

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

CONTRACT BETWEEN THE UNITED STATES AND
KNAGGS WALNUT RANCHES COMPANY, L.P.,
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
5	Constraints on the Availability of Water	11-12
6	Integrated Water Management and Partnerships	12
7	Use of Water Furnished to Contractor	12-13
8	Rate and Method of Payment for Water	13-14
9	Agreement on Water Quantities.....	14-17
10	Measurement of Water.....	17-19
11	Rules and Regulations.....	19
12	General Obligation--Benefits Conditioned Upon Payment.....	19
13	Charges for Delinquent Payments	19-20
14	Quality of Water	20
15	Water and Air Pollution Control.....	20
16	Equal Opportunity.....	20-21
17	Omitted	21
17	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.....	23
21	Consolidation of Contracting Entities.....	23-24
22	Notices	24
23	Assignment Limited--Successors and Assigns Obligated	24
24	Officials Not to Benefit.....	24
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.....	29
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
4
5
6

7
8
9
10
11

12

13
14
15
16
17
18
19
20
21
22
23
24

Contract No.
14-06-200-2148A-R-1

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

CONTRACT BETWEEN THE UNITED STATES AND
KNAGGS WALNUT RANCHES COMPANY, L.P.,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made this 31st day of March, 2005, pursuant to the applicable authority granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, including, but not limited to, Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, and KNAGGS WALNUT RANCHES COMPANY, L.P., hereinafter referred to as the Contractor, acting pursuant to Sections 12003 and 12004 of the California Water Code, with its principal place of business in California;

WITNESSETH, that:

EXPLANATORY RECITALS

25
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;

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
37 to 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
40 respective rights of the parties to divert and use water from the regulated flow of the Sacramento
41 River which threatened to result in litigation, and as a means to settle that dispute entered into
42 Contract No. 14-06-200-2148A, as amended, hereinafter referred to as the Existing Contract,
43 which established terms for the delivery to the Contractor of Central Valley Project Water, and
44 the quantities of Base Supply the United States and the Contractor agreed may be diverted by the
45 Contractor from the Sacramento River pursuant to such contract; and

46 [6th] WHEREAS, the United States and the Contractor disagree with respect to the
47 authority of the United States to change the quantities of Base Supply and/or Project Water

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

56 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
57 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
58 Valley Project by, and the reimbursement to, the United States for expenditures made for said
59 Project.

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

62 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

138

TERM OF SETTLEMENT CONTRACT

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

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

158

WATER TO BE FURNISHED TO CONTRACTOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

245 RETURN FLOW

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

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

254 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

263 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

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

272 USE OF WATER FURNISHED TO CONTRACTOR

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

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

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

290 RATE AND METHOD OF PAYMENT

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

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

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

305 (c) 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 making and allocating payments, other than those
308 set forth in this Article may be in the mutual best interest of the parties, it is expressly agreed that
309 the parties may enter into agreements to modify the mechanisms, policies, and procedures for
310 any of those purposes while this Settlement Contract is in effect without amendment of this
311 Settlement Contract.

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

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

322 AGREEMENT ON WATER QUANTITIES

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

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

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

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

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

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

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

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

385 MEASUREMENT OF WATER

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

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

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

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

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

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

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

418 RULES AND REGULATIONS

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

424 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

438

CHARGES FOR DELINQUENT PAYMENTS

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

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

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

456

QUALITY OF WATER

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

462

WATER AND AIR POLLUTION CONTROL

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

467

EQUAL OPPORTUNITY

468 16. During the performance of this Settlement Contract, the Contractor agrees as
469 follows:

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

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

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

490 (d) The Contractor will comply with all provisions of Executive Order No.
491 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of
492 the Secretary of Labor.

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

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

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

514 17. Omitted.

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

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

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

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

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

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

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

548 BOOKS, RECORDS, AND REPORTS

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

558 CHANGE OF PLACE OF USE OR ORGANIZATION

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

561 CONSOLIDATION OF CONTRACTING ENTITIES

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

566 No such consolidation shall be valid unless and until approved by the Contracting
567 Officer.

568 NOTICES

569 22. Any notice, demand, or request authorized or required by this Settlement Contract
570 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
571 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
572 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
573 States, when mailed, postage prepaid, or delivered to Ms. Dorothy Wood, Knaggs Walnut
574 Ranches Company, L.P., P.O. Box 970, Woodland, California 95776. The designation of the
575 addressee or the address may be changed by notice given in the same manner as provided in this
576 Article for other notices.

577 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

587

OFFICIALS NOT TO BENEFIT

588
589
590

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

591
592
593
594

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

595

CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

596
597
598
599
600

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

601

CONFIRMATION OF SETTLEMENT CONTRACT

602
603
604
605
606
607
608

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

609

UNAVOIDABLE GROUNDWATER PERCOLATION

610
611
612
613

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

614

PRIVACY ACT COMPLIANCE

615
616
617

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

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

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

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

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

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

640 WATER CONSERVATION

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

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

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

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

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

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

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

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

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

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

692 OPINIONS AND DETERMINATIONS

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

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

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

708 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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

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

723 WAIVER OF DEFAULT

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

728 CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

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

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

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

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

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

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

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

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

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

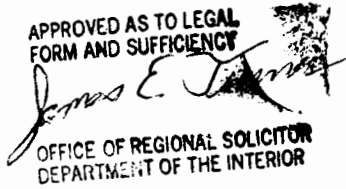
758 TERMINATION

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

761 IN WITNESS WHEREOF, the parties hereto have executed this Settlement

762 Contract as of the day and year first hereinabove written.

763 THE UNITED STATES OF AMERICA



764
765
766

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

767 (SEAL)

768 KNAGGS WALNUT RANCHES
769 COMPANY, L.P.

770
771

By: Ken Astle Ken Astle
for DAN, Inc
General Partner

772 ATTEST:

773 _____
774 Secretary

Ken Astle Ken Astle
Co-Trustee
Scott Daley SCOTT DALEY
CO-TRUSTEE
For Knaggs Family Trust
General Partner

775 (H:\pub 440\Sac River Final LTRC's\-----\2005-01-31 Knaggs Walnut Ranches Company,
776 L.P. Final Draft Contract with exhibits.doc)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Sacramento } ss.

On March 7, 2005 before me, Karen Gibbs, notary public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Scott Daley
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.

Karen Gibbs
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: _____

Document Date: _____ Number of Pages: _____

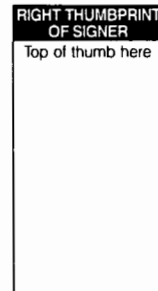
Signer(s) Other Than Named Above: _____

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: _____



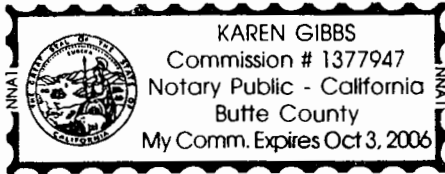
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Sacramento } ss.

On March 7, 2005 before me, Karen Gibbs, notary public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Ken Astle
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.

Karen Gibbs
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: _____

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: _____

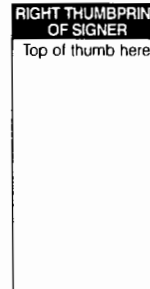


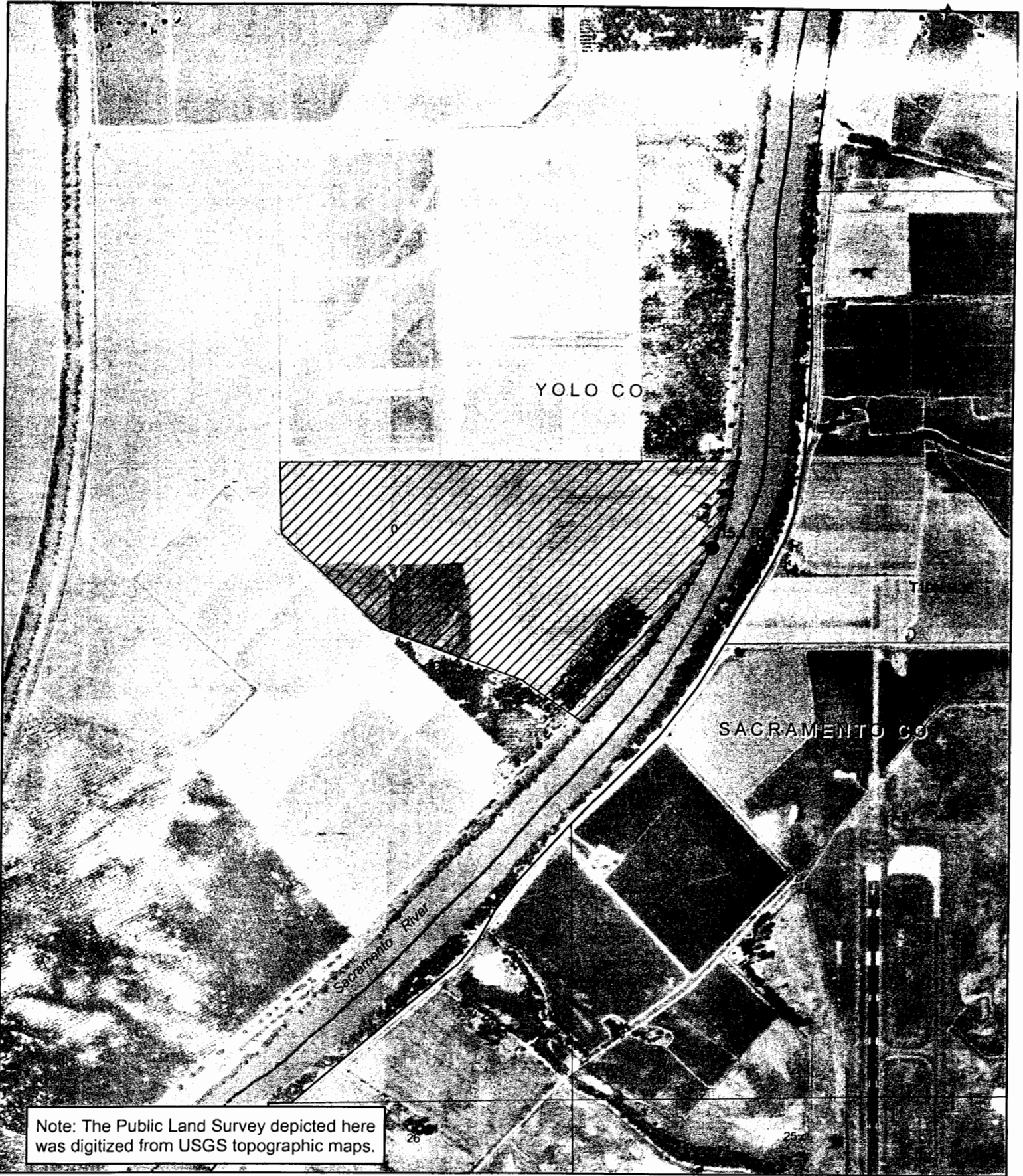
Exhibit A

KNAGGS WALNUT RANCHES COMPANY, L.P.
Sacramento RiverSCHEDULE 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>40</u>	<u>0</u>	<u>40</u>
May	<u>110</u>	<u>0</u>	<u>110</u>
June	<u>180</u>	<u>0</u>	<u>180</u>
July	<u>110</u>	<u>0</u>	<u>110</u>
August	<u>70</u>	<u>0</u>	<u>70</u>
September	<u>120</u>	<u>0</u>	<u>120</u>
October	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>630</u>	<u>0</u>	<u>630</u>

Points of Diversion: 15.1R

Dated: 01-31-2005





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

Knaggs Walnut Ranches Company, L.P.

Contract No. 14-06-200-2148A-R-1

Exhibit B

-  Contractor's Service Area
-  Point of Diversion

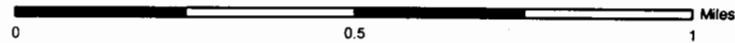


Exhibit C

KNAGGS WALNUT RANCHES COMPANY, L.P.
Sacramento River

UNIT DUTY

(In Acre-Feet Per Acre)

	<u>Rice</u>	<u>Alfalfa and Irrigated Pasture</u>	<u>General Crops</u>
June	1.80	0.80	0.60
July	1.90	1.00	0.70
August	1.80	0.80	0.70

Dated: 01-31-2005

Exhibit D

KNAGGS WALNUT RANCHES COMPANY, L.P.
 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.**

COST OF SERVICE RATES:	<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*
RESCHEDULING FEE:	<u>\$6.00</u>
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.	\$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*
CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/	
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).