

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Central Valley Project, California

CONTRACT BETWEEN THE UNITED STATES AND
THOMAS N. HENLE, TRUSTEE OF THE JOHN R. HENLE TRUST AND
HENLE FAMILY LIMITED PARTNERSHIP,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

Table of Contents

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
	Preamble	1
	Explanatory Recitals	2-3
1	Definitions.....	3-6
2	Term of Settlement Contract.....	7
3	Water to be Furnished to Contractor.....	7-11
4	Return Flow	11-12
5	Constraints on the Availability of Water	12
6	Integrated Water Management and Partnerships	12
7	Use of Water Furnished to Contractor.....	12-13
8	Rate and Method of Payment for Water	13-15
9	Agreement on Water Quantities.....	15-17
10	Measurement of Water.....	17-19
11	Rules and Regulations.....	19
12	General Obligation – Benefits Conditioned Upon Payment.....	19
13	Charges for Delinquent Payments	20
14	Quality of Water	20
15	Water and Air Pollution Control.....	20
16	Equal Opportunity.....	21-22
17	Omitted	22
18	Mingling of Contractor’s Project and Non-Project Water	22-23

Table of Contents - continued

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
19	Books, Records, and Reports	23
20	Change of Place of Use or Organization.....	24
21	Consolidation of Contracting Entities.....	24
22	Notices	24
23	Assignment Limited – Successors and Assigns Obligated	24
24	Officials Not to Benefit.....	25
25	Contingent Upon Appropriation or Allotment of Funds	25
26	Confirmation of Settlement Contract.....	25
27	Unavoidable Groundwater Percolation.....	25
28	Privacy Act Compliance	25-26
29	Water Conservation	26-28
30	Opinions and Determinations	28-29
31	Contractor to Pay Certain Miscellaneous Costs.....	30
32	Waiver of Default	30
33	Contract Assignment or Termination Upon Transfer of Land.....	30-31
34	Termination.....	31
	Signature Page	32
Exhibit A	Schedule of Monthly Diversions of Water	
Exhibit B	Map of Contractor’s Ownership	
Exhibit C	Unit Duty	
Exhibit D	Water Rates and Charges	

1
2
3 UNITED STATES
4 DEPARTMENT OF THE INTERIOR
5 BUREAU OF RECLAMATION
6 Central Valley Project, California

7 CONTRACT BETWEEN THE UNITED STATES AND
8 THOMAS N. HENLE, TRUSTEE OF THE JOHN R. HENLE TRUST AND
9 HENLE FAMILY LIMITED PARTNERSHIP,
10 DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
11 SETTLING WATER RIGHTS DISPUTES AND
12 PROVIDING FOR PROJECT WATER

13 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into
14 by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made
15 this 15th day of March, 2005, pursuant to the applicable authority
16 granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
17 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
18 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
19 including, but not limited to, Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21,
20 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as
21 amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively
22 hereinafter referred to as Federal Reclamation law, and THOMAS N. HENLE, TRUSTEE OF
23 THE JOHN R. HENLE TRUST AND HENLE FAMILY LIMITED PARTNERSHIP,
24 hereinafter referred to as the Contractor, acting pursuant to Sections 12003 and 12004 of the
25 California Water Code, with its principal place of business in California;

26 WITNESSETH, that:

EXPLANATORY RECITALS

27
28 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
29 Project, California, for multiple purposes pursuant to its statutory authority; and

30 [2nd] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to
31 divert for reasonable beneficial use, water from the natural flow of the Sacramento River and
32 tributaries thereto, that would have been flowing therein if the Central Valley Project were not in
33 existence;

34 [3rd] WHEREAS, the construction and operation of the integrated and coordinated
35 Central Valley Project has changed and will further change the regimen of the Sacramento,
36 American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from
37 unregulated flow to regulated flow; and

38 [4th] WHEREAS, the United States has rights to divert, is diverting, and will continue
39 to divert waters from said Rivers and said Delta in connection with the operation of said Central
40 Valley Project; and

41 [5th] WHEREAS, the Contractor and the United States had a dispute over the
42 respective rights of the parties to divert and use water from the regulated flow of the Sacramento
43 River which threatened to result in litigation, and as a means to settle that dispute entered into
44 Contract No. 14-06-200-932A, as revised, hereinafter referred to as the Existing Contract, which
45 established terms for the delivery to the Contractor of Central Valley Project Water, and the
46 quantities of Base Supply the United States and the Contractor agreed may be diverted by the
47 Contractor from the Sacramento River pursuant to such contract; and

48 [6th] WHEREAS, the United States and the Contractor disagree with respect to the
49 authority of the United States to change the quantities of Base Supply and/or Project Water

50 specified as available for diversion in this Settlement Contract from the quantities specified in
51 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation
52 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.* [Civ. No. S-
53 01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice, pursuant to
54 a stipulation of dismissal filed by the parties thereto on August 29, 2002. Notwithstanding that
55 dismissal, the Contractor and the United States enter into this Settlement Contract to renew the
56 Existing Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and
57 the laws of the State of California; and

58 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
59 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
60 Valley Project by, and the reimbursement to, the United States for expenditures made for said
61 Project.

62 NOW, THEREFORE, in consideration of the performance of the herein contained
63 provisions, conditions, and covenants, it is agreed as follows:

64 DEFINITIONS

65 1. When used herein, unless otherwise expressed or incompatible with the intent
66 hereof, the term:

67 (a) "Base Supply" shall mean the quantity of Surface Water established in
68 Articles 3 and 5 which may be diverted by the Contractor from the Sacramento River each month
69 during the period April through October of each Year without payment to the United States for
70 such quantities diverted;

71 (b) "Basin-Wide Water Management Plan" shall mean the mutually agreeable
72 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by

73 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water
74 Company, Pelger Mutual Water Company, Princeton-Codora-Glenn Irrigation District, Provident
75 Irrigation District, Reclamation District 108, Sutter Mutual Water Company, Anderson-
76 Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District 1004, and
77 the U.S. Bureau of Reclamation;

78 (c) "Charges" shall mean the payments for Project Water that the Contractor
79 is required to pay to the United States in addition to the "Rates" specified in this Settlement
80 Contract. The Contracting Officer will, on an annual basis, determine the extent of these
81 Charges. The type and amount of each Charge shall be specified in Exhibit D;

82 (d) "Contract Total" shall mean the sum of the Base Supply and Project Water
83 available for diversion by the Contractor for the period April 1 through October 31;

84 (e) "Critical Year" shall mean any Year in which either of the following
85 eventualities exists:

86 (1) The forecasted full natural inflow to Shasta Lake for the current
87 Water Year, as such forecast is made by the United States on or before February 15 and reviewed
88 as frequently thereafter as conditions and information warrant, is equal to or less than 3.2 million
89 acre-feet; or

90 (2) The total accumulated actual deficiencies below 4 million acre-feet
91 in the immediately prior Water Year or series of successive prior Water Years each of which had
92 inflows of less than 4 million acre-feet, together with the forecasted deficiency for the current
93 Water Year, exceed 800,000 acre-feet.

94 For the purpose of determining a Critical Year, the computation of inflow to
95 Shasta Lake shall be performed in a manner that considers the extent of upstream development

96 above Shasta Lake during the year in question, and shall be used as the full natural flow to
97 Shasta Lake. In the event that major construction has occurred or occurs above Shasta Lake after
98 September 1, 1963, and which has materially altered or alters the regimen of the stream systems
99 contributing to Shasta Lake, the computed inflow to Shasta Lake used to define a Critical Year
100 will be adjusted to eliminate the effect of such material alterations. After consultation with the
101 State of California, the National Weather Service, and other recognized forecasting agencies, the
102 Contracting Officer will select the forecast to be used and will make the details of it available to
103 the Contractor. The same forecasts used by the United States for the operation of the Project
104 shall be used to make the forecasts hereunder;

105 (f) "CVPIA" shall mean the Central Valley Project Improvement Act, Title
106 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

107 (g) "Eligible Lands" shall mean all lands to which Project Water may be
108 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
109 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

110 (h) "Excess Lands" shall mean all lands in excess of the limitations contained
111 in Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
112 Reclamation law;

113 (i) "Full Cost Rate" shall mean that water rate described in Sections 205(a)(3)
114 or 202(3) of the RRA, whichever is applicable;

115 (j) "Ineligible Lands" shall mean all lands to which Project Water may not be
116 delivered in accordance with Section 204 of the RRA;

117 (k) "Landholder" shall mean a party that directly or indirectly owns or leases
118 nonexempt land, as provided in 43 CFR 426.2;

119 (l) "Project" shall mean the Central Valley Project owned by the United
120 States and managed by the Department of the Interior, Bureau of Reclamation;

121 (m) "Project Water" shall mean all Surface Water diverted or scheduled to be
122 diverted each month during the period April through October of each Year by the Contractor
123 from the Sacramento River which is in excess of the Base Supply. The United States recognizes
124 the right of the Contractor to make arrangements for acquisition of water from projects of others
125 than the United States for delivery through the Sacramento River and tributaries subject to
126 written agreement between Contractor and the United States as to identification of such water
127 which water when so identified shall not be deemed Project Water under this Settlement
128 Contract;

129 (n) "Rates" shall mean the payments for Project Water determined annually
130 by the Contracting Officer in accordance with the then current applicable water ratesetting
131 policies for the Project, as described in subdivision (a) of Article 8 of this Settlement Contract;

132 (o) "Secretary" or "Contracting Officer" shall mean the Secretary of the
133 Interior, a duly appointed successor, or an authorized representative acting pursuant to any
134 authority of the Secretary and through any agency of the Department of the Interior;

135 (p) "Surface Water" shall mean only those waters that are considered as
136 surface water under California law;

137 (q) "Water Year" shall mean the period commencing with October 1 of one
138 year and extending through September 30 of the next; and

139 (r) "Year" shall mean a calendar year.

140

TERM OF SETTLEMENT CONTRACT

141 2. (a) This Settlement Contract shall become effective April 1, 2005, and shall
142 remain in effect until and including March 31, 2045; Provided, that under terms and conditions
143 mutually agreeable to the parties hereto, renewals may be made for successive periods not to
144 exceed 40 years each. The terms and conditions of each renewal shall be agreed upon not later
145 than one year prior to the expiration of the then existing Settlement Contract.

146 (b) With respect to Project Water and the portions of this Settlement Contract
147 pertaining thereto, upon written request by the Contractor of the Secretary made not later than
148 one year prior to the expiration of this Settlement Contract, whenever, account being taken of the
149 amount then credited to the costs of construction of water supply works, the remaining amount of
150 construction costs of water supply work which is properly assignable for ultimate return by the
151 Contractor as established by the Secretary of the Interior pursuant to (3) of Section 1 of Public
152 Law 643 (70 Stat. 483), probably can be repaid to the United States within the term of a contract
153 under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions
154 of this Settlement Contract may be converted to a contract under said subsection 9(d) upon terms
155 and conditions mutually agreeable to the United States and the Contractor. The Secretary shall
156 make a determination ten years after the date of execution of this Settlement Contract, and every
157 five years thereafter, of whether a conversion to a contract under said subsection 9(d) can be
158 accomplished pursuant to Public Law 643. Notwithstanding any provision of this Settlement
159 Contract, the Contractor reserves and shall have all rights and benefits under Public Law 643.

160

WATER TO BE FURNISHED TO CONTRACTOR

161 3. (a) Subject to the conditions, limitations, and provisions hereinafter
162 expressed, the Contractor is hereby entitled and authorized to divert from the Sacramento River

163 at the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,
164 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in
165 Exhibit A, or any revision thereof, in accordance with the monthly operating schedule required
166 by Article 3(c) of this Settlement Contract. The quantity of any water diverted under this
167 Settlement Contract from the Sacramento River, during the period April through October, for use
168 on any lands delineated on Exhibit B, by the owner of such lands or otherwise shall constitute a
169 part of the Contract Total as shown on Exhibit A and shall be subject to all the provisions of this
170 Settlement Contract relating to such Contract Total as if such diversion were made by the
171 Contractor.

172 (b) The Contractor may have acquired rights to divert water from the
173 Sacramento River during the period April through October, that were obtained after the date of
174 execution of the Existing Contract, or the Contractor may acquire such rights in the future. All
175 diversions made from the Sacramento River, pursuant to such rights, during the period April
176 through October, shall not be considered a part of the quantity of Base Supply and Project Water
177 specified in Exhibit A; Provided, that the quantities diverted pursuant to the above rights shall be
178 identified on the schedule submitted pursuant to Article 3(c) below, and shall not be substituted
179 for any Base Supply or Project Water; Provided, further, that any such identified quantities of
180 other acquired rights may be diverted by the Contractor before incurring any fee pursuant to
181 Article 3(c)(1), below.

182 (c) Before April 1 and before the first day of each month thereafter when a
183 revision is needed, the Contractor shall submit a written schedule to the Contracting Officer
184 indicating the Contract Total to be diverted by the Contractor during each month under this
185 Settlement Contract. The United States shall furnish water to the Contractor in accordance with

186 the monthly operating schedule or any revisions thereof. However, the United States recognizes
187 the need of the Contractor to change from time to time its monthly diversions of water from the
188 quantities shown in Exhibit A; the Contractor may make such changes, provided:

189 (1) that for the quantity of Base Supply diverted in excess of the
190 monthly quantity shown in Exhibit A, and as may be reduced in accordance with Article 5(a),
191 during June, July, August, September, or October of any Water Year, the Contractor shall be
192 charged a rescheduling fee equal to 50 percent of the sum of the storage operations and
193 maintenance rate and the storage capital rate components of the Project ratesetting policy.

194 (2) that in no event shall the total quantity scheduled for diversion by
195 the Contractor from the Sacramento River:

196 (i) During the period April through October exceed the
197 aggregate of the Contract Total for that period shown in Exhibit A or any revision
198 thereof;

199 (ii) During the period July through September exceed the
200 aggregate of the Contract Total for that period shown in Exhibit A or any revision
201 thereof.

202 (d) In the event conditions warrant, the Contracting Officer reserves the right
203 to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly
204 period, its estimate of daily diversion requirements for each such period from the Sacramento
205 River; Provided, however, that changes during any such period may be made upon the giving of
206 72 hours' notice thereof to the Contracting Officer.

207 (e) No sale, transfer, exchange, or other disposal of any of the Contract Total
208 designated in Exhibit A or the right to the use thereof for use on land other than that shown on

209 Exhibit B shall be made by the Contractor without first obtaining the written consent of the
210 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
211 rendered in a timely manner. For short-term actions that will occur within one year or less, the
212 decision will be rendered within 30 days after receipt of a complete written proposal. For long-
213 term actions that will occur in a period longer than one year, the decision will be rendered within
214 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by
215 the Contracting Officer, it must comply with all provisions required by State and Federal law,
216 including information sufficient to enable the Contracting Officer to comply with the National
217 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then
218 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate
219 or effectuate the sale, transfer, exchange, or other disposal of Base Supply. Such use of Federal
220 facilities will be the subject of a separate agreement to be entered into between the Contractor
221 and Reclamation.

222 (f) For the purpose of determining whether Section 3405(a)(1)(M) of the
223 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting
224 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin,
225 as those terms are utilized under California law.

226 (g) Nothing herein contained shall prevent the Contractor from diverting
227 water during the months of November through March for beneficial use on the land shown on
228 Exhibit B or elsewhere to the extent authorized under the laws of the State of California.

229 (h) The United States assumes no responsibility for and neither it nor its
230 officers, agents, or employees shall have any liability for or on account of:

231 (1) The quality of water to be diverted by the Contractor;

232 (2) The control, carriage, handling, use, disposal, or distribution of
233 water diverted by the Contractor outside the facilities constructed and then being operated and
234 maintained by or on behalf of the United States;

235 (3) Claims of damage of any nature whatsoever, including but not
236 limited to, property loss or damage, personal injury, or death arising out of or connected with the
237 control, carriage, handling, use, disposal, or distribution of said water outside of the hereinabove
238 referred to facilities; and

239 (4) Any damage whether direct or indirect arising out of or in any
240 manner caused by a shortage of water whether such shortage be on account of errors in
241 operation, drought, or unavoidable causes.

242 (i) In addition to the provisions of subdivision (h) of Article 3 of this
243 Contract, if there is a shortage of Project Water because of actions taken by the Contracting
244 Officer to meet legal obligations then, except as provided in subdivision (a) of Article 30 of this
245 Contract, no liability shall accrue against the United States or any of its officers, agents, or
246 employees for any damage, direct or indirect, arising therefrom.

247 RETURN FLOW

248 4. Nothing herein shall be construed as an abandonment or a relinquishment by the
249 United States of any right it may have to the use of waste, seepage, and return flow water derived
250 from water diverted by the Contractor hereunder and which escapes or is discharged beyond the
251 boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as
252 claiming for the United States any right to such water which is recovered by the Contractor
253 pursuant to California law from within the boundaries of the lands shown on Exhibit B, and

254 which is being used pursuant to this Settlement Contract for surface irrigation or underground
255 storage for the benefit of the lands shown on Exhibit B by the Contractor.

256 CONSTRAINTS ON THE AVAILABILITY OF WATER

257 5. (a) In a Critical Year, the Contractor's Base Supply and Project Water agreed
258 to be diverted during the period April through October of the Year in which the principal portion
259 of the Critical Year occurs and, each monthly quantity of said period shall be reduced by
260 25 percent.

261 (b) The amount of any overpayment by the Contractor shall, at its option, be
262 refunded or credited upon amounts to become due to the United States from the Contractor under
263 the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of
264 overpayment shall constitute the sole remedy of the Contractor.

265 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

266 6. The Contractor and United States desire to work together to maximize the
267 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
268 and the Contractor will work in partnership and with others within the Sacramento Valley,
269 including other contractors, to facilitate the better integration within the Sacramento Valley of all
270 water supplies including, but not limited to, the better management and integration of surface
271 water and groundwater, the development and better utilization of surface water storage, the
272 effective utilization of waste, seepage and return flow water, and other operational and
273 management options that may be identified in the future.

274 USE OF WATER FURNISHED TO CONTRACTOR

275 7. (a) Project Water furnished to the Contractor pursuant to this Settlement
276 Contract shall not be delivered or furnished by the Contractor for any purposes other than

277 agricultural purposes without the written consent of the Contracting Officer. For purposes of this
278 Settlement Contract, "agricultural purposes" includes, but is not restricted to, the irrigation of
279 crops, the watering of livestock, incidental domestic use including related landscape irrigation,
280 and underground water replenishment.

281 (b) The Contractor shall comply with requirements applicable to the
282 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
283 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of
284 1973, as amended, that are within the Contractor's legal authority to implement. The Existing
285 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the
286 quantities of water provided for in Article 3, and the underlying water rights of the Contractor
287 will be considered in developing an appropriate base-line for the Biological Assessment prepared
288 pursuant to the Endangered Species Act, and in any other needed environmental review.
289 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial
290 relief in a court of competent jurisdiction with respect to any biological opinion or other
291 environmental documentation referred to in this Article.

292 RATE AND METHOD OF PAYMENT

293 8. (a) The Contract Total in this Settlement Contract does not include Project
294 Water. In order to recover Reclamation's costs for administration of this Settlement Contract,
295 the Contractor shall pay the United States an annual fee of \$300.00 that shall be increased by
296 \$50.00 beginning April 1, 2009, and every five years thereafter. Payment of this fee shall be due
297 and payable on May 1 of each Year. This annual fee shall cover activities including, but not
298 limited to, operation and maintenance of water measurement devices, preparation of monthly

299 water delivery statements, and maintenance of official records. Payment for activities performed
300 by Reclamation at the request of the Contractor shall be covered under Article 31.

301 (b) Payments to be made by the Contractor to the United States under this
302 Settlement Contract may be paid from any revenues available to the Contractor. All revenues
303 received by the United States from the Contractor relating to the delivery of non-Project Water
304 through Project facilities shall be allocated and applied in accordance with Federal Reclamation
305 law and the associated rules or regulations, and the then current Project ratesetting policies for
306 irrigation water.

307 (c) The parties acknowledge and agree that the efficient administration of this
308 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that
309 mechanisms, policies, and procedures used for making and allocating payments, other than those
310 set forth in this Article may be in the mutual best interest of the parties, it is expressly agreed that
311 the parties may enter into agreements to modify the mechanisms, policies, and procedures for
312 any of those purposes while this Settlement Contract is in effect without amendment of this
313 Settlement Contract.

314 (d) Each payment to be made pursuant to subdivision (a) of this Article shall
315 be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific, P.O. Box 894242,
316 Los Angeles, CA 90189-4242, or at such other place as the United States may designate in a
317 written notice to the said Contractor. Payments shall be made by cash transaction, wire, or any
318 other mechanism as may be agreed to in writing by the Contractor and the Contracting Officer.
319 In the event there should be a default in the payment of the amount due, the delinquent payment
320 provisions of Article 13 shall apply. The Contractor shall not be relieved of the whole or any
321 part of its said obligation by, on account of, or notwithstanding, as the case may be, the default in

322 payment to it by any water user of assessments, tolls, or other charges levied by or owing to said
323 Contractor.

324 AGREEMENT ON WATER QUANTITIES

325 9. (a) During the term of this Settlement Contract and any renewals thereof:

326 (1) It shall constitute full agreement as between the United States and
327 the Contractor as to the quantities of water and the allocation thereof between Base Supply and
328 Project Water which may be diverted by the Contractor from the Sacramento River for beneficial
329 use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use,
330 and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations
331 hereunder;

332 (2) Neither party shall claim any right against the other in conflict with
333 the provisions of Article 9(a)(1) hereof.

334 (b) Nothing herein contained is intended to or does limit rights of the
335 Contractor against others than the United States or of the United States against any person other
336 than the Contractor; Provided, however, that in the event the Contractor, the United States, or
337 any other person shall become a party to a general adjudication of rights to the use of water of
338 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position
339 of either party hereto or of any other person and the rights of all such persons in respect to the
340 use of such water shall be determined in such proceedings the same as if this Settlement Contract
341 had not been entered into, and if final judgment in any such general adjudication shall determine
342 that the rights of the parties hereto are different from the rights as assumed herein, the parties
343 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable
344 to agree on an appropriate amendment they shall, within 60 days of determining that there is an

345 impasse, employ the services of a neutral mediator, experienced in resolving water rights
346 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
347 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
348 the immediate termination of this Settlement Contract.

349 (c) In the event that the California State Water Resources Control Board or a
350 court of competent jurisdiction issues a final decision or order modifying the terms and
351 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
352 Delta water quality obligations, the Contractor and the United States shall promptly meet to
353 determine whether or not to modify any of the terms of this Settlement Contract to comply with
354 the final decision or order, including, but not limited to, the applicability of the rescheduling
355 charge in Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance
356 of the final decision or order the parties are not able to reach agreement regarding either the need
357 to modify this Settlement Contract or the manner in which this Settlement Contract is to be
358 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
359 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be
360 shared equally. In the event that either of the parties to this Settlement Contract determines that
361 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
362 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract
363 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
364 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
365 system. The foregoing provisions of this sub-article shall only apply to the incremental
366 obligations contained within a final decision or order of the State Water Resources Control
367 Board that reflects a modification to the obligations imposed in State Water Resources Control

368 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
369 Quality Control Plan which, taken together, will be considered the baseline for the application of
370 the provisions of this sub-article.

371 (d) In the event this Settlement Contract terminates, the rights of the parties to
372 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
373 and the fact that as a compromise settlement of a controversy as to the respective rights of the
374 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
375 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
376 Settlement Contract term and segregates it into Base Supply and Project Water shall not
377 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
378 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
379 times will first use water to the use of which it is entitled by virtue of its own water rights, and
380 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
381 thereunder to the United States by the Contractor shall be construed as an admission that any part
382 of the water used by the Contractor during the term of this Settlement Contract was in fact water
383 to which it would not have been entitled under water rights owned by it nor shall receipt of
384 payments thereunder by the United States from the Contractor be construed as an admission that
385 any part of the water used by the Contractor during the term of this Settlement Contract was in
386 fact water to which it would have been entitled under water rights owned by it.

387 MEASUREMENT OF WATER

388 10. (a) All water diverted by the Contractor from the Sacramento River will be
389 diverted at the existing point or points of diversion shown on Exhibit A or at such other points as
390 may be mutually agreed upon in writing by the Contracting Officer and the Contractor.

391 (b) All water diverted from the Sacramento River pursuant to this Settlement
392 Contract will be measured or caused to be measured by the United States at each point of
393 diversion with existing equipment or equipment to be installed, operated, and maintained by the
394 United States, and/or others, under contract with and at the option of the United States. The
395 equipment and methods used to make such measurement shall be in accordance with sound
396 engineering practices. Upon request of the Contractor, the accuracy of such measurements will
397 be investigated by the Contracting Officer and any errors appearing therein will be corrected.

398 (c) The right of ingress to and egress from all points of diversion is hereby
399 granted to all authorized employees of the United States. The Contractor also hereby grants to
400 the United States the right to install, operate, maintain, and replace such equipment on diversion
401 or carriage facilities at each point of diversion as the Contracting Officer deems necessary.

402 (d) The Contractor shall not modify, alter, remove, or replace diversion
403 facilities or do any other act which would alter the effectiveness or accuracy of the measuring
404 equipment installed by the United States or its representatives unless and until the Contracting
405 Officer has been notified with due diligence and has been given an opportunity to modify such
406 measuring equipment in such manner as may be necessary or appropriate. In the event of an
407 emergency the Contractor shall notify the United States within a reasonable time thereafter as to
408 the existence of the emergency and the nature and extent of such modification, alteration,
409 removal, or replacement of diversion facilities.

410 (e) The Contractor shall pay the United States for the costs to repair, relocate,
411 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces
412 diversion or carriage facilities.

413 (f) Contractor and Contracting Officer shall develop a mutually agreeable
414 surface water delivery water measurement program which shall be implemented by the
415 Contractor, and such measurement program shall be consistent with the conservation and
416 efficiency criteria for evaluating water conservation plans as provided in Article 29(a).

417 (g) All new surface water delivery systems installed within the lands
418 delineated on Exhibit B after the effective date of this Settlement Contract shall also comply with
419 the measurement provisions described in this Article.

420 RULES AND REGULATIONS

421 11. The parties agree that the delivery of Project Water for irrigation use or use of
422 Federal facilities pursuant to this Settlement Contract is subject to Federal Reclamation law,
423 including but not limited to, the Reclamation Reform Act of 1982 (43 U.S.C. 390aa et seq.), as
424 amended and supplemented, and the rules and regulations promulgated by the Secretary of the
425 Interior under Federal Reclamation law.

426 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

427 12. (a) The obligation of the Contractor to pay the United States as provided in
428 this Settlement Contract is a general obligation of the Contractor notwithstanding the manner in
429 which the obligation may be distributed among the Contractor's water users and notwithstanding
430 the default of individual water users in their obligations to the Contractor.

431 (b) The payment of Charges becoming due hereunder is a condition precedent
432 to receiving benefits under this Settlement Contract. The United States shall not make water
433 available to the Contractor through Project facilities during any period in which the Contractor
434 may be in arrears in the advance payment of water Rates due the United States. The Contractor
435 shall not furnish water made available pursuant to this Settlement Contract for lands or parties
436 which are in arrears in the advance payment of water rates levied or established by the
437 Contractor.

438 (c) With respect to subdivision (b) of this Article, the Contractor shall have no
439 obligation to require advance payment for water Rates which it levies.

440

CHARGES FOR DELINQUENT PAYMENTS

441 13. (a) The Contractor shall be subject to interest, administrative and penalty
 442 charges on delinquent installments or payments. When a payment is not received by the due
 443 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
 444 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an
 445 administrative charge to cover additional costs of billing and processing the delinquent payment.
 446 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty
 447 charge of six percent per year for each day the payment is delinquent beyond the due date.
 448 Further, the Contractor shall pay any fees incurred for debt collection services associated with a
 449 delinquent payment.

450 (b) The interest charge rate shall be the greater of the rate prescribed quarterly
 451 in the Federal Register by the Department of the Treasury for application to overdue payments,
 452 or the interest rate of one-half of one percent per month prescribed by Section 6 of the
 453 Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be
 454 determined as of the due date and remain fixed for the duration of the delinquent period.

455 (c) When a partial payment on a delinquent account is received, the amount
 456 received shall be applied, first to the penalty, second to the administrative charges, third to the
 457 accrued interest, and finally to the overdue payment.

458

QUALITY OF WATER

459 14. The operation and maintenance of Project facilities shall be performed in such
 460 manner as is practicable to maintain the quality of raw water made available through such
 461 facilities at the highest level reasonably attainable as determined by the Contracting Officer. The
 462 United States does not warrant the quality of water and is under no obligation to construct or
 463 furnish water treatment facilities to maintain or better the quality of water.

464

WATER AND AIR POLLUTION CONTROL

465 15. The Contractor, in carrying out this Settlement Contract, shall comply with all
 466 applicable water and air pollution laws and regulations of the United States and the State of
 467 California, and shall obtain all required permits or licenses from the appropriate Federal, State,
 468 or local authorities.

469

EQUAL OPPORTUNITY

470 16. During the performance of this Settlement Contract, the Contractor agrees as
471 follows:

472 (a) The Contractor will not discriminate against any employee or applicant for
473 employment because of race, color, religion, sex, or national origin. The Contractor will take
474 affirmative action to ensure that applicants are employed, and that employees are treated during
475 employment, without regard to their race, color, religion, sex, or national origin. Such action
476 shall include, but not be limited to, the following: Employment, upgrading, demotion, or
477 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other
478 forms of compensation; and selection for training, including apprenticeship. The Contractor
479 agrees to post in conspicuous places, available to employees and applicants for employment,
480 notices to be provided by the Contracting Officer setting forth the provisions of this
481 nondiscrimination clause.

482 (b) The Contractor will, in all solicitations or advertisements for employees
483 placed by or on behalf of the Contractor, state that all qualified applicants will receive
484 consideration for employment without discrimination because of race, color, religion, sex, or
485 national origin.

486 (c) The Contractor will send to each labor union or representative of workers
487 with which it has a collective bargaining agreement or other contract or understanding, a notice,
488 to be provided by the Contracting Officer, advising the said labor union or workers'
489 representative of the Contractor's commitments under Section 202 of Executive Order No. 11246
490 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places
491 available to employees and applicants for employment.

492 (d) The Contractor will comply with all provisions of Executive Order No.
493 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of
494 the Secretary of Labor.

495 (e) The Contractor will furnish all information and reports required by said
496 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
497 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting
498 Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with
499 such rules, regulations, and orders.

500 (f) In the event of the Contractor's noncompliance with the nondiscrimination
501 clauses of this Settlement Contract or with any of the said rules, regulations, or orders, this
502 Settlement Contract may be canceled, terminated, or suspended, in whole or in part, and the
503 Contractor may be declared ineligible for further Government contracts in accordance with
504 procedures authorized in said amended Executive Order, and such other sanctions may be
505 imposed and remedies invoked as provided in said Executive Order, or by rule, regulation, or
506 order of the Secretary of Labor, or as otherwise provided by law.

507 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
508 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
509 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
510 provisions will be binding upon each subcontractor or vendor. The Contractor will take such
511 action with respect to any subcontract or purchase order as may be directed by the Secretary of
512 Labor as a means of enforcing such provisions, including sanctions for noncompliance:
513 Provided, however, that in the event the Contractor becomes involved in, or is threatened with,
514 litigation with a subcontractor or vendor as a result of such direction, the Contractor may request
515 the United States to enter into such litigation to protect the interests of the United States.

516 17. Omitted.

517 MINGLING OF CONTRACTOR'S PROJECT AND NON-PROJECT WATER

518 18. (a) Project Water must of necessity be transported by the Contractor to its
519 water users by means of the same works and channels used for the transport of its non-Project
520 Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article
521 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any
522 manner subject to the provisions of Article 11 hereof the Contractor's non-Project Water
523 including Base Supply.

524 (b) If required in accordance with subdivision (c) of this Article, the
525 Contractor shall install and maintain such measuring equipment and distribution facilities and
526 maintain such records as may be necessary to determine the amounts of water delivered to
527 Excess Lands served by the Contractor. The Contractor shall not within any month deliver to
528 Ineligible Lands water in excess of the non-Project Water, including Base Supply, for that
529 month. The Contracting Officer or authorized representative shall have the right at all
530 reasonable times to inspect such records and measuring equipment.

531 (c) The Contractor will not be considered in violation of the requirement that
532 Project Water be delivered only to Eligible Lands during any month of the irrigation season that
533 the water requirement for beneficial use on Eligible Lands for that month is equal to or in excess

534 of the Project Water for that month as shown on Exhibit A or any revision thereof pursuant to
535 subdivision (c) of Article 3. The water requirement for beneficial use on Eligible Lands will be
536 determined by multiplying:

537 (1) the number of irrigable acres of the particular types of crops grown
538 in that year on the acreage designated as eligible by

539 (2) the Unit Duties as set forth in Exhibit C attached hereto and made
540 a part hereof, or by such other Unit Duties mutually agreed upon by the Contractor and the
541 Contracting Officer. In order to make the computation of the water requirement for Eligible
542 Lands, on April 1 of each Year and concurrently with its order for water for the irrigation season,
543 the Contractor shall designate the acreage of and type of crops to be grown on its Eligible Lands
544 that irrigation season. During any month the water requirement as above determined for crops
545 growing on Eligible Lands during such month is equal to or in excess of the Project Water for
546 that month as provided herein the Contractor shall not be required to measure the water delivered
547 to Excess Lands. Any month the said water requirement is less than the amount of Project Water
548 as provided herein, the Contractor will be required to measure water delivered to excess land in
549 accordance with subdivision (b) hereof.

550 BOOKS, RECORDS, AND REPORTS

551 19. The Contractor shall establish and maintain accounts and other books and records
552 pertaining to administration of the terms and conditions of this Settlement Contract, including:
553 the Contractor's financial transactions, water supply data, and Project land and right-of-way
554 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
555 data; and other matters that the Contracting Officer may require. Reports thereon shall be
556 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
557 Officer may require. Subject to applicable Federal laws and regulations, each party to this
558 Settlement Contract shall have the right during office hours to examine and make copies of each
559 other's books and official records relating to matters covered by this Settlement Contract.

560 CHANGE OF PLACE OF USE OR ORGANIZATION

561 20. (a) Unless the written consent of the United States is first obtained no change
562 shall be made in the place of water use shown on Exhibit B.

563 CONSOLIDATION OF CONTRACTING ENTITIES

564 21. Consolidation of Contractors may be approved by the Contracting Officer
565 provided: (i) the Contracting Officer approves the form and organization of the resulting entity
566 and the utilization by it of the Contract Total; and (ii) the obligations of the Contractors are
567 assumed by such entity.

568 No such consolidation shall be valid unless and until approved by the Contracting
569 Officer.

570 NOTICES

571 22. Any notice, demand, or request authorized or required by this Settlement Contract
572 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
573 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
574 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
575 States, when mailed, postage prepaid, or delivered to Mr. Thomas N. Henle, Henle Family
576 Limited Partnership, P.O. Box 9500, Danville, California 94526-0195. The designation of the
577 addressee or the address may be changed by notice given in the same manner as provided in this
578 Article for other notices.

579 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

580 23. (a) The provisions of this Settlement Contract shall apply to and bind the
581 successors and assigns of the parties hereto, but no assignment or transfer of this Settlement
582 Contract or any right or interest therein shall be valid until approved in writing by the
583 Contracting Officer.

584 (b) The assignment of any right or interest in this Settlement Contract by
585 either party shall not interfere with the rights or obligations of the other party to this Settlement
586 Contract absent the written concurrence of said other party.

587 (c) The Contracting Officer shall not unreasonably condition or withhold his
588 approval of any proposed assignment.

589

OFFICIALS NOT TO BENEFIT

590 24. (a) No Member of or Delegate to Congress, Resident Commissioner, or
591 official of the Contractor shall benefit from this Settlement Contract other than as a water user or
592 landowner in the same manner as other water users or landowners.

593 (b) No officer or member of the governing board of the Contractor shall
594 receive any benefit that may arise by reason of this Settlement Contract other than as a
595 landowner within the Contractor's Service Area and in the same manner as other landowners
596 within the said service area.

597 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

598 25. The expenditure or advance of any money or the performance of any obligation of
599 the United States under this Settlement Contract shall be contingent upon appropriation or
600 allotment of funds. Absence of appropriation or allotment of funds shall not relieve the
601 Contractor from any obligations under this Settlement Contract. No liability shall accrue to the
602 United States in case funds are not appropriated or allotted.

603 CONFIRMATION OF SETTLEMENT CONTRACT

604 26. The Contractor, after the execution of this Settlement Contract, shall promptly
605 seek to secure a decree of a court of competent jurisdiction of the State of California, if
606 appropriate, confirming the execution of this Settlement Contract. The Contractor shall furnish
607 the United States a certified copy of the final decree, the validation proceedings, and all pertinent
608 supporting records of the court approving and confirming this Settlement Contract, and
609 decreeing and adjudging it to be lawful, valid, and binding on the Contractor. This Settlement
610 Contract shall not be binding on the United States until such final decree has been secured.

611 UNAVOIDABLE GROUNDWATER PERCOLATION

612 27. To the extent applicable, the Contractor shall not be deemed to have delivered
613 Project Water to Excess Lands or Ineligible Lands if such lands are irrigated with groundwater
614 that reaches the underground strata as an unavoidable result of the delivery of Project Water by
615 the Contractor to Eligible Lands.

616 PRIVACY ACT COMPLIANCE

617 28. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a)
618 (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et
619 seq.) in maintaining Landholder acreage certification and reporting records, required to be

620 submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation
621 Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

622 (b) With respect to the application and administration of the criminal penalty
623 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees
624 responsible for maintaining the certification and reporting records referenced in (a) above are
625 considered to be employees of the Department of the Interior. See 5 U.S.C. 552a(m).

626 (c) The Contracting Officer or a designated representative shall provide the
627 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau
628 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--
629 Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of
630 information contained in the Landholder's certification and reporting records.

631 (d) The Contracting Officer shall designate a full-time employee of the
632 Bureau of Reclamation to be the System Manager who shall be responsible for making decisions
633 on denials pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The
634 Contractor is authorized to grant requests by individuals for access to their own records.

635 (e) The Contractor shall forward promptly to the System Manager each
636 proposed denial of access under 43 CFR 2.64; and each request for amendment of records filed
637 under 43 CFR 2.71; notify the requester accordingly of such referral; and provide the System
638 Manager with information and records necessary to prepare an appropriate response to the
639 requester. These requirements do not apply to individuals seeking access to their own
640 certification and reporting forms filed with the Contractor pursuant to 43 CFR 426.18, unless the
641 requester elects to cite the Privacy Act as a basis for the request.

642 WATER CONSERVATION

643 29. (a) Prior to the diversion of Project Water, the Contractor shall be
644 implementing an effective water conservation and efficiency program based on the Basin-Wide
645 Water Management Plan and/or Contractor's water conservation plan that has been determined
646 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water
647 conservation plans established under Federal law. The water conservation and efficiency
648 program shall contain definite water conservation objectives, appropriate economically feasible
649 water conservation measures, and time schedules for meeting those objectives. Continued
650 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
651 Contractor's continued implementation of such water conservation program. In the event the

652 Contractor's water conservation plan or any revised water conservation plan completed pursuant
653 to subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the
654 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
655 determines are beyond the control of the Contractor, Project Water deliveries shall be made
656 under this Settlement Contract so long as the Contractor diligently works with the Contracting
657 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
658 immediately begins implementing its water conservation and efficiency program in accordance
659 with the time schedules therein.

660 (b) The Contractor shall submit to the Contracting Officer a report on the
661 status of its implementation of the water conservation plan on the reporting dates specified in the
662 then existing conservation and efficiency criteria established under Federal law.

663 (c) At five-year intervals, the Contractor shall revise its water conservation
664 plan to reflect the then current conservation and efficiency criteria for evaluating water
665 conservation plans established under Federal law and submit such revised water management
666 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
667 determine if the water conservation plan meets Reclamation's then current conservation and
668 efficiency criteria for evaluating water conservation plans established under Federal law.

669 (d) If the Contractor is engaged in direct groundwater recharge, such activity
670 shall be described in the Contractor's water conservation plan.

671 (e) In order to provide incentives for water conservation, the Contractor may
672 reduce the amount of Project Water for which payment is required under Article 8(a) in
673 accordance with the provisions of this Article 29(e).

674 (1) On or before February 15 of any Water Year, the Contractor may
675 file with Reclamation an offer to reduce Project Water use, hereinafter referred to as Offer. The
676 Offer shall specify the maximum quantity of Project Water to be diverted by the Contractor for
677 each month that Project Water is available for that Water Year under this Settlement Contract.
678 The Contracting Officer shall provide the Contractor with a decision, in writing, to the Offer on
679 or before March 15 of that Water Year. The dates specified in this Article 29(e)(1) can be
680 changed if mutually agreed to, in writing, by the Contractor and Contracting Officer.

681 (2) If Reclamation accepts the Offer, the Contractor's payment
682 obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be
683 diverted by the Contractor as specified in the Offer. The Contractor shall not divert Project
684 Water in excess of the quantities set forth in the Offer; Provided, however, if the Contractor's
685 diversions of Project Water exceed the quantities set forth in the Offer, the Contractor shall pay
686 to Reclamation the applicable Rates and Charges plus an amount equal to the applicable Rates
687 and Charges, unadjusted for ability to pay, for each acre-foot of Project Water diverted in excess
688 of the quantities set forth in the Offer.

689 (3) If Reclamation decides not to accept the Offer, the Contractor's
690 payment obligation will remain as specified in Article 8(a)(1).

691 (4) The provisions of this Article 29(e) shall be in addition to and shall
692 not affect the provisions of Article 3(e) pertaining to the sale, transfer, exchange, or other
693 disposal of the Contract Total designated in Exhibit A.

694 OPINIONS AND DETERMINATIONS

695 30. (a) Where the terms of this Settlement Contract provide for actions to be
696 based upon the opinion or determination of either party to this Settlement Contract, said terms

697 shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or
698 unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of
699 this Settlement Contract, expressly reserve the right to seek relief from and appropriate
700 adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each
701 opinion or determination by either party shall be provided in a timely manner. Nothing in
702 subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the
703 standard of judicial review applicable under Federal law to any opinion or determination
704 implementing a specific provision of Federal law embodied in statute or regulation.

705 (b) The Contracting Officer shall have the right to make determinations
706 necessary to administer this Settlement Contract that are consistent with the provisions of this
707 Settlement Contract, the laws of the United States and of the State of California, and the rules
708 and regulations promulgated by the Secretary of the Interior. Such determinations shall be made
709 in consultation with the Contractor to the extent reasonably practicable.

710 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

711 31. (a) In addition to all other payments to be made by the Contractor pursuant to
712 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after
713 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for
714 such specific items of direct cost incurred by the United States for work requested by the
715 Contractor associated with this Settlement Contract plus indirect costs in accordance with
716 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this
717 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This
718 Article shall not apply to costs for routine contract administration.

719 (b) All advances for miscellaneous costs incurred for work requested by the
720 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the
721 actual costs when the work has been completed. If the advances exceed the actual costs incurred,
722 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
723 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this
724 Settlement Contract.

725 WAIVER OF DEFAULT

726 32. The waiver by either party to this Settlement Contract as to any default shall not
727 be construed as a waiver of any other default or as authority of the other party to continue such
728 default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or
729 thing which would constitute a default.

730 CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

731 33. (a) The rights and obligations of the Contractor may be transferred in
732 connection with the transfer of title to the land or any portion thereof delineated on Exhibit B on
733 the following terms and conditions:

734 (1) A voluntary inter vivos transfer may be made, upon mutual
735 agreement of the United States and the Contractor, to a person eligible to hold title to the land as
736 a nonexcess landowner:

737 (2) A voluntary inter vivos transfer may be made to a person ineligible
738 to hold title to the land as a nonexcess landowner provided that no Project Water may thereafter
739 be used on Excess Lands and the assignee shall not be privileged to obtain such use of Project
740 Water on Excess Lands.

741 (3) In the event the title of the Contractor to such land, or any portion
742 thereof, is transferred by operation of law, such as by conveyance in satisfaction of a mortgage,
743 by inheritance, or by devise, the rights and obligations of the Contractor shall pass with the title
744 and the land shall be subject to provisions of Reclamation law pertaining to such transfers. Any
745 transfer of the rights and obligations of this Settlement Contract by the person acquiring title by
746 operation of law shall be in accordance with provisions of subsection (1) or (2) above.

747 (b) The Contractor shall notify the Contracting Officer in writing of any
748 proposed transfer of this Settlement Contract. In addition, in the case of a partial assignment the
749 Contractor shall:

750 (1) Designate the proportionate quantities of Base Supply and Project
751 Water which it desires to assign;

752 (2) Furnish the United States with a copy of the deed transferring title.

753 (c) No transfer of this Settlement Contract shall be effective unless and until
754 approved by the Contracting Officer, and, if approved, shall be effective from the date of such
755 approval.

756 (d) Upon mutual agreement between the United States and the Contractor, this
757 Settlement Contract or a portion thereof may be terminated and the new landowner will have the
758 privilege of entering into a Settlement Contract for water service for a proportionate share of the
759 Contract Total provided he is duly qualified to receive water for such land.

760 TERMINATION

761 34. This Settlement Contract will terminate upon mutual agreement of the parties
762 prior to the end of the term or any renewal thereof.

763 IN WITNESS WHEREOF, the parties hereto have executed this Settlement
764 Contract as of the day and year first hereinabove written.

765 THE UNITED STATES OF AMERICA

APPROVED AS TO LEGAL
FORM AND SUFFICIENCY
James E. Turner
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

By: *Paul C. [Signature]*
Regional Director, Mid-Pacific Region
Bureau of Reclamation

766
767
768

769 (SEAL)

770
771

JOHN R. HENLE TRUST

SHARON KAY RITTER
Commission # 1311440
Notary Public - California
Orange County
My Comm. Expires Jun 30, 2005
Sharon Kay Ritter

By: *Thomas N. Henle*
Thomas N. Henle, Trustee

772
773

774

HENLE FAMILY LIMITED PARTNERSHIP

SHARON KAY RITTER
Commission # 1311440
Notary Public - California
Orange County
My Comm. Expires Jun 30, 2005
Sharon Kay Ritter

By: *Thomas N. Henle*
Thomas N. Henle, General Partner

775
776

777
778

By: *William F. Henle*
William F. Henle, General Partner

CHERYL D. WALKER
Commission # 1415377
Notary Public - California
Imperial County
My Comm. Expires May 3, 2007
Cheryl D. Walker

779 (H:\public\Sac River Final LRC's\2005-01-31 Henle, Thomas N. Final Draft with exhibits.doc)

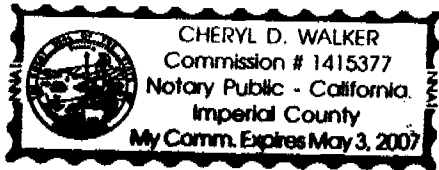
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Imperial } ss.

On March 11, 2005 before me, Cheryl D. Walker, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared William F. Henle
Name(s) of Signer(s)

personally known to me
 proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/were 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.

Cheryl D. Walker
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: U.S. Dept. of Interior Contract
Document Date: March 10, 2005 Number of Pages: 32
Signer(s) Other Than Named Above: Thomas N. Henle Plus Exhibits

Capacity(ies) Claimed by Signer

Signer's Name: William F. Henle

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing: Henle Family Limited Partnership



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

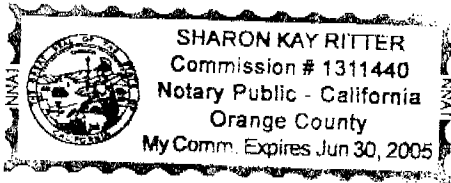
County of ORANGE } ss.

On MARCH 10, 2005, before me, SHARON KAY RITTER,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared THOMAS N. HENLE
Name(s) of Signer(s)

- personally known to me
- 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.

Sharon Kay Ritter
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER

Top of thumb here

Exhibit A

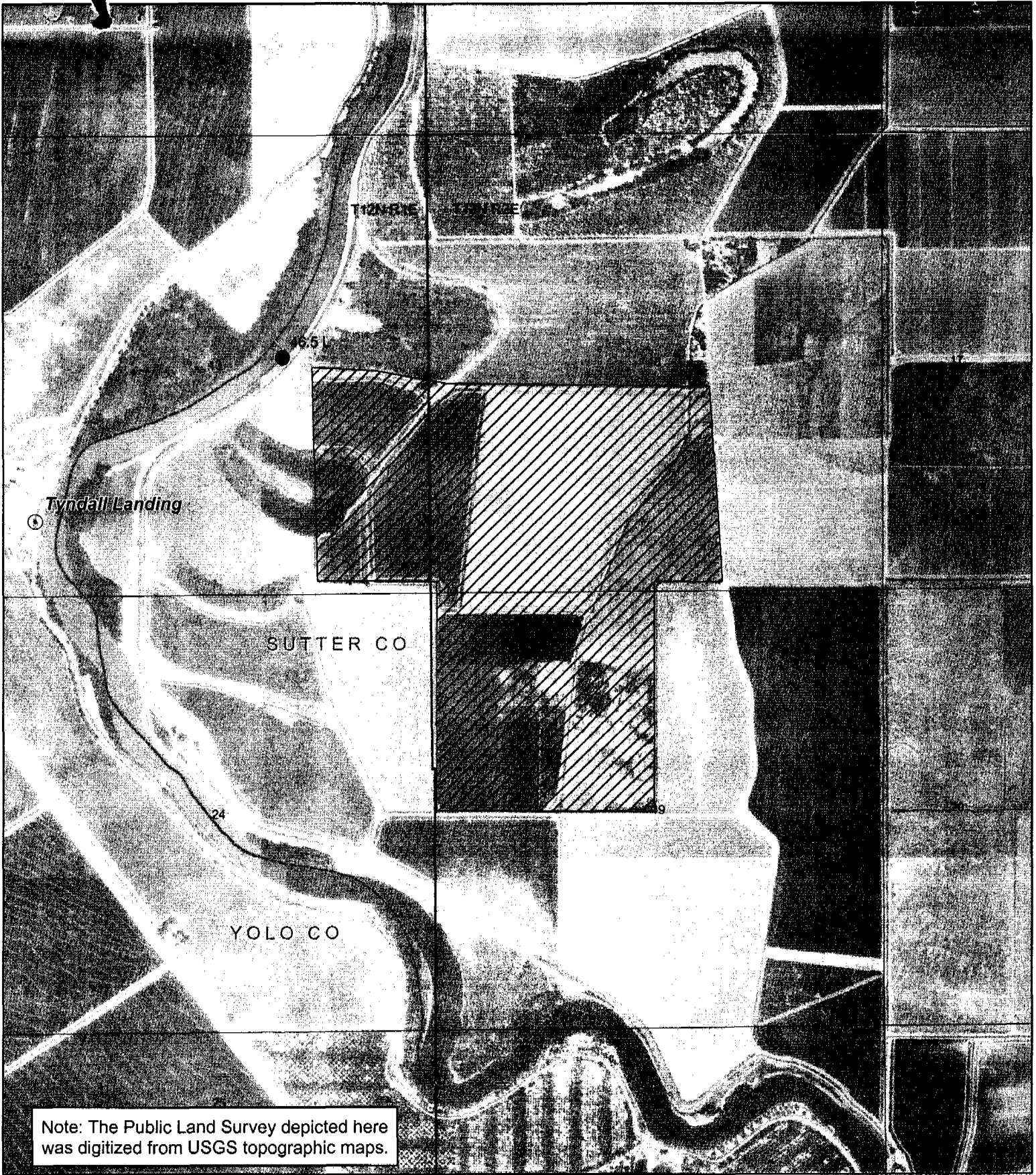
THOMAS N. HENLE, TRUSTEE OF THE JOHN R. HENLE TRUST
 and HENLE FAMILY LIMITED PARTNERSHIP
 Sacramento River

SCHEDULE OF MONTHLY DIVERSIONS OF WATER

	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
April	<u>120</u>	<u>0</u>	<u>120</u>
May	<u>300</u>	<u>0</u>	<u>300</u>
June	<u>210</u>	<u>0</u>	<u>210</u>
July	<u>120</u>	<u>0</u>	<u>120</u>
August	<u>100</u>	<u>0</u>	<u>100</u>
September	<u>55</u>	<u>0</u>	<u>55</u>
October	<u>30</u>	<u>0</u>	<u>30</u>
Total	<u>935</u>	<u>0</u>	<u>935</u>

Points of Diversion: 46.5L

Dated: 01-31-2005



Note: The Public Land Survey depicted here was digitized from USGS topographic maps.

Henle, Thomas N.

Contract No. 14-06-200-932A-R-1

Exhibit B



Contractor's Service Area



Point of Diversion

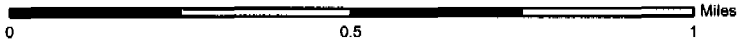


Exhibit C

THOMAS N. HENLE, TRUSTEE OF THE JOHN R. HENLE TRUST
and HENLE FAMILY LIMITED PARTNERSHIP
Sacramento River

UNIT DUTY

(In Acre-Feet Per Acre)

	<u>Rice</u>	<u>Alfalfa and Irrigated Pasture</u>	<u>General Crops</u>
June	1.70	0.80	0.60
July	1.80	1.00	0.70
August	1.70	0.80	0.70
September	0.50	0.60	0.40

Dated: 01-31-2005

Exhibit D

THOMAS N. HENLE, TRUSTEE OF THE JOHN R. HENLE TRUST
 and HENLE FAMILY LIMITED PARTNERSHIP
 Sacramento River

2005 Water Rates and Charges per Acre-Foot

*** Rates are not available as there is no Project Water in the Contract Total. Rescheduling Fee is still applicable to Base Supply.**

<u>COST OF SERVICE RATES:</u>	<u>Irrigation</u>
Capital Rates	
Storage	\$0.00*
O&M Rates:	
Water Marketing	\$0.00*
Storage	\$0.00*
Deficit Rates:	
Interest Bearing	\$0.00*
CFO/PFR Adjustment Rate 1/	\$0.00*
TOTAL	\$0.00*
<u>RESCHEDULING FEE:</u>	<u>\$6.00</u>
<u>FULL-COST RATES:</u>	
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	\$0.00*
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	\$0.00*
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/</u>	
Restoration Payments (3407(d)(2)(A))	\$0.00*

1/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

2/ Restoration fund charges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund charges are on a fiscal year basis (10/1 - 9/30).