

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

CONTRACT BETWEEN THE UNITED STATES AND  
ZELMAR RANCH, INC.,  
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,  
SETTLING WATER RIGHTS DISPUTES AND  
PROVIDING FOR PROJECT WATER

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6 Central Valley Project, California

7 CONTRACT BETWEEN THE UNITED STATES AND  
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10 SETTLING WATER RIGHTS DISPUTES AND  
11 PROVIDING FOR PROJECT WATER

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

24 WITNESSETH, that:

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EXPLANATORY RECITALS

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

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

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

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

[5<sup>th</sup>] WHEREAS, the Contractor and the United States had a dispute over the respective rights of the parties to divert and use water from the regulated flow of the Sacramento River which threatened to result in litigation, and as a means to settle that dispute entered into Contract No. 14-06-200-1827A, hereinafter referred to as the Existing Contract, which established terms for the delivery to the Contractor of Central Valley Project Water, and the quantities of Base Supply the United States and the Contractor agreed may be diverted by the Contractor from the Sacramento River pursuant to such contract; and

[5.1] WHEREAS, Zelmar Ranch, Inc. is a successor in interest to Andrew Martin and Agnes B. Martin, deceased; and

48 [6<sup>th</sup>] WHEREAS, the United States and the Contractor disagree with respect to the  
49 authority of the United States to change the quantities of Base Supply and/or Project Water  
50 specified as available for diversion in this Settlement Contract from the quantities specified in  
51 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation  
52 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.*  
53 [Civ. No. S-01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice,  
54 pursuant to a stipulation of dismissal filed by the parties thereto on August 29, 2002.  
55 Notwithstanding that dismissal, the Contractor and the United States enter into this Settlement  
56 Contract to renew the Existing Contract, pursuant to the terms of the Existing Contract, Federal  
57 Reclamation law, and the laws of the State of California; and

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

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

64 DEFINITIONS

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

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

71 (b) "Basin-Wide Water Management Plan" shall mean the mutually agreeable  
72 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by  
73 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water  
74 Company, Pelger Mutual Water Company, Princeton-Codora Glenn Irrigation District, Provident  
75 Irrigation District, Reclamation District 108, Sutter Mutual Water Company, Anderson-  
76 Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District 1004, and  
77 the U.S. Bureau of Reclamation;

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

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

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

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

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

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

105 (f) "CVPIA" shall mean the Central Valley Project Improvement Act,  
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  
113 States 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  
116 from the Sacramento River which is in excess of the Base Supply. The United States recognizes

117 the 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  
119 written agreement between Contractor and the United States as to identification of such water,  
120 which water, when so identified, shall not be deemed Project Water under this Settlement  
121 Contract;

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

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

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

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

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

133 TERM OF SETTLEMENT CONTRACT

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



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

153                                   WATER TO BE FURNISHED TO CONTRACTOR

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

159                   (b)     No sale, transfer, exchange, or other disposal of any of the Contract Total  
160     designated in Exhibit A or the right to the use thereof for use on land other than that shown on  
161     Exhibit B shall be made by the Contractor without first obtaining the written consent of the

162 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be  
163 rendered in a timely manner. For short-term actions that will occur within one year or less, the  
164 decision will be rendered within 30 days after receipt of a complete written proposal. For long-  
165 term actions that will occur in a period longer than one year, the decision will be rendered within  
166 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by  
167 the Contracting Officer, it must comply with all provisions required by State and Federal law,  
168 including information sufficient to enable the Contracting Officer to comply with the National  
169 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then  
170 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate  
171 or effectuate the sale, transfer, exchange or other disposal of Base Supply. Such use of Federal  
172 facilities will be the subject of a separate agreement to be entered into between the Contractor  
173 and Reclamation.

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

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

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

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



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

208 CONSTRAINTS ON THE AVAILABILITY OF WATER

209 5. In a Critical Year, the Contractor shall have the option to:

210 (a) Irrigate not in excess of 75 percent of its irrigable acreage shown on  
211 Exhibit A; or

212 (b) Divert from the Sacramento River not in excess of 75 percent of the  
213 Contract Total shown on Exhibit A, subject to the installation of measurement equipment  
214 satisfactory to the Contracting Officer. The Contractor shall install, operate, and maintain this  
215 equipment at the Contractor's expense. The Contractor shall submit, by April 1 of that Critical  
216 Year, a written schedule to the Contracting Officer indicating the Contract Total to be diverted  
217 by the Contractor during each month of that Critical Year under this Settlement Contract.

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

222 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

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

229 effective utilization of waste, seepage and return flow water, and other operational and  
230 management options that may be identified in the future.

231 USE OF WATER FURNISHED TO CONTRACTOR

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

238 (b) The Contractor shall comply with requirements applicable to the  
239 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution  
240 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of  
241 1973, as amended, that are within the Contractor's legal authority to implement. The Existing  
242 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the  
243 quantities of water provided for in Article 3, and the underlying water rights of the Contractor  
244 will be considered in developing an appropriate base-line for the Biological Assessment prepared  
245 pursuant to the Endangered Species Act, and in any other needed environmental review.  
246 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial  
247 relief in a court of competent jurisdiction with respect to any biological opinion or other  
248 environmental documentation referred to in this Article.

249 RATE AND METHOD OF PAYMENT FOR WATER

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

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

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

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

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

275 with the final Rates to be in effect for the upcoming Year, and such notification shall revise  
276 Exhibit D.

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

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

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

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

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

293 (d) Payments to be made by the Contractor to the United States under this  
294 Settlement Contract may be paid from any revenues available to the Contractor. All revenues  
295 received by the United States from the Contractor relating to the delivery of Project Water or the  
296 delivery of non-Project Water through Project facilities shall be allocated and applied in

297 accordance with Federal Reclamation law and the associated rules or regulations, and the then  
298 current Project ratesetting policies for irrigation water.

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

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

315 (g) For the term of this Settlement Contract, Rates under the respective  
316 ratesetting policies for the Project will be established to recover only reimbursable operation and  
317 maintenance (including any deficits) and capital costs of the Project, as those terms are used in  
318 the then-current Project ratesetting policies, and interest, where appropriate, except in instances  
319 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.



320 Proposed changes of significance in practices which implement the ratesetting policies for the  
321 Project will not be implemented until the Contracting Officer has provided the Contractor an  
322 opportunity to discuss the nature, need, and impact of the proposed change. The Contractor  
323 retains all rights to challenge the validity of Rates and Charges imposed pursuant to this  
324 Settlement Contract, including but not limited to operation and maintenance expenses and  
325 operation and maintenance deficits, in an appropriate administrative or judicial proceeding.

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

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

340 (j) Each payment to be made pursuant to subdivisions (a) and (c) of this  
341 Article shall be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific,

342 P.O. Box 894242, Los Angeles, CA 90189-4242, or at such other place as the United States may  
343 designate in a written notice to the said Contractor. Payments shall be made by cash transaction,  
344 wire, or any other mechanism as may be agreed to in writing by the Contractor and the  
345 Contracting Officer. In event there should be a default in the payment of the amount due, the  
346 delinquent payment provisions of Article 13 shall apply. The Contractor shall not be relieved of  
347 the whole or any part of its said obligation by, on account of, or notwithstanding, as the case may  
348 be its failure, refusal, or neglect to divert the quantity of Project Water shown on Exhibit A.

349 AGREEMENT ON WATER QUANTITIES

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

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

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

359 (b) Nothing herein contained is intended to or does limit rights of the  
360 Contractor against others than the United States or of the United States against any person other  
361 than the Contractor; Provided, however, that in the event the Contractor, the United States, or  
362 any other person shall become a party to a general adjudication of rights to the use of water of  
363 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position  
364 of either party hereto or of any other person and the rights of all such persons in respect to the

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

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

388 adjudication of the rights to the use of water in the Sacramento River system. The foregoing  
389 provisions of this sub-article shall only apply to the incremental obligations contained within a  
390 final decision or order of the State Water Resources Control Board that reflects a modification to  
391 the obligations imposed in State Water Resources Control Board Revised Water Rights Decision  
392 1641 dated March 15, 2000, and its associated 1995 Water Quality Control Plan which, taken  
393 together, will be considered the baseline for the application of the provisions of this sub-article.

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

410

MEASUREMENT OF WATER

411

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

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

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

414

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

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

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

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

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necessary.

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

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

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

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

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

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

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

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removal, or replacement of diversion facilities.

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

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

429

diversion or carriage facilities.

430

RULES AND REGULATIONS

431

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

432

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

433 including but not limited to, the Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as  
434 amended and supplemented, and the rules and regulations promulgated by the Secretary of the  
435 Interior under Federal Reclamation law.

436 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

450 CHARGES FOR DELINQUENT PAYMENTS

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

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

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

468

QUALITY OF WATER

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14. The operation and maintenance of Project facilities shall be performed in such

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manner as is practicable to maintain the quality of raw water made available through such

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facilities at the highest level reasonably attainable as determined by the Contracting Officer. The

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United States does not warrant the quality of water and is under no obligation to construct or

473

furnish water treatment facilities to maintain or better the quality of water.

474

WATER AND AIR POLLUTION CONTROL

475

15. The Contractor, in carrying out this Settlement Contract, shall comply with all

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applicable water and air pollution laws and regulations of the United States and the State of

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California, and shall obtain all required permits or licenses from the appropriate Federal, State,

478

or local authorities.

479

EQUAL OPPORTUNITY

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

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

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

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(c) The Contractor will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Contracting Officer, advising the said labor union or workers'

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498

499 representative of the Contractor's commitments under Section 202 of Executive Order 11246 of  
500 September 24, 1965, and shall post copies of the notice in conspicuous places available to  
501 employees and applicants for employment.

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

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

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

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

526 17. Omitted.

527 18. Omitted.

528 BOOKS, RECORDS, AND REPORTS

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



536 Settlement Contract shall have the right during office hours to examine and make copies of each  
537 other's books and official records relating to matters covered by this Settlement Contract.

538 CHANGE OF PLACE OF USE

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

541 21. Omitted.

542 NOTICES

543 22. Any notice, demand, or request authorized or required by this Settlement Contract  
544 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,  
545 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,  
546 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States,  
547 when mailed, postage prepaid, or delivered to Ms. Zelna Lee Morrow, 16237 Patricia Way,  
548 Grass Valley, California 95949. The designation of the addressee or the address may be changed  
549 by notice given in the same manner as provided in this Article for other notices.

550 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

560 OFFICIALS NOT TO BENEFIT

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

564 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

565 25. The expenditure or advance of any money or the performance of any obligation of  
566 the United States under this Settlement Contract shall be contingent upon appropriation or

567 allotment of funds. Absence of appropriation or allotment of funds shall not relieve the  
 568 Contractor from any obligations under this Settlement Contract. No liability shall accrue to the  
 569 United States in case funds are not appropriated or allotted.

570 CONFIRMATION OF SETTLEMENT CONTRACT

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

578 27. Omitted.

579 PRIVACY ACT COMPLIANCE

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

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

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

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

598 (e) The Contractor shall forward promptly to the System Manager each  
 599 proposed denial of access under 43 CFR 2.64; and each request for amendment of records filed  
 600 under 43 CFR 2.71; notify the requester accordingly of such referral; and provide the System  
 601 Manager with information and records necessary to prepare an appropriate response to the  
 602 requester. These requirements do not apply to individuals seeking access to their own

603 certification and reporting forms filed with the Contractor pursuant to 43 CFR 426.18, unless the  
604 requester elects to cite the Privacy Act as a basis for the request.

605 WATER CONSERVATION

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

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

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

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

634 OPINIONS AND DETERMINATIONS

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

645 (b) The Contracting Officer shall have the right to make determinations  
646 necessary to administer this Settlement Contract that are consistent with the provisions of this  
647 Settlement Contract, the laws of the United States and of the State of California, and the rules

648 and regulations promulgated by the Secretary of the Interior. Such determinations shall be made  
649 in consultation with the Contractor to the extent reasonably practicable.

650 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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

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

665 WAIVER OF DEFAULT

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

670           CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

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

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

677                       (2)   In the event the title of the Contractors to such land, or any portion  
678 thereof, is transferred by operation of law, such as by conveyance in satisfaction of a mortgage,  
679 by inheritance, or by device, the rights and obligations of the Contractors shall pass with the title  
680 and the land shall be subject to provisions of Reclamation law pertaining to such transfers. Any  
681 transfer of the rights and obligations of this Settlement Contract by the person acquiring title by  
682 operation of law shall be in accordance with provisions of subsection (1) above.

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

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

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

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



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

701 THE UNITED STATES OF AMERICA

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

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

705 (SEAL)

706 ZELMAR RANCH, INC.

707 By: *[Signature]* 3/27/05  
708 President

709 (H:\PUBLIC\Sac River Final LTRC's-01\2005-01-31ZelmarRanchInc.FinalDraftContractw/exhib.DOC)



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

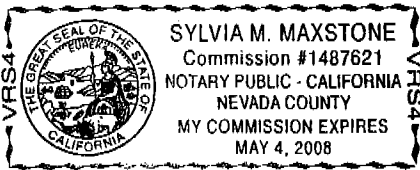
No. 5907

State of California  
County of Nevada

On March 7, 2005 before me, Sylvia M. Maxstone, Notary Public  
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Zelma Lee Morrow  
NAME(S) OF SIGNER(S)

personally known to me - OR -  proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Sylvia M. Maxstone  
SIGNATURE OF NOTARY

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

INDIVIDUAL  
 CORPORATE OFFICER  
PRESIDENT  
TITLE(S)

PARTNER(S)  LIMITED  
 GENERAL

ATTORNEY-IN-FACT  
 TRUSTEE(S)  
 GUARDIAN/CONSERVATOR  
 OTHER: \_\_\_\_\_

DESCRIPTION OF ATTACHED DOCUMENT

Contract Between the U.S. + Zelmar Ranch inc  
TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER IS REPRESENTING:  
NAME OF PERSON(S) OR ENTITY(IES)

SIGNER(S) OTHER THAN NAMED ABOVE

A RESOLUTION OF  
ZELMAR RANCH INC.

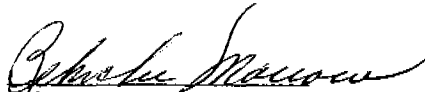
A RESOLUTION OF ZELMAR RANCH INC. AUTHORIZING THE PRESIDENT AND SECRETARY TO ENTER INTO A LONG-TERM RENEWAL CONTRACT No. 14-06-200-1827A-R-1 BETWEEN THE UNITED STATES AND ZELMAR RANCH, INC. DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES, SETTLING WATER RIGHTS DISPUTES AND PROVIDING FOR PROJECT WATER-CENTRAL VALLEY PROJECT, CALIFORNIA


WHEREAS, the United States has rights to divert, is diverting and will continue to divert waters from the Sacramento, American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta in connection with the operation of the Central Valley Project, and

WHEREAS, to assure Zelmar Ranch the enjoyment and use of the regulated flow of the said Rivers and the Delta, and to provide for the economical operation of the Central Valley Project by, and the reimbursement to, the United States for expenditures made for said Project.

NOW THEREFORE BE IT RESOLVED that the President and Secretary of Zelmar Ranch Inc is hereby authorized to execute the Contract No. 14-06-299-1827A-R-1 BETWEEN THE United States.

Approved this 7<sup>th</sup> Day of March 2005

  
Zelna Lee Morrow  
President

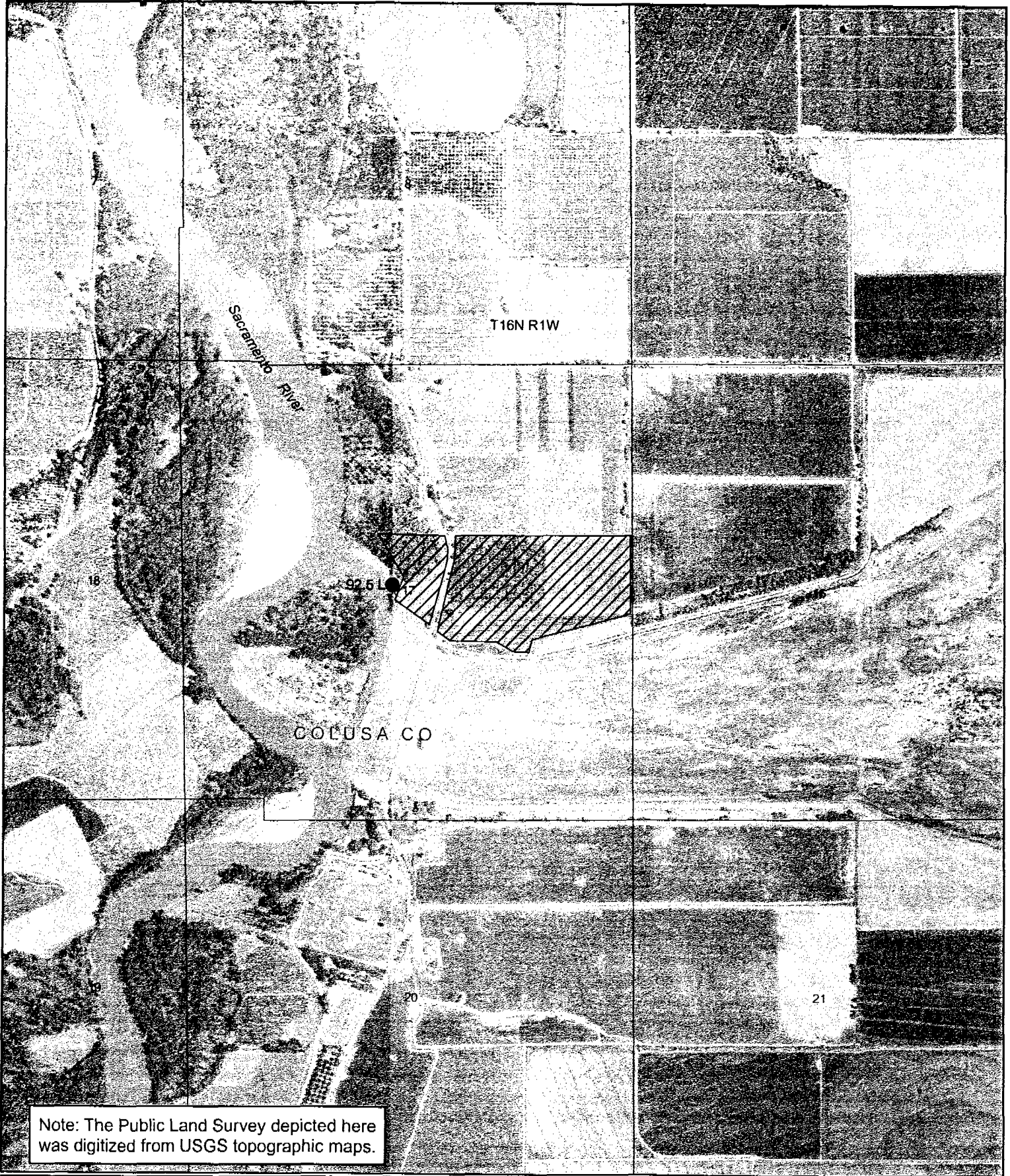
  
Zelna Lee Morrow  
Secretary

## Exhibit A

ZELMAR RANCH, INC.  
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>16</u>	<u>0</u>	<u>16</u>
May	<u>32</u>	<u>0</u>	<u>32</u>
June	<u>28</u>	<u>12</u>	<u>40</u>
July	<u>16</u>	<u>24</u>	<u>40</u>
August	<u>4</u>	<u>8</u>	<u>12</u>
September	<u>4</u>	<u>8</u>	<u>12</u>
October	<u>12</u>	<u>0</u>	<u>12</u>
Total	<u>112</u>	<u>52</u>	<u>164</u>

Irrigable Acres: 48Points of Diversion: 92.5LDated: 01-31-2005




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

## Zelmar Ranch, Inc.

Contract No. 14-06-200-1827A-R-1  
Exhibit B

 Contractor's Service Area

 Point of Diversion

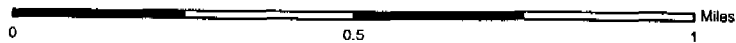


Exhibit C

Omitted

Exhibit D

ZELMAR RANCH, INC.  
Sacramento River  
2005 Water Rates and Charges per Irrigated Acre

COST OF SERVICE RATE: \$19.41

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. Provided as Needed

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

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

Restoration Payments (3407(d)(2)(A)) \$8.59

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).