determinations

Final determinations resulting from dispute resolution pursuant to the Program Agreement shall not be subject to section 13 (Dispute Resolution).

14. Miscellaneous Agreements

14.1 Governing Law

This Landowner Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California and any applicable federal laws, without giving effect to any choice-of-law or conflicts-of-laws rule or principle that would result in the application of the laws of any other jurisdiction.

14.2 No Third Party Rights

The Parties do not intend to create rights in or to grant remedies to any third party or others as a beneficiary of this Landowner Agreement or of any duty, covenant, obligation or undertaking established hereunder.

14.3 Assignment

No Party may assign, delegate, or otherwise transfer this Landowner Agreement, any interest therein, or the Party's rights or obligations under this Landowner Agreement without the prior written consent of the other Parties, which consent may be withheld at any Party's sole and absolute discretion. Any such purported assignment or transfer shall be void and without effect.

14.4 Indemnity

14.4.1 Metropolitan Indemnity

Except to the extent caused by the negligence or willful misconduct of Landowner or its employees, agents or contractors, Metropolitan shall defend (with counsel reasonably acceptable to Landowner), indemnify and hold Landowner and its employees or agents, harmless from and against all claims asserted by a third party (or parties) for direct or indirect damages, losses, and expenses arising out of an act or omission of Metropolitan and/or PVID, its employees or agents in the performance of their obligations under this Landowner Agreement or the Program Agreement.

14.4.2 Landowner Indemnity

Landowner's duty to indemnify PVID and Metropolitan shall be governed by the laws of the State of California, and is neither expanded nor limited by the terms of this Landowner Agreement.

14.5 Amendment

Neither this Landowner Agreement nor any provision hereof may be waived, modified, amended, or discharged, except by an instrument in writing signed by all Parties, and then only to the extent set forth in such writing.

14.6 Cumulative Rights; Waiver

The rights created under this Landowner Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by any Party to exercise, and no delay in exercising any rights, shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by any Party preclude any other or future exercise thereof or the exercise of any other right. Any waiver of any provision or of any breach of any provision of this Landowner Agreement must be in writing, and any waiver by any Party of any breach of any provision of this Landowner Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Landowner Agreement. The failure of any Party to insist upon strict adherence to any term of this Landowner Agreement on one or more occasions shall not be considered or construed or deemed a waiver of any provision or any breach of any provision of this Landowner Agreement or deprive that Party of the right thereafter to insist upon strict adherence to that term or provision or any other term or provision of this Landowner Agreement. No delay or omission on the part of any of the Parties in exercising any right under this Landowner Agreement shall operate as a waiver of any such right or any other right under this Landowner Agreement.

14.7 Severability

In the event that a court of competent jurisdiction determines that a provision included in this Landowner Agreement is legally invalid, illegal or unenforceable, and such decision becomes final, such provision shall be deemed to be severed and deleted from this Landowner Agreement and the balance of this Landowner Agreement shall be reasonably interpreted so as to effect the intent of the Parties hereto. The Parties further agree to replace such void or unenforceable provision of this Landowner Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

14.8 Subject Headings

Subject headings are for convenience and not for interpreting this Landowner Agreement.

14.9 Time is of Essence

Time is of the essence of this Landowner Agreement and each of its provisions.

14.10 No Fiduciary Relationship

Nothing in this Landowner Agreement shall be deemed to create a trust relationship between Metropolitan and Landowner, it being expressly understood and agreed that Metropolitan's obligations hereunder are not fiduciary in nature.

14.11 Opinions, Determinations and Consents

Where the terms of Landowner Agreement provide for an action or decision to be based upon the approval, review, or determination of a Party, such terms are not intended to be and shall not be construed as permitting such opinion, judgment, approval, review or determination to be arbitrary, capricious, or unreasonable. If this Landowner Agreement provides that a consent or approval shall not be unreasonably withheld, such consent or approval shall be granted or withheld without unreasonable delay, and, if consent is withheld or approval not granted, the reasons for withholding consent or approval shall be stated with reasonable detail.

14.12 Interest

If any Party fails to pay another Party amounts owing pursuant to this Landowner Agreement by the specified due date, interest at the lesser of five percent (5%) above the discount rate charged by the San Francisco Federal Reserve Bank to its member banks or the maximum rate allowed by applicable usury law shall accrue, compounded daily, on the amount of such delinquent payment from and after the due date until it is paid and the Parties each agree to pay such interest.

14.13 Pending and Late Arising Claims

If a claim arising under or with respect to this Landowner Agreement has not been resolved when this Landowner Agreement terminates, or if such a claim is brought after this Landowner Agreement has terminated but within the period of time for bringing such a claim under California law ("Late Arising Claim"), the provisions of this Landowner Agreement shall continue in full force and effect for the sole purpose of resolving such claims and to satisfy the rights and obligations of the Parties hereto with respect thereto.

14.14 Entire Agreement

This Landowner Agreement constitutes the entire understanding of the Parties hereto, and supersedes any previous or contemporaneous agreements or understandings among the Parties with respect to the subject matter hereof, whether oral or written. It may not be modified or amended except in writing executed by the Parties.

14.15 Notice Procedures and Designation of Mailing Address

All notices, requests, demands and other communications under this Landowner Agreement must be (1) in writing; (2) delivered in person (by hand or by courier) or sent by regular or certified return receipt requested U.S. mail with postage prepaid, or sent by overnight delivery with a nationally recognized carrier, with charges prepaid or charged to sender's account; and (3) properly addressed as follows:

If to Metropolitan:

Fadi Kamand, Agreement Administrator
The Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, California 90012
or
P.O. Box 54153
Los Angeles, California 90054-0153

If to PVID:

General Manager
Palo Verde Irrigation District
180 West 141h Avenue
Blythe, CA 92225

If to Landowner:

_____
_____
_____
_____

Any Party may change the person or address to which notice or communication is forwarded upon ten (10) days prior written notice to the other Parties. All notices and other communications required or permitted under this Landowner Agreement, which are addressed as provided in this subsection 14.15 (Notice Procedures and Designation of Mailing Address) shall be deemed effective (i) when delivered personally, upon the date of delivery; (ii) when delivered by regular mail, three (3) days following deposit in the United States mail, (iii) when delivered by certified mail, return receipt requested, upon the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon; or (iv) when delivered by overnight carrier, upon the date of delivery, if delivery is confirmed by the overnight carrier. If a notice is received on a Saturday, Sunday, or legal holiday, it shall be deemed received on the next business day.

14.16 Participating Landowner Groups [Include only in Landowner Agreements for Groups—For other Landowner Agreements, substitute "Provision Intentionally Omitted" in subsections 14.16.1 and 14.16.2]

14.16.1 This Landowner Agreement is for a group of Participating Landowners pursuant to provisions of the Program Agreement that (1) groups of Participating Landowners, including Metropolitan, may join together for purposes of pooling their participation in the Program; (2) in such event, all Participating Landowners in a group shall be parties to a single Landowner Agreement, which shall designate a single agent for purposes of giving and receiving Fallowing Calls, designations of Program Qualified Land to be fallowed, receipt of all payments under the Landowner Agreement, notices, and all other communications to or from PVID and Metropolitan; (3) the Maximum Fallowing Commitment and annual fallowing requirements for the group shall be determined with respect to the aggregate of the Program Qualified Land owned and offered by all landowners in the Participating Landowner group, and Program Encumbered Land under the Landowner Agreement may be designated on Program Qualified Land owned by any one or more of the Participating Landowners in the group. Where applicable, references to "Landowner" in this Landowner Agreement shall be deemed to refer to all Participating Landowners in the group collectively.

14.16.2 The Participating Landowners who are signatories to this Landowner Agreement hereby designate the person specified in subsection 14.15 (Notice Procedures and Designation of Mailing Address) to receive notices directed to Landowner as their agent for all purposes under this Landowner Agreement, including designating and substituting Program Encumbered Land, receiving Fallowing Calls, designating Program Qualified Land to be Fallowed, receiving all payments by Metropolitan, and giving and receiving all notices and other communications to or from PVID and Metropolitan. This designation of agent may be changed by notice to PVID and Metropolitan signed by all Participating Landowners who are signatories to this Landowner Agreement. The change shall be effective on the tenth (10^{th}) day after the date on which the notice is given.

14.17 Joint and Several Liability

If more than one individual or entity comprises Landowner, the obligations imposed on each individual or entity that comprises Landowner under this Landowner Agreement shall be joint and several.

14.18 Binding Effect

Subject to the provisions otherwise contained in this Landowner Agreement, this Landowner Agreement shall inure to the benefit of and be binding on the heirs, executors, administrators, successors and permitted assigns of the respective Parties hereto.

14.19 Exhibits

The Exhibits A (Program Qualified Land and Maximum Fallowing Commitment), B (Landowner's Program Encumbered Land), C (Fallowing Easement Deed), D (Tenant Subordination Agreement), E (Encumbrance Subordination Agreement), F (Land Management Measures), and G

(Annual Payment Schedule for Fallowed Acres), attached to this Landowner Agreement are a part of this Landowner Agreement and incorporated herein by this reference.

14.20 Counterparts

This Landowner Agreement and any amendment thereto may be executed in two or more counterparts, and by each Party on a separate counterpart, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as though all signatures appeared on a single document. Any signature page of this Landowner Agreement or of such an amendment, may be detached from any counterpart without impairing the legal effect of any signatures thereon, and may be attached to another counterpart identical in form thereto but having attached to it one or more additional signature pages. In proving this Landowner Agreement or any such amendment, it shall not be necessary to produce or account for more than one counterpart thereof signed by the Party against whom enforcement is sought.

14.21 Further Assurances

Each Party hereto, upon the request of another Party, agrees to perform such further acts and to execute and deliver such other documents as are reasonably necessary to carry out the provisions of this Landowner Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed Landowner Agreement on the day and year first above written.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Ronald R. Gastelum
Chief Executive Officer

Date: _____

APPROVED AS TO FORM:

By: _____
Jeffrey Kightlinger
General Counsel

Date: _____

PALO VERDE IRRIGATION DISTRICT

By: _____
Edward W. Smith
General Manager

Date: _____

ALTERNATIVE SIGNATURE BLOCKS FOR LANDOWNER

[NOTE: USE THIS SIGNATURE BLOCK WHEN LANDOWNER IS AN INDIVIDUAL]

LANDOWNER

Signature: _____

Print Name: _____

Date: _____

Federal ID No.: _____

[NOTE: USE THIS SIGNATURE BLOCK WHEN LANDOWNER IS A CORPORATION]

_____
Corporate Name – All Caps

By: _____

_____
Print Name

Title: _____

Date: _____

(This Agreement must be signed in the above space by one of the following: Chairman of the Board, President or any Vice President.)

By: _____

_____
Print Name

Title: _____

Date: _____

(This Agreement must be signed in the above space by one of the following: Secretary, Chief Financial Officer, or any Assistant Treasurer.)

Federal ID No. _____

[NOTE: USE THIS SIGNATURE BLOCK WHEN LANDOWNER IS A PARTNERSHIP]

_____
Partnership Name – All Caps

By: _____

_____
Print Name

Title: _____

Date: _____

(This Agreement must be signed in the above space by a senior partner.)

By: _____

_____
Print Name

Title: _____

Date: _____

(This Agreement must be signed in the above space by a partner.)

Federal ID No. _____

[NOTE: USE THIS SIGNATURE BLOCK WHEN LANDOWNER IS A JOINT VENTURE]

_____
Joint Venturer Name – All Caps

By: _____

_____
Print Name

Title: _____

Date: _____

(This Agreement must be signed in the above space by one of the following for each joint venturer: Chairman of the Board, President or any Vice President.)

_____
Joint Venturer Name – All Caps

By: _____

_____
Print Name

Title: _____

Date: _____

(This Agreement must be signed in the above space by one of the following for each joint venturer: Chairman of the Board, President or any Vice President.)

Federal ID No. _____

EXHIBIT A

LANDOWNER'S PROGRAM QUALIFIED LAND AND MAXIMUM FALLOWING COMMITMENT
Specifications and Calculation

1. Landowner's Program Qualified Land.

PVID Water Toll No.	Water Toll Acres
Total Water Toll Acres	

2. Landowner's Maximum Fallowing Commitment: _____ water toll acres. (Calculated as the acreage equal to _____ percent (_____%) of Landowner's Program Qualified Land.)

3. Landowner's Base Fallowing Amount: _____ water toll acres. (Calculated as the acreage equal to twenty-five percent (25%) of Landowner's Maximum Fallowing Commitment.)

4. Landowner's Minimum Average Fallowing Acreage: _____ water toll acres. (To be determined in the first six (6) months of the twenty-fourth (24^{th}) full Contract Year. Calculated as the acreage equal to forty-five and three-tenths percent (45.3%) of Landowner's total Maximum Fallowing Commitments for all thirty-five (35) full Contract Years.)

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EXHIBIT B

LANDOWNER'S PROGRAM ENCUMBERED LAND
(Legal Description)

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EXHIBIT C

FALLOWING EASEMENT DEED

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA
P.O. BOX 54153
LOS ANGELES, CA 90054-0153
ATTN: CHIEF EXECUTIVE OFFICER

[Space above this line reserved for County Recorder's Use]

FALLOWING EASEMENT DEED

_____ [Insert Landowner name and entity status] ("Landowner") hereby grants to THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, a public entity ("Metropolitan"), and the PALO VERDE IRRIGATION DISTRICT, a public entity ("PVID"), an easement on the terms and conditions and for the purposes set forth in this Fallowing Easement Deed ("Fallowing Easement") in the property located in the County of _____, State of California, and more particularly described in Exhibit A, attached hereto, and shown on Exhibit B, attached hereto ("Landowner's Program Encumbered Land").

1. Grant of Easements. Landowner hereby grants to Metropolitan and PVID, their successors and assigns, an easement in gross in, on, over, across and along the Landowner's Program Encumbered Land for any purpose reasonably necessary for the implementation and enforcement of the Landowner Agreement entered into between [Landowner], Metropolitan and PVID, dated _____, a copy of which is attached hereto as Exhibit C, and incorporated herein by this reference. The purposes authorized under this Fallowing Easement include:

(a) Fallowing. For the purpose of fallowing the Landowner's Program Encumbered Land as provided under section 5 and subsection 11.1.1.2 of the Landowner Agreement. This Fallowing Easement shall entitle Metropolitan and/or PVID to enter and to exercise the following rights and privileges on the Landowner's Program Encumbered Land:

(i) Clear, remove, and/or destroy any or all crops or other living vegetation (natural or cultivated) on the Landowner's Program Encumbered Land, with the exception of established trees that are not irrigated.

(ii) Eliminate and/or prevent the application of water (other than rain water that naturally falls on the Landowner's Program Encumbered Land); eliminate or prevent the extraction of, or application of groundwater or the use and/or collection of surface water; provided, however, that water may be utilized for dust control in connection with the land management measures specified below.

(iii) Restrict any use of the Landowner's Program Encumbered Land by others, including Landowner and any tenant or lessee of the Landowner's Program Encumbered Land, which may interfere with any of the purposes or actions authorized herein, or any actions necessary or incidental thereto.

(b) Land Management Measures. For the purposes of imposing or performing the land management measures described in Exhibit F to the Landowner Agreement, or restricting any use by others, including Landowner and any tenant or lessee of the Landowner's Program Encumbered Land, which may interfere with any of the land management measures required under subsection 6.4 of the Landowner Agreement.

2. Exercise of Easement.

(a) Triggering Event. This Fallowing Easement implements the provisions of Sections 4.2 and 11.1.1.2 of the Landowner Agreement. Metropolitan's and PVID's rights granted herein to enforce Landowner's obligations to implement and perform fallowing and land management measures shall only be exercisable upon the occurrence of an Event of Default under the Landowner Agreement (including the expiration of any applicable notice and cure periods) with regards to Landowner's failure to fallow the required acres of Program Qualified Land in accordance with Landowner's fallowing obligation thereunder, and only to the extent necessary to cure such Landowner's Default in its obligation for the fallowing of Program Qualified Land under the Landowner Agreement.

(b) Advance Notice. Metropolitan or PVID shall give to Landowner at least five (5) days' notice in writing before entering upon the Landowner's Program Encumbered Land for the purpose of exercising its rights to enforce Landowner's obligations to implement and perform fallowing and land management measures under this Fallowing Easement.

3. Term. This Fallowing Easement and the easements, rights and privileges hereunder granted shall be for a term coinciding with the term of the Landowner Agreement, and shall without any further action on the part of Landowner, Metropolitan or PVID, terminate immediately upon the expiration or earlier termination of the Landowner Agreement.

4. Exclusivity. The rights granted in this Fallowing Easement are nonexclusive, and Landowner reserves the right to the full use and enjoyment of the Landowner's Program Encumbered Land, including, without limitation, the right to use the property for agricultural purposes or to grant other concurrent easements in, or leases of the Landowner's Program Encumbered Land to third parties, provided that such use and enjoyment, third party easements, or leases shall not hinder, conflict, or interfere with the exercise of Metropolitan's or PVID's full use and enjoyment of the easements, rights and privileges granted to Metropolitan and PVID hereunder and shall satisfy all of the conditions for such use provided under the Landowner Agreement. Nothing in this paragraph shall be deemed to authorize the Landowner, or any third party, to transfer or assign the rights to the saved water that is developed through fallowing pursuant to the Landowner Agreement.

5. Payments to Landowner. As consideration for this Fallowing Easement and the saved water developed by Landowner's compliance with its fallowing obligations, Metropolitan shall make payments to Landowner as required under Section 8 of the Landowner Agreement.

6. Indemnification. Metropolitan and PVID (each an "**Indemnifying Party**") shall indemnify, defend (with counsel approved by the Landowner, which approval shall not be withheld unreasonably) and hold Landowner and its [board members, directors, officers,] employees, agents, lessees, and contractors as well as each of their heirs, personal representatives, successors, and assigns (collectively "**Indemnified Party**") harmless from and against all liabilities, penalties, fines, charges, costs, losses, damages, expenses, causes of action, claims, demands, judgments or administrative actions, including, without limitation, reasonable attorneys, fees and costs (collectively "**Liabilities**"), that are proximately caused by intentional misconduct or a negligent act or omission of the Indemnifying Party, its board, officers, employees, agents, lessees, or contractors related to or occurring on or about the Landowner's Program Encumbered Land. This indemnification obligation shall not apply to any loss or damage to crops or vegetation that are destroyed or removed, nor to any loss of water, resulting from the exercise of the easement rights granted herein or from the Landowner's failure to comply with the obligations of the Landowner Agreement.

7. Discretion. Enforcement of the terms of this Fallowing Easement by Metropolitan or PVID shall be at the discretion of Metropolitan or PVID, respectively, and any forbearance by Metropolitan or PVID to exercise its rights under this Fallowing Easement in the event of any default by Landowner under the Landowner Agreement or this Fallowing Easement shall not be deemed or construed to be a waiver by Metropolitan or PVID of such term or of any subsequent default of the same or any other term of the Landowner Agreement or this Fallowing Easement or of any of Metropolitan's or PVID's rights under the Landowner Agreement or this Fallowing Easement. No delay or omission by Metropolitan or PVID in the exercise of any right or remedy upon and default by Landowner shall impair such right or remedy or be construed as a waiver thereof.

8. Remedies. In the event that the Landowner or a third party in possession of the Landowner's Program Encumbered Land interferes with Metropolitan's and/or PVID's rights to fully enforce this Fallowing Easement, Metropolitan and/or PVID may file actions for equitable relief (which may include an ex parte application for a temporary restraining order, preliminary injunction, or permanent injunction, enjoining any such interference or attempted interference, an action for declaratory relief, and an action for specific performance) to restrain any actual or threatened violation or breach of this Fallowing Easement and to compel the fallowing of any portion of the Landowner's Program Encumbered Land as is necessary to cure the failure to fallow the required acres of Program Qualified Land in accordance with Landowner's fallowing obligation under the Landowner Agreement, and to enjoin any unauthorized activity committed or permitted that is contrary to the purposes of this Fallowing Easement and the Landowner Agreement. In authorizing resort to an injunction or equivalent action, the Parties recognize and agree (i) that enforcement of the Fallowing Easement is essential to achieve the purposes of the Landowner Agreement; (ii) that a failure to comply with the terms of this Fallowing Easement will cause irreparable harm to Metropolitan; (iii) that the failure of the Landowner to comply with the Fallowing Easement threatens great injury to Metropolitan operations, and that such

injury outweighs any harm the Landowner may suffer as a consequence of Metropolitan or PIVD's pursuing its rights under the Fallowing Easement; and (iv) that because Metropolitan supplies water for the general public, there is a great public interest in ensuring that the terms of the Fallowing Easement are met.

Notwithstanding anything to the contrary in the foregoing, Metropolitan shall give Landowner written notice of any violation and thirty (30) days to correct such violation or if it cannot be cured within such thirty (30) days period, thirty (30) days to commence such cure before filing an action for equitable relief.

9. Default not a basis for Cancellation. No default under this Fallowing Easement shall entitle Landowner to cancel, rescind, or otherwise terminate this Fallowing Easement, provided, however, that this limitation shall not affect, in any manner, any other rights or remedies that the parties to this Fallowing Easement may have by reason of any default under this Fallowing Easement.

10. Reconveyance. Metropolitan and PVID shall execute, deliver and record a re-conveyance of this Fallowing Easement (a) as to all of the Landowner's Program Encumbered Land within thirty (30) days of the expiration or earlier termination of the Landowner Agreement, and (b) as to land that is removed as Program Encumbered Land under Section 4.3 (Substitution of Program Encumbered Land) of the Landowner Agreement, promptly on the receipt of, and concurrently with the recording of, the Fallowing Easement for the substituted Program Encumbered Land.

11. Miscellaneous.

(a) Successors. Any covenants, conditions or restrictions contained herein shall run with the land and every portion thereof, and shall inure to the benefit of and be binding upon Landowner, Metropolitan and PVID, and their respective successors and assigns.

(b) Applicable Law. The laws of the State of California shall govern the validity, performance and enforcement of this Fallowing Easement.

IN WITNESS WHEREOF, the undersigned have duly executed this Fallowing Easement as of the day and year first above written.

LANDOWNER

By: _____
Name: _____
Title: _____

Consent of Landowner's Spouse

I acknowledge that the interests conveyed in this instrument are the separate property of my spouse. I have read the foregoing instrument carefully and consent to its execution and performance in all respects.

Dated: _____, 2004

_____
[Signature of Spouse]

Name: _____
[Typed or Printed]

STATE OF _____)
: ss.
COUNTY OF_____)

On _____, 2004, before me, _____, a Notary Public in and for said State, personally appeared [Spouse], personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

On _____, 2004, before me, _____, a Notary Public in and for said State, personally appeared [Landowner], personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

EXHIBIT A

SUBJECT PROPERTY DESCRIPTION

EXHIBIT B

MAP OF LANDOWNER'S PROGRAM ENCUMBERED LAND

EXHIBIT C

LANDOWNER AGREEMENT
(To be attached)

EXHIBIT D

TENANT SUBORDINATION AGREEMENT

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

The Metropolitan Water District
of Southern California
700 North Alameda Street
Los Angeles, California 90012
Attention: Chief Executive Officer

SPACE ABOVE RESERVED FOR COUNTY RECORDER'S USE

TENANT SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER INSTRUMENT.

This Tenant Subordination Agreement ("**Tenant Subordination Agreement**") is made and entered into this ___ day of ___, 2004, by [NAME OF TENANT] ("**Tenant**") that is a tenant or lessee under a lease agreement ("**Tenant Lease**") described below; [NAME OF LANDOWNER] ("**Landowner**"), The Metropolitan Water District of Southern California ("Metropolitan") and the Palo Verde Irrigation District ("**PVID**").

RECITALS:

A. Landowner owns certain land located within the Palo Verde Irrigation District (the "**Premises**"), which is more particularly described on Exhibit "A", attached hereto and incorporated herein by this reference.

B. The Premises are encumbered by the Tenant Lease with Tenant entered into _____ [and recorded OR a memorandum of the Tenant Lease was recorded on {insert date}, as Document No. _____ in the Official Records of the County of _____, State of California OR if no Tenant Lease document was recorded do not insert this information].

C. Landowner has entered into that certain Landowner Agreement for Fallowing in the Palo Verde Irrigation District dated _____("**Landowner Agreement**") with PVID and Metropolitan pursuant to which Landowner has agreed to certain fallowing obligations on Landowner's lands within PVID. To provide for the enforcement of those fallowing obligations, Landowner has entered into that certain Fallowing Easement dated _____with Metropolitan and PVID ("**Fallowing Easement**"), attached hereto as Exhibit "B" and incorporated herein by this reference, and recorded in the official records of the County of _____, State of California, concurrently with the recording of this Tenant Subordination Agreement. The Fallowing Easement authorizes Metropolitan and PVID to enter upon the Premises in the event of a default by Landowner in performance of Landowner's fallowing

obligations and to prevent the growing of any crops or vegetation on the Premises, the application of water on the Premises, the extraction or application of groundwater on the Premises, and the use or collection of surface water on the Premises.

D. It is a requirement of the Landowner Agreement that the Fallowing Easement and all rights of Metropolitan and PVID thereunder, shall unconditionally be and remain at all times prior and superior to any Tenant Lease upon the Premises.

E. It is to the mutual benefit of the parties hereto that Landowner enter into the Landowner Agreement and Fallowing Easement, and Tenant is willing that its Tenant Lease upon the Premises be subordinated to the Fallowing Easement and to the easement rights created thereby together with all rights and privileges of Metropolitan and PVID thereunder.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce Metropolitan and PVID to enter into the Landowner Agreement, the parties hereto agree as follows:

1. **Tenant Lease**. Landowner has delivered to Metropolitan and PVID a copy of the Tenant Lease, which is attached hereto as Exhibit C, and incorporated herein by this reference. Landowner and Tenant represent and warrant as of the date of this Tenant Subordination Agreement that the copy of the Tenant Lease delivered to Metropolitan and PVID is a true, correct and complete copy, and that the Tenant Lease constitutes the full agreement between Landowner and Tenant regarding the Premises.

2. **Landowner Agreement.** Landowner has delivered to Tenant a true, correct and complete copy of the Landowner Agreement, and Tenant acknowledges that he or she has read and agrees to the terms and conditions of the Landowner Agreement, including but not limited to the fallowing obligations and land management measures that will apply to the Premises under the Landowner Agreement.

3. **Subordination.** Tenant hereby unconditionally subordinates the Tenant Lease and any and all liens, security interests, rights and/or claims of Tenant in respect of the Premises to the Fallowing Easement and the rights of Metropolitan and PVID under the Fallowing Easement and agrees that the Tenant Lease and Tenant's liens, security interests, rights and/or claims on the Premises shall be subordinate to the Fallowing Easement. Tenant further declares that the Fallowing Easement and the easement rights created thereby, together with all rights and privileges of Metropolitan and PVID thereunder, shall unconditionally be and remain at all times prior and superior to the Tenant Lease and liens, security interests, rights and/or claims of the Tenant, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest with respect thereto and any filing of, or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statutes or successor code) of any jurisdiction.

4. **Acknowledgement.** Tenant acknowledges and agrees that he or she consents to and approves the terms and conditions of the Fallowing Easement and intentionally and

unconditionally waives, relinquishes, and subordinates the priority and superiority of the Tenant Lease and any and all liens, security interests, rights and/or claims of Tenant in favor of the Fallowing Easement, together with all rights and privileges of Metropolitan and PVID thereunder, and understands that in reliance upon, and in consideration of this waiver, relinquishment and subordination, specific contracts are or will be made and specific monetary obligations are being or will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

5. **Entry for Inspection.** Tenant shall, upon twenty-four (24) hours written notice, allow Metropolitan and/or PVID to enter upon and inspect the Premises if the Premises have been designated by Landowner for fallowing at the time of entry. Such entry shall be for the purpose of inspection to confirm Tenant's and Landowner's performance of their fallowing obligations under the Landowner Agreement and this Tenant Subordination Agreement. Metropolitan or PVID, as applicable, shall indemnify, defend and hold Tenant and the Premises harmless from and against any and all claims, demands, actions, causes of action, suits, judgments, losses, damages, injuries, liabilities, penalties, costs and expenses (including without limitation attorneys' fees and costs), whether direct or indirect, known or unknown, arising our of, connected with or incidental to (a) any injuries to persons (including death) or property (real or personal) or (b) any liens on the property, by reason of or relating to the entry onto the Premises under this Section 5.

6. **Counterparts.** This Tenant Subordination Agreement may be executed in counterparts and as executed shall constitute one agreement binding on the parties hereto, even though the parties do not sign the original or the same counterpart.

7. **Entire Agreement.**: The Tenant Subordination Agreement shall be the whole and only agreement with regards to the subordination of the Tenant Lease and any and all liens, security interests, rights and/or claims of the Tenant to the Fallowing Easement, together with all rights and privileges of Metropolitan and PVID thereunder; and shall supersede and cancel, but only insofar as would affect the priority between the Tenant Lease and liens, security interests, rights and/or claims of the Tenant and the Fallowing Easement, any prior agreements as to such subordination, including, but not limited to, the provisions, if any, contained in the Tenant Lease which provide for the subordination of the Tenant Lease or charge thereof to an easement or other security instrument.

8. **California Law.** This Tenant Subordination Agreement is governed by California law, irrespective of its choice of law principals.

9. **Binding Effect.** This Tenant Subordination Agreement shall inure to the benefit of Metropolitan and PVID and their respective legal representatives, successors and assigns, and shall be binding on Tenant and [Landowner], and their respective heirs, legal representatives, successors and assigns.

10. **Severability; Waivers.** If any part of this Tenant Subordination Agreement is not enforceable, the rest of the Tenant Subordination Agreement may be enforced.

11. **Headings.** Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Tenant Subordination Agreement.

12. **Notices.** Any notice, request, tender, demand, delivery, approval or other communication provided for, required, or arising under this Tenant Subordination Agreement shall be in writing and, unless sooner actually received, shall be deemed delivered three (3) business days after deposit in the United States mail, certified with return receipt requested, postage prepaid, and addressed to the party as follows:

To Metropolitan:

The Metropolitan Water District of
Southern California
Attention: Chief Executive Officer
700 North Alameda Street
P.O. Box 54153
Los Angeles, California 90054-0153

To PVID:

Palo Verde Irrigation District
Attention: General Manager
180 West 14th Avenue
Blythe, California 92225

To Tenant:

_____
_____
_____

To Landowner :

_____
_____
_____

IN WITNESS WHEREOF, this Tenant Subordination Agreement is executed by the undersigned as of the date stated on the first page.

TENANT

By: _____
Name: _____
Title: _____

LANDOWNER:

By: _____
Name: _____
Title: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Ronald R. Gastelum
Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Jeffrey Kightlinger
General Counsel

PALO VERDE IRRIGATION DISTRICT

By: _____
Edward W. Smith
General Manager

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION OF THE PREMISES

EXHIBIT B

FALLOWING EASEMENT AGREEMENT

EXHIBIT C

TENANT LEASE

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EXHIBIT E

ENCUMBRANCE SUBORDINATION AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

The Metropolitan Water District
of Southern California
700 North Alameda Street
Los Angeles, California 90012
Attention: Chief Executive Officer

SPACE ABOVE RESERVED FOR COUNTY RECORDER'S USE

SUBORDINATION OF [DEED OF TRUST; OR OTHER ENCUMBRANCE] AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

This Subordination Agreement ("**Subordination Agreement**") is made and entered into this ___ day of ___, 2004, by [NAME OF ENCUMBRANCE HOLDER] ("**Encumbrance Holder**") that is a party to, beneficiary, or holder of interest in the [deed of trust; or other encumbrance] ("**Encumbrance**") described below; [NAME OF LANDOWNER] ("**Landowner**"), The Metropolitan Water District of Southern California ("**Metropolitan**") and the Palo Verde Irrigation District ("**PVID**").

RECITALS:

A. Landowner owns certain land located within the PVID (the "**Land**"), which Land is more particularly described on Exhibit "A", attached hereto and incorporated herein by this reference.

B. Among other encumbrances on the Land, [DESCRIBE NATURE OF ENCUMBRANCE THIS AGREEMENT APPLIES TO]. The Encumbrance was entered into _____ and recorded _____, as Document No. _____ in the Official Records of the County of _____, State of California.

C. Landowner has entered into that certain Landowner Agreement for Fallowing in the PVID dated _____("**Landowner Agreement**") with PVID and Metropolitan pursuant to which Landowner has agreed to certain fallowing obligations on Landowner's lands within PVID. To provide for the enforcement of those fallowing obligations, Landowner has entered into that certain Fallowing Easement dated _____with Metropolitan and PVID ("**Fallowing Easement**"), attached hereto as Exhibit "B" and incorporated herein by this reference, and recorded in the official records of the County of _____, State of California, concurrently with the recording of this Subordination Agreement. The Fallowing Easement

authorizes Metropolitan and PVID to enter upon the Land in the event of a default by Landowner in performance of Landowner's fallowing obligations and to prevent the growing of any crops or vegetation on the Land, the application of water on the Land, the extraction of groundwater from or application of groundwater on the Land, and the use or collection of surface water on the Land.

D. It is a requirement of the Landowner Agreement that the Fallowing Easement and all rights of Metropolitan and PVID thereunder, shall unconditionally be and remain at all times prior and superior to Liens upon the Land. As used in this Subordination Agreement, "**Lien**" means any mortgage, lien, pledge, charge, attachment, levy, security interest or encumbrance of any kind in respect of the Land, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest with respect thereto and any filing of, or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statutes or successor code) of any jurisdiction.

E. It is to the mutual benefit of the parties hereto that Landowner enter into the Landowner Agreement and Fallowing Easement, and Encumbrance Holder is willing that its Liens upon the Land be subordinated to the Fallowing Easement and to the easement rights created thereby together with all rights and privileges of Metropolitan and PVID thereunder.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce Metropolitan and PVID to enter into the Landowner Agreement, the parties hereto agree as follows:

1. **Subordination.** Encumbrance Holder hereby unconditionally subordinates any and all Liens, security interests, rights and/or claims of Encumbrance Holder in respect of the Land to the Fallowing Easement and the rights of Metropolitan and PVID under the Fallowing Easement and agrees that the Encumbrance Holder's Liens on the Land shall be subordinate to the Fallowing Easement. Encumbrance Holder understands that in reliance upon, and in consideration of this subordination, specific contracts are or will be made and specific monetary obligations are being or will be entered into which would not be made or entered into but for said reliance upon this subordination and Encumbrance Holder further declares that the Fallowing Easement and the easement rights created thereby, together with all rights and privileges of Metropolitan and PVID thereunder, shall unconditionally be and remain at all times prior and superior to the Liens of the Encumbrance Holder.

2. **Foreclosure.** Encumbrance Holder agrees that no foreclosure of, deed given in lieu of foreclosure of, or sale under the Liens of the Encumbrance Holder, and no steps or procedures taken under the Liens of the Encumbrance Holder, shall affect Metropolitan's and PVID's rights under the Fallowing Easement nor under the Landowner Agreement.

3. **Counterparts.** This Subordination Agreement may be executed in counterparts and as executed shall constitute one agreement binding on the parties hereto, even though the parties do not sign the original or the same counterpart.

4. **Entire Agreement.** The Subordination Agreement shall be the whole and only agreement with regards to the subordination of the Liens of the Encumbrance Holder to the Fallowing Easement, together with all rights and privileges of Metropolitan and PVID thereunder; and shall supersede and cancel, but only insofar as would affect the priority between the Liens of the Encumbrance Holder and the Fallowing Easement, any prior agreements as to such subordination, including, but not limited to, the provisions, if any, contained in the Encumbrance which provide for the subordination of the Lien or charge thereof to an easement or other security instrument.

5. **California Law.** This Subordination Agreement is governed by California law, irrespective of its choice of law principles.

6. **Binding Effect.** This Subordination Agreement shall inure to the benefit of Metropolitan and PVID and their respective legal representatives, successors and assigns, and shall be binding on Encumbrance Holder and Landowner, and their respective heirs, legal representatives, successors and assigns.

7. **Severability; Waivers.** If any part of this Subordination Agreement is not enforceable, the rest of the Subordination Agreement may be enforced.

8. **Headings.** Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Subordination Agreement.

9. **Notices.** Any notice, request, tender, demand, delivery, approval or other communication provided for, required, or arising under this Subordination Agreement shall be in writing and, unless sooner actually received, shall be deemed delivered three (3) business days after deposit in the United States mail, certified with return receipt requested, postage prepaid, and addressed to the party as follows:

To Metropolitan:

The Metropolitan Water District of
Southern California
Attention: Chief Executive Officer
700 North Alameda Street
P.O. Box 54153
Los Angeles, California 90054-0153

To PVID:

Palo Verde Irrigation District
Attention: General Manager
180 West 14th Avenue
Blythe, California 92225

To Encumbrance Holder:

_____
_____
_____

To Landowner : _____
_____
_____

IN WITNESS WHEREOF, this Subordination Agreement is executed by the undersigned as of the date stated on the first page.

ENCUMBRANCE HOLDER

By: _____
Name: _____
Title: _____

LANDOWNER:

By: _____
Name: _____
Title: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: _____
Ronald R. Gastelum
Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Jeffrey Kightlinger
General Counsel

PALO VERDE IRRIGATION DISTRICT

By: _____
Edward W. Smith
General Manager

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF CALIFORNIA)
) **ss.**
COUNTY OF _____)

On _____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

EXHIBIT B

FALLOWING EASEMENT DEED

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EXHIBIT F

LAND MANAGEMENT MEASURES

Land management measures to control weed growth and wind erosion are an integral part of the PVID/Metropolitan Forbearance and Fallowing Program. PVID and Metropolitan have agreed that each Participating Landowner would be required to implement these land management measures as a condition for participation in the Program, and that implementation of these land management measures would be an obligation of each Participating Landowner under the terms of the applicable Landowner Agreement.

The Program-related land management measures do not preempt other measures required by federal, state or local agencies for farmlands within their jurisdiction, but are to be implemented in conjunction with any other required measures.

Weed Control

Weed and invasive plant growth on irrigated fields due to rainfall or water seepage from canals or from neighboring irrigated farmland (especially along the outside borders of non0-irrigated fields) would be controlled by the Landowner. Control measures would be undertaken by the Landowner to prevent the spread of these plants, their consumptive use of water and associated issues concerning the spread of plant disease, insects and other pests. Weeds and other invasive plants would be controlled using measures of each Landowner's choice, including chemical, biological or mechanical methods.

Only chemicals approved for use by the California Department of Food and Agriculture would be allowed to be used for controlling weeds. As with all farm-related activities in the PVID, Landowner shall obtain all proper local, state and federal permits for the use of herbicides, pesticides and insecticides. Also, Landowner shall comply with applicable regulations that pertain to solid waste management and air quality that apply when handling or disposing of farm residues and trash.

Erosion Control

To protect soil resources within the Palo Verde Valley and to maintain Landowner's eligibility for U. S. Department of Agriculture (USDA) benefits (excluding existing programs that fund the reduction or elimination of production of any agricultural crop), Landowner shall implement wind erosion control measures for Fallowed Land. The measures may include the following:

Stubble Residue and Sod Remnants

Leaving Fallowed Lands with stubble or sod remnants to lower wind speeds at the soil surface and provide a root system to help hold soil in place and minimize wind erosion.

Clod Plowing

For crops that would not leave an adequate stubble residue (such as cotton and many vegetable or melon crops) clod plowing may be implemented. The term clod plowing refers to the practice of tilling a field when it is wet so that large, damp clumps of soil are produced. These wet clumps break down into clods of soil that have a low susceptibility to wind erosion because they contain a relatively hard crust that minimized detachment of soil particles.

Cloddy soil remains effective only as long as a hard crust remains on the clods. Rain can wear on soil crusts reducing their effectiveness. During episodes of wind erosion, transported soil particles can also abrade soil crusts. Accordingly, clod plowing must occasionally be repeated in order for this management measure to continue to minimize wind erosion from Fallowed Land. The maximum continuous period that any single episode of clod plowing shall be used as an erosion control measure on Fallowed Land shall be three (3) years. After three (3) years, one of the following shall be implemented:

- The Fallowed Land will be subjected to a new round of clod plowing conducted when the soil has adequate moisture to allow development of new clods
- The Fallowed Land will be returned to active, irrigated production and Landowner will commence Fallowing other Program Qualified Land

For Program Qualified Land on which the soil types have been classified as Highly Erodible Land (HEL) by the National Resource Conservation Service, Landowner will conduct the Fallowing in accordance with the Farm Service Agency Conservation Plans developed for those lands.

Remedial Measures

In the event that Metropolitan or PVID determine through inspection of the Fallowed Land that additional erosion control measures are required, it shall give written notice to Landowner to implement additional measures at Landowner's cost. The requirement to implement such additional measures shall be based on "noticeable wind erosion" as evidenced by wind-borne soil deposition (such as deposits of fine material adjacent to wind barriers), lack of soil crusts on clods, or the visible transport of topsoil by the wind. Additional erosion control measures that may be required include:

- Spreading mulch or manure over eroding soils
- Seeding a cover crop if natural precipitation is adequate for this purpose, provided that only shallow rooted cover crops are used
- Conducting additional clod plowing to reestablish a thick crust on clods within the affected area, and utilizing the addition of much to improve effectiveness

The use of water other than natural rainfall to implement any of the erosion control measures may result in a deduction from payments by Metropolitan to Landowner in accordance with subsection 11.1.1.5 (Deduction for Deficient Saved Water).

EXHIBIT G

ANNUAL PAYMENT SCHEDULE FOR FALLOWED ACRES

Contract Year	Calendar Year	Month	Minimum Annual Payment based on Annual Escation of 2.5 Percent Per Year for the Life of the Program ($/Fallowed Acre)	Minimum Annual Payment based on Annual Escation of 2.5 Percent Per Year through the First Ten Contract Years and 5 Percent Per Year for the Remainder of the Program ($/Fallowed Acre)
1	2005	September 1	602.00	602.00
2	2006	September 1	617.05	617.05
3	2007	September 1	632.48	632.48
4	2008	September 1	648.29	648.29
5	2009	September 1	664.50	664.50
6	2010	September 1	681.11	681.11
7	2011	September 1	698.14	698.14
8	2012	September 1	715.59	715.59
9	2013	September 1	733.48	733.48
10	2014	September 1	751.82	751.82
11	2015	September 1	770.62	789.41
12	2016	September 1	789.89	828.88
13	2017	September 1	809.64	870.32
14	2018	September 1	829.88	913.84
15	2019	September 1	850.63	959.53
16	2020	September 1	871.90	1,007.51
17	2021	September 1	893.70	1,057.89
18	2022	September 1	916.04	1,110.78
19	2023	September 1	938.94	1,166.32
20	2024	September 1	962.41	1,224.64
21	2025	September 1	986.47	1,285.87
22	2026	September 1	1,011.13	1,350.16
23	2027	September 1	1,036.41	1,417.67
24	2028	September 1	1,062.32	1,488.55
25	2029	September 1	1,088.88	1,562.98
26	2030	September 1	1,116.10	1,641.13
27	2031	September 1	1,144.00	1,723.19
28	2032	September 1	1,172.60	1,809.35
29	2033	September 1	1,201.92	1,899.82
30	2034	September 1	1,231.97	1,994.81
31	2035	September 1	1,262.77	2,094.55
32	2036	September 1	1,294.34	2,199.28
33	2037	September 1	1,326.70	2,309.24
34	2038	September 1	1,359.87	2,424.70
35	2039	September 1	1,393.87	2,545.94