

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

CONTRACT BETWEEN THE UNITED STATES AND
KLSY, LLC,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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12 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into by
13 THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made this
14 8th day of February, 2016, pursuant to the applicable authority granted to
15 it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary
16 thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
17 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, including but not
18 limited to Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68),
19 October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title
20 XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to as
21 Federal Reclamation law, and KLSY, LLC, a California limited liability company, hereinafter
22 referred to as the Contractor, acting pursuant to Sections 12003 and 12004 of the California Water
23 Code, with its principal place of business in California;

24 WITNESSETH, that:

25 EXPLANATORY RECITALS

26 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
27 Project, California, for multiple purposes pursuant to its statutory authority; and

28 [2nd] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to
29 divert for reasonable beneficial use, water from the natural flow of the Sacramento River and
30 tributaries thereto, that would have been flowing therein if the Central Valley Project were not in
31 existence; and

32 [3rd] WHEREAS, the construction and operation of the integrated and coordinated
33 Central Valley Project has changed and will further change the regimen of the Sacramento,
34 American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from
35 unregulated flow to regulated flow; and

36 [4th] WHEREAS, the United States has rights to divert, is diverting, and will continue to
37 divert waters from said Rivers and said Delta in connection with the operation of said Central
38 Valley Project; and

39 [5th] WHEREAS, the Contractor and the United States had a dispute over the respective
40 rights of the parties to divert and use water from the regulated flow of the Sacramento River which
41 threatened to result in litigation, and as a means to settle that dispute entered into Contract No. 14-
42 06-200-7556A, as amended, hereinafter referred to as the Existing Contract, which established
43 terms for the delivery to the Contractor of Central Valley Project Water, and the quantities of Base
44 Supply the United States and the Contractor agreed may be diverted by the Contractor from the
45 Sacramento River pursuant to such contract; and

46 [5.1] WHEREAS, KLSY, LLC is the successor in interest to Antonius Graf V.
47 Mirbach-Harff; 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 the
51 Existing Contract, and other issues related thereto. That dispute was the subject of litigation in a

52 lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.* [Civ. No. S-01-1816
53 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice, pursuant to a
54 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 is
79 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 Charges.
81 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 Shasta
95 Lake shall be performed in a manner that considers the extent of upstream development above
96 Shasta Lake during the year in question, and shall be used as the full natural flow to Shasta Lake.
97 In the event that major construction has occurred or occurs above Shasta Lake after September 1,
98 1963, and which has materially altered or alters the regimen of the stream systems contributing to
99 Shasta Lake, the computed inflow to Shasta Lake used to define a Critical Year will be adjusted to

100 eliminate the effect of such material alterations. After consultation with the State of California,
101 the National Weather Service, and other recognized forecasting agencies, the Contracting Officer
102 will select the forecast to be used and will make the details of it available to the Contractor. The
103 same forecasts used by the United States for the operation of the Project shall be used to make the
104 forecasts hereunder;

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

107 (g) Omitted;

108 (h) Omitted;

109 (i) Omitted;

110 (j) Omitted;

111 (k) Omitted;

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

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

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

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

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

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

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

132 TERM OF SETTLEMENT CONTRACT

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

138 (b) With respect to Project Water and the portions of this Settlement Contract
139 pertaining thereto, upon written request by the Contractor of the Secretary made not later than one
140 year prior to the expiration of this Settlement Contract, whenever, account being taken of the
141 amount then credited to the costs of construction of water supply works, the remaining amount of
142 construction costs of water supply work which is properly assignable for ultimate return by the
143 Contractor as established by the Secretary of the Interior pursuant to (3) of Section 1 of Public
144 Law 643 (70 Stat. 483), probably can be repaid to the United States within the term of a contract
145 under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions of
146 this Settlement Contract may be converted to a contract under said subsection 9(d) upon terms and
147 conditions mutually agreeable to the United States and the Contractor. The Secretary shall make a

148 determination ten years after the date of execution of this Settlement Contract, and every five
149 years thereafter, of whether a conversion to a contract under said subsection 9(d) can be
150 accomplished pursuant to Public Law 643. Notwithstanding any provision of this Settlement
151 Contract, the Contractor reserves and shall have all rights and benefits under Public Law 643.

152 WATER TO BE FURNISHED TO CONTRACTOR

153 3. (a) Subject to the conditions, limitations, and provisions hereinafter expressed,
154 the Contractor is hereby entitled and authorized to divert from the Sacramento River at the
155 locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B, (both
156 Exhibits are attached hereto and made a part hereof), the Contract Total designated in Exhibit A,
157 or any revision thereof.

158 (b) No sale, transfer, exchange, or other disposal of any of the Contract Total
159 designated in Exhibit A or the right to the use thereof for use on land other than that shown on
160 Exhibit B shall be made by the Contractor without first obtaining the written consent of the
161 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
162 rendered in a timely manner. For short-term actions that will occur within one year or less, the
163 decision will be rendered within 30 days after receipt of a complete written proposal. For
164 long-term actions that will occur in a period longer than one year, the decision will be rendered
165 within 90 days after receipt of a complete written proposal. For a proposal to be deemed complete
166 by the Contracting Officer, it must comply with all provisions required by State and Federal law,
167 including information sufficient to enable the Contracting Officer to comply with the National
168 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then in
169 effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate or
170 effectuate the sale, transfer, exchange or other disposal of Base Supply. Such use of Federal

171 facilities will be the subject of a separate agreement to be entered into between the Contractor and
172 Reclamation.

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

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

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

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

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

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

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

193 (f) In addition to the provisions of subdivision (e) of Article 3 of this Contract,
194 if there is a shortage of Project Water because of actions taken by the Contracting Officer to meet

195 legal obligations then, except as provided in subdivision (a) of Article 30 of this Contract, no
196 liability shall accrue against the United States or any of its officers, agents, or employees for any
197 damage, direct or indirect, arising therefrom.

198 RETURN FLOW

199 4. Nothing herein shall be construed as an abandonment or a relinquishment by the
200 United States of any right it may have to the use of waste, seepage, and return flow water derived
201 from water diverted by the Contractor hereunder and which escapes or is discharged beyond the
202 boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as claiming
203 for the United States any right to such water which is recovered by the Contractor
204 pursuant to California law from within the boundaries of the lands shown on Exhibit B, and which
205 is being used pursuant to this Settlement Contract for surface irrigation or underground storage for
206 the benefit of the lands shown on Exhibit B by the Contractor.

207 CONSTRAINTS ON THE AVAILABILITY OF WATER

208 5. In a Critical Year, the Contractor shall have the option to:
209 (a) Irrigate not in excess of 75 percent of its irrigable acreage shown on Exhibit
210 A; or
211 (b) Divert from the Sacramento River not in excess of 75 percent of the
212 Contract Total shown on Exhibit A, subject to the installation of measurement equipment
213 satisfactory to the Contracting Officer. The Contractor shall install, operate, and maintain this
214 equipment at the Contractor's expense. The Contractor shall submit, by April 1 of that Critical
215 Year, a written schedule to the Contracting Officer indicating the Contract Total to be diverted by
216 the Contractor during each month of that Critical Year under this Settlement Contract.
217 (c) The amount of any overpayment by the Contractor shall, at its option, be
218 refunded or credited upon amounts to become due to the United States from the Contractor under

219 the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of
220 overpayment shall constitute the sole remedy of the Contractor.

221 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

222 6. The Contractor and United States desire to work together to maximize the
223 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
224 and the Contractor will work in partnership and with others within the Sacramento Valley,
225 including other contractors, to facilitate the better integration within the Sacramento Valley of all
226 water supplies including, but not limited to, the better management and integration of surface
227 water and groundwater, the development and better utilization of surface water storage, the
228 effective utilization of waste, seepage and return flow water, and other operational and
229 management options that may be identified in the future.

230 USE OF WATER FURNISHED TO CONTRACTOR

231 7. (a) Project Water furnished to the Contractor pursuant to this Settlement
232 Contract shall not be delivered or furnished by the Contractor for any purposes other than
233 agricultural purposes without the written consent of the Contracting Officer. For purposes of this
234 Settlement Contract, "agricultural purposes" includes, but is not restricted to, the irrigation of
235 crops, the watering of livestock, incidental domestic use including related landscape irrigation, and
236 underground water replenishment.

237 (b) The Contractor shall comply with requirements applicable to the Contractor
238 in biological opinion(s) prepared as a result of a consultation regarding the execution of this
239 Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973, as
240 amended, that are within the Contractor's legal authority to implement. The Existing Contract,
241 which evidences in excess of 40 years of diversions, for agricultural uses, of the quantities of
242 water provided for in Article 3, and the underlying water rights of the Contractor will be

243 considered in developing an appropriate base-line for the Biological Assessment prepared
244 pursuant to the Endangered Species Act, and in any other needed environmental review. Nothing
245 herein shall be construed to prevent the Contractor from challenging or seeking judicial relief in a
246 court of competent jurisdiction with respect to any biological opinion or other environmental
247 documentation referred to in this Article.

248 RATE AND METHOD OF PAYMENT FOR WATER

249 8. (a) The Contractor shall make payments to the United States as provided in this
250 Article for each acre of land irrigated from April 1, through October 31 each Year.

251 Such payments shall be at Rates and Charges established in accordance with: (i)
252 the Secretary's then-current ratesetting policies for the Project; and (ii) applicable Reclamation
253 law and associated rules and regulations, or policies; Provided, that if the Contractor desires to use
254 Project Water for other than agricultural purposes the Rates and Charges set forth above will be
255 adjusted by the Contracting Officer to the applicable Rates and Charges for such purposes. The
256 Rates and Charges applicable to the Contractor upon execution of this Settlement Contract are set
257 forth in Exhibit D, as may be revised annually. The Secretary's ratesetting policies for the Project
258 shall be amended, modified, or superseded only through a public notice and comment procedure.

259 (b) The Contracting Officer shall notify the Contractor of the Rates and
260 Charges as follows:

261 (1) Prior to July 1 of each Year, the Contracting Officer shall provide
262 the Contractor an estimate of the Charges for Project Water that will be applied to the period
263 October 1, of the current Year, through September 30, of the following Year, and the basis for
264 such estimate. The Contractor shall be allowed not less than two months to review and comment
265 on such estimates. On or before September 15 of each Year, the Contracting Officer shall notify

266 the Contractor in writing of the Charges to be in effect during the period October 1 of the current
267 Year, through September 30, of the following Year, and such notification shall revise Exhibit D.

268 (2) Prior to October 1 of each Year, the Contracting Officer shall make
269 available to the Contractor an estimate of the Rates for Project Water for the following Year and
270 the computations and cost allocations upon which those Rates are based. The Contractor shall be
271 allowed not less than two months to review and comment on such computations and cost
272 allocations. By December 31 of each Year, the Contracting Officer shall provide the Contractor
273 with the final Rates to be in effect for the upcoming Year, and such notification shall revise
274 Exhibit D.

275 (c) The Contractor shall pay the United States for Project Water in the
276 following manner:

277 (1) With respect to Rates and Charges, on or before May 1 of each
278 Year, the Contractor shall pay the United States one-half the total amount payable pursuant to
279 subdivision (a) of this Article and the remainder shall be paid on or before July 1 or such later date
280 or dates as may be specified by the United States in a written notice to the Contractor:

281 (2) The amount to be paid on or before May 1 of each Year shall be
282 based on a written estimate, provided to the Contracting Officer by the Contractor on or before
283 April 1 of each Year, of the total area to be irrigated between April 1 and October 31 of that Year.

284 (3) The amount to be paid on or before July 1 shall be equal to the
285 difference between the amount paid on May 1 and the total amount due for the Year, based on the
286 total area actually irrigated between April 1 and July 1.

287 (4) If additional areas are placed under irrigation on or after July 1, but
288 before October 31, additional payment shall be made in advance of such additional irrigation at
289 the Rates and Charges shown in Exhibit D for each additional acre placed under irrigation.

290 (d) Payments to be made by the Contractor to the United States under this
291 Settlement Contract may be paid from any revenues available to the Contractor. All revenues
292 received by the United States from the Contractor relating to the delivery of Project Water or the
293 delivery of non-Project Water through Project facilities shall be allocated and applied in
294 accordance with Federal Reclamation law and the associated rules or regulations, and the
295 then-current Project ratesetting policies for irrigation water.

296 (e) The Contracting Officer shall keep its accounts pertaining to the
297 administration of the financial terms and conditions of its long-term water service and Settlement
298 Contracts, in accordance with applicable Federal standards, so as to reflect the application of
299 Project costs and revenues. The Contracting Officer shall, each Year upon request of the
300 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense
301 allocations, the disposition of all Project and Contractor revenues, and a summary of all water
302 delivery information. The Contracting Officer and the Contractor shall enter into good faith
303 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or
304 information.

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

312 (g) For the term of this Settlement Contract, Rates under the respective
313 ratesetting policies for the Project will be established to recover only reimbursable operation and

314 maintenance (including any deficits) and capital costs of the Project, as those terms are used in the
315 then-current Project ratesetting policies, and interest, where appropriate, except in instances where
316 a minimum Rate is applicable in accordance with the relevant Project ratesetting policy. Proposed
317 changes of significance in practices which implement the ratesetting policies for the Project will
318 not be implemented until the Contracting Officer has provided the Contractor an opportunity to
319 discuss the nature, need, and impact of the proposed change. The Contractor retains all rights to
320 challenge the validity of Rates and Charges imposed pursuant to this Settlement Contract,
321 including but not limited to operation and maintenance expenses and operation and maintenance
322 deficits, in an appropriate administrative or judicial proceeding.

323 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates for
324 Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the
325 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)
326 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
327 delivery in accordance with the then-current ratesetting policies for the Project. Except as
328 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
329 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges specified
330 in Exhibit D. If the Contractor is receiving lower Rates and Charges because of inability to pay
331 and is transferring, exchanging, or otherwise disposing of Project Water to another entity whose
332 Rates and Charges are not adjusted due to inability to pay, the Rates and Charges for transferred,
333 exchanged, or otherwise disposed of Project Water shall be the Contractor's Rates and Charges
334 unadjusted for ability to pay.

335 (i) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting
336 Officer is authorized to adjust determinations of ability to pay every five years.

337 (j) Each payment to be made pursuant to subdivisions (a) and (b) of this
338 Article shall be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific,
339 P.O. Box 894242, Los Angeles, CA 90189-4242, or at such other place as the United States may
340 designate in a written notice to the said Contractor. Payments shall be made by cash transaction,
341 wire, or any other mechanism as may be agreed to in writing by the Contractor and the
342 Contracting Officer. In event there should be a default in the payment of the amount due, the
343 delinquent payment provisions of Article 13 shall apply. The Contractor shall not be relieved of
344 the whole or any part of its said obligation by, on account of, or notwithstanding, as the case may
345 be its failure, refusal, or neglect to divert the quantity of Project Water shown on Exhibit A.

346 AGREEMENT ON WATER QUANTITIES

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

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

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

356 (b) Nothing herein contained is intended to or does limit rights of the
357 Contractor against others than the United States or of the United States against any person other
358 than the Contractor; Provided, however, that in the event the Contractor, the United States, or any
359 other person shall become a party to a general adjudication of rights to the use of water of the
360 Sacramento River system, this Settlement Contract shall not jeopardize the rights or position of

361 either party hereto or of any other person and the rights of all such persons in respect to the use of
362 such water shall be determined in such proceedings the same as if this Settlement Contract had not
363 been entered into, and if final judgment in any such general adjudication shall determine that the
364 rights of the parties hereto are different from the rights as assumed herein, the parties shall
365 negotiate an amendment to give effect to such judgment. In the event the parties are unable to
366 agree on an appropriate amendment they shall, within 60 days of determining that there is an
367 impasse, employ the services of a neutral mediator, experienced in resolving water rights disputes,
368 to assist in resolving the impasse. The cost of the mediation will be shared equally. A failure to
369 reach agreement on an amendment within 60 days of the end of mediation will cause the
370 immediate termination of this Settlement Contract.

371 (c) In the event that the California State Water Resources Control Board or a
372 court of competent jurisdiction issues a final decision or order modifying the terms and conditions
373 of the water rights of either party to this Settlement Contract in order to impose Bay-Delta water
374 quality obligations, the Contractor and the United States shall promptly meet to determine whether
375 or not to modify any of the terms of this Settlement Contract to comply with the final decision or
376 order. If within 60 days of the date of the issuance of the final decision or order the parties are not
377 able to reach agreement regarding either the need to modify this Settlement Contract or the
378 manner in which this Settlement Contract is to be modified, the parties shall promptly retain a
379 neutral mediator, experienced in resolving water right disputes, to assist the parties in resolving
380 their dispute. The cost of the mediator shall be shared equally. In the event that either of the
381 parties to this Settlement Contract determines that the parties will not be able to develop mutually-
382 agreeable modification(s) to this Settlement Contract even with the assistance of a mediator, either
383 of the parties to this Settlement Contract may attempt to resolve the impasse by seeking
384 appropriate judicial relief including, but not limited to, filing a general adjudication of the rights to

385 the use of water in the Sacramento River system. The foregoing provisions of this sub-article shall
386 only apply to the incremental obligations contained within a final decision or order of the State
387 Water Resources Control Board that reflects a modification to the obligations imposed in State
388 Water Resources Control Board Revised Water Rights Decision 1641 dated March 15, 2000, and
389 its associated 1995 Water Quality Control Plan which, taken together, will be considered the
390 baseline for the application of the provisions of this sub-article.

391 (d) In the event this Settlement Contract terminates, the rights of the parties to
392 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
393 and the fact that as a compromise settlement of a controversy as to the respective rights of the
394 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
395 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
396 Settlement Contract term and segregates it into Base Supply and Project Water shall not jeopardize
397 the rights or position of either party with respect to its water rights or the yield thereof at all times
398 after the Settlement Contract terminates. It is further agreed that the Contractor at all times will
399 first use water to the use of which it is entitled by virtue of its own water rights, and neither the
400 provisions of this Settlement Contract, action taken thereunder, nor payments made thereunder to
401 the United States by the Contractor shall be construed as an admission that any part of the water
402 used by the Contractor during the term of this Settlement Contract was in fact water to which it
403 would not have been entitled under water rights owned by it nor shall receipt of payments
404 thereunder by the United States from the Contractor be construed as an admission that any part of
405 the water used by the Contractor during the term of this Settlement Contract was in fact water to
406 which it would have been entitled under water rights owned by it.

407

MEASUREMENT OF WATER

408

10. (a) All water diverted by the Contractor from the Sacramento River will be

409

diverted at the existing point or points of diversion shown on Exhibit A or at such other points as

410

may be mutually agreed upon in writing by the Contracting Officer and the Contractor.

411

(b) The right of ingress to and egress from all points of diversion is hereby

412

granted to all authorized employees of the United States. The Contractor also hereby grants to the

413

United States the right to install, operate, maintain, and replace measuring equipment on diversion

414

or carriage facilities at each point of diversion as the Contracting Officer deems necessary.

415

(c) The Contractor shall not modify, alter, remove, or replace diversion

416

facilities or do any other act which would alter the effectiveness or accuracy of the measuring

417

equipment installed by the United States or its representatives unless and until the Contracting

418

Officer has been notified with due diligence and has been given an opportunity to modify such

419

measuring equipment in such manner as may be necessary or appropriate. In the event of an

420

emergency the Contractor shall notify the United States within a reasonable time thereafter as to

421

the existence of the emergency and the nature and extent of such modification, alteration, removal,

422

or replacement of diversion facilities.

423

(d) The Contractor shall pay the United States for the costs to repair, relocate,

424

or replace measurement equipment when the Contractor modifies, alters, removes, or replaces

425

diversion or carriage facilities.

426

RULES AND REGULATIONS

427

11. The parties agree that the delivery of Project Water for irrigation use or use of

428

Federal facilities pursuant to this Settlement Contract is subject to Federal Reclamation law,

429

including but not limited to, the Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as

430 amended and supplemented, and the rules and regulations promulgated by the Secretary of the
431 Interior under Federal Reclamation law.

432 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

445 CHARGES FOR DELINQUENT PAYMENTS

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

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

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

463 QUALITY OF WATER

464 14. The operation and maintenance of Project facilities shall be performed in such
465 manner as is practicable to maintain the quality of raw water made available through such

466 facilities at the highest level reasonably attainable as determined by the Contracting Officer. The
467 United States does not warrant the quality of water and is under no obligation to construct or
468 furnish water treatment facilities to maintain or better the quality of water.

469 WATER AND AIR POLLUTION CONTROL

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

474 EQUAL OPPORTUNITY

475 16. During the performance of this Settlement Contract, the Contractor agrees as
476 follows:

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

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

491 (c) The Contractor will send to each labor union or representative of workers
492 with which it has a collective bargaining agreement or other contract or understanding, a notice, to
493 be provided by the Contracting Officer, advising the said labor union or workers' representative of
494 the Contractor's commitments under Section 202 of Executive Order 11246 of September 24,
495 1965, and shall post copies of the notice in conspicuous places available to employees and
496 applicants for employment.

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

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

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

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

521 17. Omitted.

522 18. Omitted.

523 BOOKS, RECORDS, AND REPORTS

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

533 CHANGE OF PLACE OF USE

534 20. Unless the written consent of the United States is first obtained no change shall be
535 made in the place of water use shown on Exhibit B.

536 21. Omitted.

537

NOTICES

538 22. Any notice, demand, or request authorized or required by this Settlement Contract
539 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
540 delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation, 16349
541 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States, when
542 mailed, postage prepaid, or delivered to KLSY, LCC, c/o Robert C. Field, Attorney at Law, 1600
543 South Main Street, Suite 195, Walnut Creek, California 94596-5377. The designation of the
544 addressee or the address may be changed by notice given in the same manner as provided in this
545 Article for other notices.

546 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

556 OFFICIALS NOT TO BENEFIT

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

560 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

566 CONFIRMATION OF SETTLEMENT CONTRACT

567 26. The Contractor, after the execution of this Settlement Contract, shall promptly seek
568 to secure a decree of a court of competent jurisdiction of the State of California, if appropriate,
569 confirming the execution of this Settlement Contract. The Contractor shall furnish the United
570 States a certified copy of the final decree, the validation proceedings, and all pertinent supporting
571 records of the court approving and confirming this Settlement Contract, and decreeing and

572 adjudging it to be lawful, valid, and binding on the Contractor. This Settlement Contract shall not
573 be binding on the United States until such final decree has been secured.

574 27. Omitted.

575 PRIVACY ACT COMPLIANCE

576 28. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a)
577 (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et
578 seq.) in maintaining Landholder acreage certification and reporting records, required to be
579 submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation Reform
580 Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

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

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

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

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

601 WATER CONSERVATION

602 29. (a) Prior to the diversion of Project Water, the Contractor shall be
603 implementing an effective water conservation and efficiency program based on the Basin-Wide
604 Water Management Plan and/or Contractor's water conservation plan that has been determined by
605 the Contracting Officer to meet the conservation and efficiency criteria for evaluating water

606 conservation plans established under Federal law. The water conservation and efficiency program
607 shall contain definite water conservation objectives, appropriate economically feasible
608 water conservation measures, and time schedules for meeting those objectives. Continued
609 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
610 Contractor's continued implementation of such water conservation program. In the event the
611 Contractor's water conservation plan or any revised water conservation plan completed pursuant to
612 subdivision (d) of Article 29 of this Settlement Contract have not yet been determined by the
613 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
614 determines are beyond the control of the Contractor, Project Water deliveries shall be made under
615 this Settlement Contract so long as the Contractor diligently works with the Contracting Officer to
616 obtain such determination at the earliest practicable date, and thereafter the Contractor
617 immediately begins implementing its water conservation and efficiency program in accordance
618 with the time schedules therein.

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

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

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

630

OPINIONS AND DETERMINATIONS

631 30. (a) Where the terms of this Settlement Contract provide for actions to be based
632 upon the opinion or determination of either party to this Settlement Contract, said terms shall not
633 be construed as permitting such action to be predicated upon arbitrary, capricious, or unreasonable
634 opinions or determinations. Both parties, notwithstanding any other provisions of this Settlement
635 Contract, expressly reserve the right to seek relief from and appropriate adjustment for any such
636 arbitrary, capricious, or unreasonable opinion or determination. Each opinion or determination by
637 either party shall be provided in a timely manner. Nothing in subdivision (a) of Article 30 of this
638 Settlement Contract is intended to or shall affect or alter the standard of judicial review applicable
639 under Federal law to any opinion or determination implementing a specific provision of Federal
640 law embodied in statute or regulation.

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

646 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

647 31. (a) In addition to all other payments to be made by the Contractor pursuant to
648 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after receipt
649 of a bill and detailed statement submitted by the Contracting Officer to the Contractor for such
650 specific items of direct cost incurred by the United States for work requested by the Contractor
651 associated with this Settlement Contract plus indirect costs in accordance with applicable

652 Bureau of Reclamation policies and procedures. All such amounts referred to in this Article
653 shall not exceed the amount agreed to in writing in advance by the Contractor. This Article shall
654 not apply to costs for routine contract administration.

655 (b) All advances for miscellaneous costs incurred for work requested by the
656 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the
657 actual costs when the work has been completed. If the advances exceed the actual costs incurred,
658 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
659 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this
660 Settlement Contract.

661 WAIVER OF DEFAULT

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

666 CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

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

670 (1) A voluntary inter vivos transfer may be made, upon mutual
671 agreement of the United States and the Contractors, to a person eligible to hold title to the land as
672 a nonexcess landowner; and

673 (2) In the event the title of the Contractors to such land, or any portion
674 thereof, is transferred by operation of law, such as by conveyance in satisfaction of a mortgage,

675 by inheritance, or by device, the rights and obligations of the Contractors shall pass with the title
676 and the land shall be subject to provisions of Reclamation law pertaining to such transfers. Any
677 transfer of the rights and obligations of this Settlement Contract by the person acquiring title by
678 operation of law shall be in accordance with provisions of subsection (1) above.

679 (b) The Contractors shall notify the Contracting Officer in writing of any
680 proposed transfer of this Settlement Contract. In addition, in the case of a partial assignment the
681 Contractors shall:

682 (1) Designate the proportionate quantities of Base Supply and Project
683 Water which they desire to assign; and

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

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

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

692 TERMINATION

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

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

697

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

THE UNITED STATES OF AMERICA

698

699

700

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

701

(SEAL)

JERRY K. PROCTOR
COMM. # 1371344
NOTARY PUBLIC-CALIFORNIA
CONTRA COSTA COUNTY
COMM. EXP. AUG. 22, 2006

702

703

Jerry K. Proctor
NOTARU
1-20-06

KLSY, LLC

704

705

706

By: *[Signature]*
Name: Robert C. Field
Title: Attorney-in-Fact

707

Attest:

708

709

Secretary

710 (H:\public\Sac River Final LTRC's-01\2005-01-31 KLSY, LCC FinalDraft Contract
711 withexhbits.doc)

Exhibit A

KLSY, LLC
Sacramento River

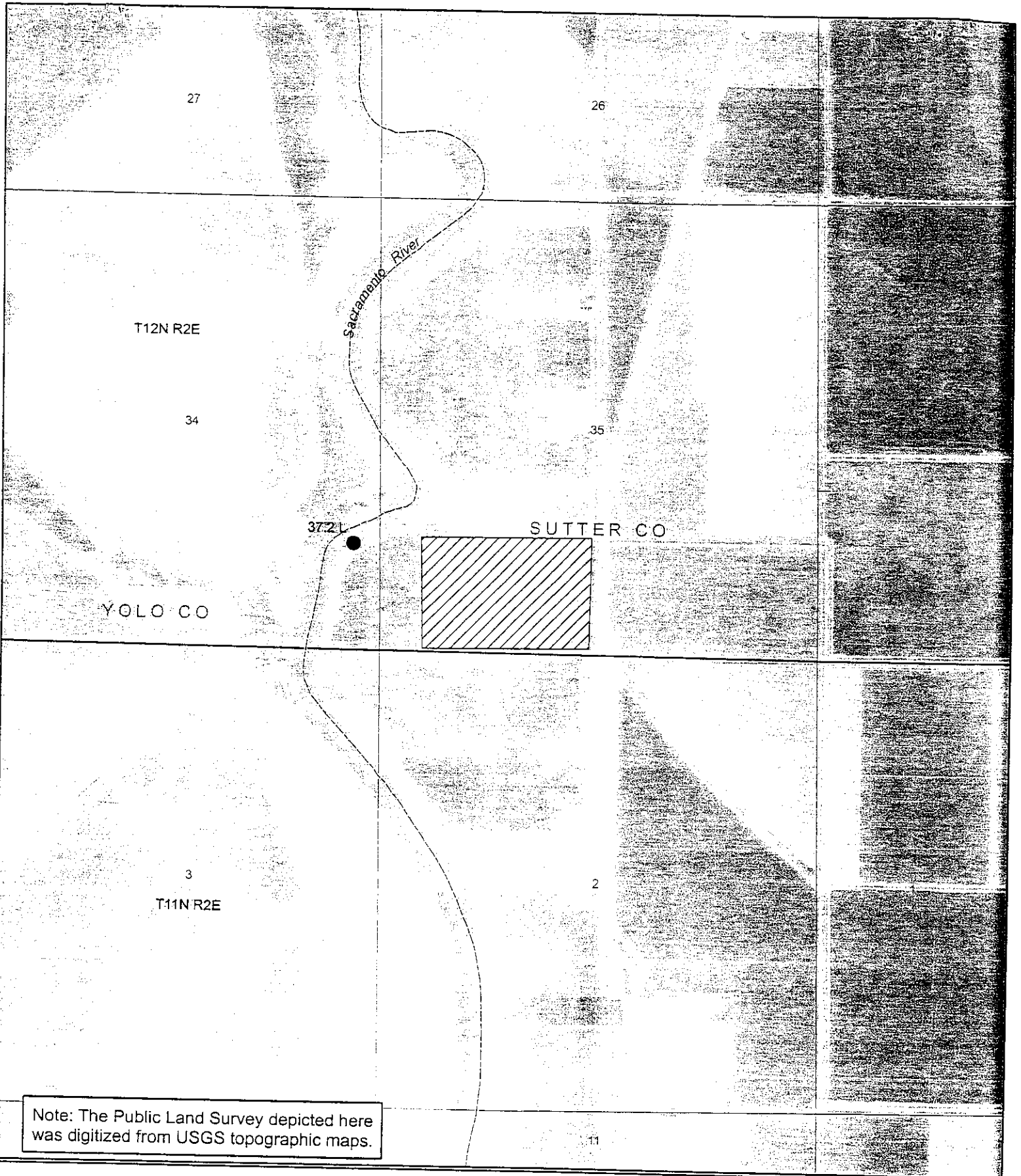
SCHEDULE OF MONTHLY DIVERSIONS OF WATER

	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
April	<u>0</u>	<u>0</u>	<u>0</u>
May	<u>10</u>	<u>0</u>	<u>10</u>
June	<u>40</u>	<u>20</u>	<u>60</u>
July	<u>20</u>	<u>40</u>	<u>60</u>
August	<u>10</u>	<u>30</u>	<u>40</u>
September	<u>0</u>	<u>0</u>	<u>0</u>
October	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>80</u>	<u>90</u>	<u>170</u>

Irrigable Acres: 63

Points of Diversion: 37.2L

Dated: 01-31-2005





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

KLSY, LLC

Contract No. 14-06-200-7556A-R-1

Exhibit B

 Contractor's Service Area

 Point of Diversion

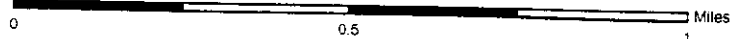


Exhibit C

Omitted

Exhibit D

KLSY, LCC
Sacramento River
2005 Water Rates and Charges per Irrigated Acre

Irrigation

COST OF SERVICE RATE: \$21.97

FULL-COST RATES:

Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981. \$31.70

Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981. \$35.50

CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 1/

Restoration Payments (3407(d)(2)(A)) \$11.33

1/ 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).

Certificate of Acknowledgment of Execution of an Instrument

Federal Republic of Germany
(Country)

Land Nordrhein Westphalia
(Country and/or other political division)

City of Duesseldorf
(Country and/or other political division)



SS:

American Consulate General Duesseldorf
(Name of foreign service office)

I, Bruce R. Kraft, Consul

of the United States of America at American Consulate General Duesseldorf, Germany

duly commissioned and qualified, do hereby certify that on this 14th

day of September, 2005
(DATE (mm-dd-yyyy))

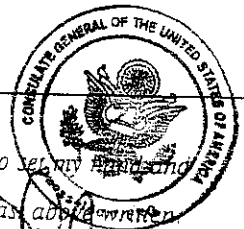
, before me personally appeared

Antoni~~us~~ Graf von Mirbach-Harff, German I.D. Card No: 5150043145

and Clemens Graf von Mirbach-Harff, German I.D. Card No: 5149967029.

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~
to me personally known, and known to me to be the individual-described in, whose name ~~s~~ are subscribed to, and who executed the annexed instrument, and being informed by me of the contents of said instrument they duly acknowledged to me that they executed the same freely and voluntarily for the uses and purposes therein mentioned.

[SEAL]



In witness whereof I have hereunto set my hand and official seal the day and year last above written.

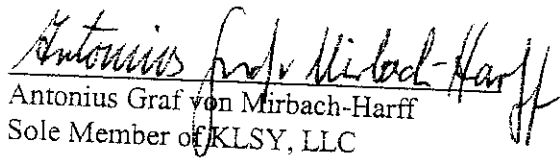
Bruce R. Kraft
Consul of the United States of America.

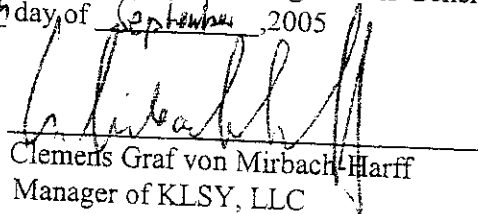
GENERAL POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS:

That KLSY, LLC, a California limited liability company, acting by its Sole Member, Antonius Graf von Mirbach-Harff, and by its duly designated Manager, Clemens Graf von Mirbach-Harff, by these presents does hereby make, constitute and appoint Robert C. Field the true and lawful attorney-in-fact for KLSY, LLC ("The Company") and in the place and stead of the Sole Member and /or the Manager of The Company to do each of the following in the name and on behalf of The Company: To sell, convey, mortgage, and encumber real property; to execute, acknowledge and deliver deeds of real property, mortgages, deeds of trust, releases, satisfactions, quit claims, leases, and such other instruments relating to real property which he considers reasonable or necessary; to execute and deliver contracts with private parties and governmental agencies relating to the property or business of the Company; to place and effect insurance; to ask, demand, sue for, collect, and receive all sums of money, rents, dividends, principal and interest payments on account of debts and obligations, and all property now due or which may become due and owing to The Company; to institute and defend in The Company's name lawsuits or equitable actions; to do business with banks, and particularly to endorse all checks and drafts made payable to The Company's order and collect the proceeds; to sign in The Company's name checks on all accounts standing in the name of The Company, and to withdraw funds from said accounts, and to open accounts in the name of The Company or in his name as attorney-in-fact; to make such payments and expenditures as may be reasonable or necessary in connection with any of the foregoing matters or with the administration of The Company's affairs; hereby giving and granting to said attorney-in-fact full power and authority to do and perform all and every act and thing whatsoever necessary to be done in the premises, as fully as to all intents and purposes as the Sole Member and/or the Manager could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that said attorney-in-fact may do pursuant to this power.

IN WITNESS WHEREOF, the Sole Member and the Manager have signed this General Power of Attorney on behalf of KLSY, LLC this 14th day of September, 2005


Antonius Graf von Mirbach-Harff
Sole Member of KLSY, LLC


Clemens Graf von Mirbach-Harff
Manager of KLSY, LLC

[Affix Notarial Acknowledgment]

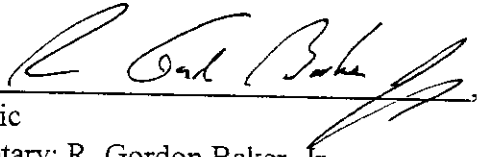
ACKNOWLEDGMENT

State of California
County of Contra Costa

On November 10, 2005, before me, R. Gordon Baker, Jr., a Notary Public in and for said county and state, personally appeared Robert C. Field, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature: _____



Notary Public

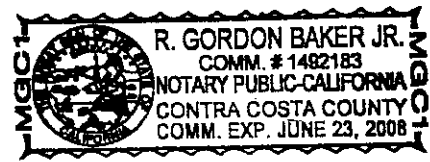
Name of Notary: R. Gordon Baker, Jr.

County of Notary's Principal Place of Business: Contra Costa County

Notary's Telephone Number: 925-930-9647

Notary's Registration Number: 1492183

Notary's Commission Expiration Date: June 23, 2008

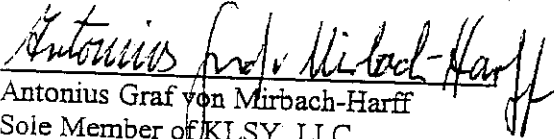


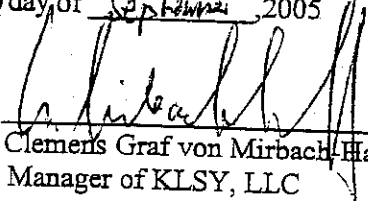
GENERAL POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS:

That KLSY, LLC, a California limited liability company, acting by its Sole Member, Antonius Graf von Mirbach-Harff, and by its duly designated Manager, Clemens Graf von Mirbach-Harff, by these presents does hereby make, constitute and appoint Robert C. Field the true and lawful attorney-in-fact for KLSY, LLC ("The Company") and in the place and stead of the Sole Member and /or the Manager of The Company to do each of the following in the name and on behalf of The Company : To sell, convey, mortgage, and encumber real property; to execute, acknowledge and deliver deeds of real property, mortgages, deeds of trust, releases, satisfactions, quit claims, leases, and such other instruments relating to real property which he considers reasonable or necessary; to execute and deliver contracts with private parties and governmental agencies relating to the property or business of the Company; to place and effect insurance; to ask, demand, sue for, collect, and receive all sums of money, rents, dividends, principal and interest payments on account of debts and obligations, and all property now due or which may become due and owing to The Company; to institute and defend in The Company's name lawsuits or equitable actions; to do business with banks, and particularly to endorse all checks and drafts made payable to The Company's order and collect the proceeds; to sign in The Company's name checks on all accounts standing in the name of The Company, and to withdraw funds from said accounts, and to open accounts in the name of The Company or in his name as attorney-in-fact; to make such payments and expenditures as may be reasonable or necessary in connection with any of the foregoing matters or with the administration of The Company's affairs; hereby giving and granting to said attorney-in-fact full power and authority to do and perform all and every act and thing whatsoever necessary to be done in the premises, as fully as to all intents and purposes as the Sole Member and/or the Manager could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that said attorney-in-fact may do pursuant to this power.

IN WITNESS WHEREOF, the Sole Member and the Manager have signed this General Power of Attorney on behalf of KLSY, LLC this 14th day of September, 2005


Antonius Graf von Mirbach-Harff
Sole Member of KLSY, LLC


Clemens Graf von Mirbach-Harff
Manager of KLSY, LLC

[Affix Notarial Acknowledgment]

Certificate of Acknowledgment of Execution of an Instrument

Federal Republic of Germany
(Country)

Land Nordrhein Westphalia
(County and/or other political division)

City of Duesseldorf
(County and/or other political division)

} SS:

American Consulate General Duesseldorf
(Name of foreign service office)

I, Bruce R. Kraft, Consul

of the United States of America at American Consulate General Duesseldorf, Germany

duly commissioned and qualified, do hereby certify that on this 14th

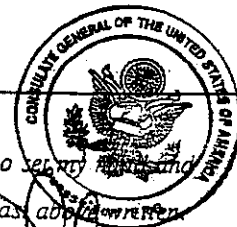
day of September, 2005, before me personally appeared
(DATE (mm-dd-yyyy))

Antonius Graf von Mirbach-Harff, German I.D. Card No: 5150043145

and Clemens Graf von Mirbach-Harff, German I.D. Card No: 5149967029.

~~to me personally known,~~ and known to me to be the individual-described in, whose name s are subscribed to, and who executed the annexed instrument, and being informed by me of the contents of said instrument they duly acknowledged to me that they executed the same freely and voluntarily for the uses and purposes therein mentioned.

[SEAL]



In witness whereof I have hereunto set my hand and official seal the day and year last above written.

Bruce R. Kraft
Consul of the United States of America.