

available to Participant (to the extent available consistent with Article 7), nor shall it exceed the available capacity of Semitropic's distribution system. To the extent practical Participant shall schedule such water at a time to coincide with Semitropic's in-lieu delivery demands.

3.2 Semitropic will take control and possession of water delivered to Semitropic by any Banking Partner for storage, at the locations specified in their respective Delivery Agreements and will credit the Storage Account Balance of that Banking Partner with Stored Water in an amount equal to the water so delivered less the deduction for losses provided for in Article 4 with respect to such water. At the time Semitropic takes control and possession of water delivered by Participant, legal title to Participant's water, together with the right to withdraw from the Semitropic Basin an amount sufficient to return to Participant the Stored Water, shall vest in Semitropic, as trustee for Participant. Upon taking control and possession of water delivered hereunder for storage by Participant, Semitropic, at its sole cost and expense, will do either of the following: (i) transport and store such water by direct percolation; or (ii) exchange that water for an interest in and right to withdraw from the Semitropic Basin an amount of water sufficient to return to Participant the Stored Water (which interest and right shall thereafter be Trust Property). In either case, Semitropic shall thereafter hold and return or otherwise dispose of the Trust Property as provided for in this Agreement. Upon crediting Participant's Storage Account Balance for the amount of any water exchanged as described in clause (ii) above, Semitropic may deliver the exchanged water to water users for surface water service in lieu of pumping groundwater. Semitropic shall retain the right to use its facilities to deliver water supplies made available to it by Banking Partners and acquired by Semitropic by exchange pursuant to clause (ii) above as it deems appropriate.

3.3 Each SWRU Banking Partner shall have a right to any then existing SWRU Delivery Capacity not used by other SWRU Banking Partners. If requests by SWRU Banking Partners for unused SWRU Delivery Capacity exceed such Capacity, then the unused SWRU Delivery Capacity shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU, divided by the sum of the Share of SWRU of all SWRU Banking Partners wishing to use unused Capacity, times the amount of unused SWRU Delivery Capacity.

3.4 If, due to hydrologic conditions, changes in cropping patterns or other reasons, Participant's Delivery Capacity is reduced, Participant may request, and Semitropic shall provide, information accounting for such reduction. If such reduction is not due to temporary conditions, Semitropic shall take all actions necessary to provide Participant's Delivery Capacity.

3.5 Unused Semitropic Delivery Capacity which may be available to SWRU Banking Partners consistent with Article 7 shall be allocated among the SWRU Banking Partners requesting the use of such Unused Semitropic Delivery Capacity according to their Share of SWRU.

3.6 If, after reasonable efforts by Semitropic to accommodate the Banking Partners' storage scheduling requests, such requests nevertheless exceed the instantaneously available SWRU Delivery Capacity and available Unused Semitropic Delivery Capacity, Semitropic shall allocate available capacities in proportion to the total of each SWRU Banking Partner's Share of SWRU.

3.7 In 2005 Participant delivered a net of 10,156 acre-feet to storage under an interim agreement dated November 23, 2005 with Westlands Water District that provides for transfer of the Stored Water to Participants' account under this agreement. A similar agreement dated August 18, 2006 provides for up to 50,000 acre-feet of Westlands water to be delivered to storage on behalf of Participant prior to April 30, 2007. In addition, Participant delivered a net of 2,222 acre-feet of water acquired as Article 21 Water in 2006 pursuant to a December 22, 2005 letter agreement.

It is understood that all provisions under this agreement, including all applicable payments under Article 6, shall apply to the actual amount of water transferred from all Article 21 accounts and from the two interim agreements to Participant's Stored Water Account at the effective date of this Agreement, as provided in Article 9, and such amounts shall be deemed to be in the Participant's Storage Account as of such effective date.

ARTICLE 4.

LOSSES AND STORED WATER

Semitropic's distribution system, evaporative and aquifer losses, for purposes of this Agreement and similar agreements between Semitropic and other Banking Partners, are collectively assumed to be ten percent (10%) of the amount of water furnished by Banking Partners for storage as measured at Semitropic's turnout in Reach 10 A of the California Aqueduct and at other turnouts as provided in the Delivery Agreement referred to in Article 9. However, this amount and the Storage Account Balance shall be modified in the future, if the results of studies to be conducted jointly by Participant, other Banking Partners and Semitropic under a mutually agreeable procedure establish the actual loss to be different than the assumed ten percent (10%) losses. The Storage Account Balance shall be adjusted accordingly and resulting adjustments in compensation payments shall be in accordance with Section 6.8.

ARTICLE 5.

RETURN OF WATER BY SEMITROPIC TO PARTICIPANT

5.1 In any year, upon request by Participant, Semitropic shall return Stored Water to Participant by the method set forth in Section 5.1.1 or the method set forth in Section 5.1.2 or both. If both methods are available to Semitropic without adversely affecting Semitropic or its water users, it shall utilize the method that results in the lowest cost to Participant.

5.1.1 To the extent there are Unused Program Entitlement Exchange Rights available, Semitropic may exchange an amount of Participant's Stored Water for an equal amount of Semitropic's SWP Entitlement Water. Participant hereby consents to such an exchange and Semitropic will be deemed to have effected such an exchange by delivering a portion of its SWP Entitlement Water to Participant in compliance with the Delivery Agreement(s). Upon completion of such an exchange, Participant's beneficial interest in the Stored Water that was the subject of the exchange and the right to withdraw such water shall be vested in Semitropic in its individual capacity, and Semitropic may thereafter deliver such water to its water users who would otherwise have received the portion of Semitropic's SWP Entitlement Water that was delivered to Participant as a result of the exchange.

5.1.2 Semitropic may return Participant's Stored Water to Participant by pumping water from the groundwater basin back to the California Aqueduct for delivery to

Participant as specified in the Delivery Agreement referenced Article 9. Semitropic may in its discretion, in addition to utilizing pumpback pipelines within Semitropic, utilize capacity available to it in the Kern Water Bank and operational exchanges with third parties to return Participant's Stored Water.

5.2 The return of Stored Water by Semitropic to Participant shall be subject to similar provisions and requirements applicable to the Original Banking Partners, as more particularly prescribed by the following terms and conditions:

5.2.1 Subject to the provisions of this Agreement, for each acre-foot of Stored Water held by Semitropic for Participant, Semitropic shall ultimately return one acre-foot of water to Participant.

5.2.2 Subject to the provisions of this Agreement, when Participant requests the return of Stored Water, Semitropic shall return at a minimum the quantities of water calculated in accordance with the following, using its reasonable efforts to accommodate Participant's delivery schedule:

5.2.2.1 20,000 acre-feet of the 50,000 AF SWRU Pumpback Capacity (through the 170 cfs described at Section 1.21 not utilizing the Well Field). Participant shall also have a right to any other then existing SWRU Pumpback Capacity (the 150,000 AF and 50,000 AF SWRU Pumpback Capacities) not used by other SWRU Banking Partners if Participant elects to utilize same, subject to mitigation of impacts to other Banking Partners pursuant to Section 5.6 and if originating from the Well Field payment of additional water treatment costs paid by other SWRU Banking Partners for use of same. If requests by SWRU Banking Partners for unused SWRU Pumpback Capacity exceed such capacity, then the unused SWRU Pumpback Capacity shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU, divided by the sum of the Share of SWRU of all SWRU Banking Partners wishing to use the unused capacity times the amount of unused SWRU Pumpback Capacity.

5.2.2.2 Semitropic may also elect to return Stored Water which Participant requests return of through available Unused Original Program Pumpback Capacity,

which shall be subject to first being available for use by the Original Banking Partners, as provided by Article 7.

5.2.2.3 Any available Unused Program Entitlement Exchange Rights shall be allocated to each SWRU Banking Partner according to its Share of SWRU. Each SWRU Banking Partner shall have a right to any Unused Program Entitlement Exchange Rights not required for use by other SWRU Banking Partners, subject to mitigation of impacts to other Banking Partners pursuant to Section 5.6. If requests by SWRU Banking Partners for Unused Program Entitlement Exchange Rights exceed such rights, then the Unused Program Entitlement Exchange Rights shall be allocated to each SWRU Banking Partner according to the ratio of its Share of SWRU divided by the sum of the combined Share of SWRU of all SWRU Banking Partners wishing to use the Unused Program Entitlement Exchange Rights times available Unused Program Entitlement Exchange Rights.

5.3 Participant shall notify Semitropic of its intent to take delivery of Stored Water as early in the year as possible, but no later than May 1 of the same year. If such notification is provided after May 1, Semitropic, at its sole discretion, may make reasonable efforts to comply with Participant's request. In the event of an emergency need for water by Participant, Semitropic shall endeavor to return Stored Water to Participant to the maximum extent feasible considering the capacity rights of other Banking Partners.

5.4 Semitropic will obtain approval from DWR to deliver Stored Water by pumpback to the California Aqueduct. In addition it shall be Semitropic's responsibility to notify the Agency, each Banking Partner, and DWR, as to the amount of Original Program Entitlement Exchange Rights and SWRU and Original Pumpback Capacities for that year. When Stored Water is returned by pumpback, it shall be returned to the best of Semitropic's ability, on a schedule acceptable to the respective SWRU Banking Partner, Agency and DWR and at varying rates of delivery. If Stored Water is returned by use of 50,000 AF SWRU Pumpback Capacity, generally it will be returned over a 5 month period during the off-peak irrigation season. SWRU Banking Partner shall be responsible for all necessary approvals and costs to transport such water in the California Aqueduct once the Stored Water is returned to Participant by either pumpback or entitlement exchange.

5.5 Notwithstanding any other provision of this Agreement, Semitropic will temporarily reduce or terminate groundwater pumping from Storage for the purpose of returning Stored Water to Banking Partners to the extent required pursuant to the MOU referenced above in Recital E. However, to the extent possible, Semitropic shall change the timing and location of pumping to avoid reduction or termination in the return of Stored Water pursuant to the MOU. Semitropic shall construct adequate facilities and/or secure agreements and/or operational arrangements to obtain the long term levels of service provided for in this Agreement. Such long term levels of service may only be reduced to the extent required by the MOU referenced above in Recital E.

5.6 Subject to Article 7, if the use by other Banking Partners, Lower Priority Banking Partners or Semitropic of Participant's Rights to 20,000 acre-feet annually of the 50,000 AF SWRU Pumpback Capacity (when not being used by Participant), referenced in Section 5.2.2.1 interferes with the recovery of Participant's Stored Water by causing a reduction or termination of pumping pursuant to the MOU, the Party or Parties responsible for the action(s) which impacts Participant shall reduce its withdrawal of Stored Water to make up Participant's loss and, to the extent reductions in the withdrawal of Stored Water are insufficient, shall provide, at the election of the Participant, an equivalent water supply in that year or cash in the amount of the replacement cost of such water, such water or cash to be for the benefit of and to be immediately distributed to the Participant. Semitropic shall adjust the Banking Partners', Lower Priority Banking Partners', or Semitropic's accounts to reflect any such water exchange.

Participant recognizes that it may also be required to reduce its withdrawal of Stored Water or furnish equivalent water or cash to another Banking Partner under circumstances similar to those described above, if its own use of another SWRU Banking Partner's share of SWRU Pumpback Capacity, Unused Program Pumpback Capacity or Unused Original Program Entitlement Exchange rights, interferes with other Banking Partner's recovery of Stored Water, all as described in Article 7. Semitropic shall ensure that each Banking Partner is subject to the restrictions substantially similar to those set forth in this Section 5.6.

5.7 Wells within Semitropic can produce water that will meet DWR's water quality standards to return water to the California Aqueduct in effect December, 2005. DWR is currently

establishing long-term criteria for introducing non-Project Water into the California Aqueduct and Semitropic will operate the pumpback facilities in accordance with such long term criteria. Semitropic shall take no direct action which would knowingly cause the quality of recovered Stored Water to not meet such water quality standards in effect. The preceding sentence shall not apply to delivery of water under non-banking programs or otherwise operating under this Program. In the event that future water quality standards change, or the quality of groundwater from Semitropic wells is such that Semitropic cannot meet acceptable DWR water quality requirements for pumping into the California Aqueduct, Stored Water shall be returned to SWRU Banking Partners by Program Entitlement Exchange or alternative methods satisfactory to the affected SWRU Banking Partners. Such alternative methods may include, but are not necessarily limited to: purchases, exchanges with others, and/or by improving Stored Water quality to acceptable standards for direct pumpback, with the additional costs of any such methods being paid by SWRU Banking Partners accepting such alternative methods. Semitropic's operations and financial situation shall not be adversely impacted as a result of these alternative methods. Notwithstanding the foregoing, it is recognized that if Participant's Stored Water is returned to the California Aqueduct from the Well Field, treatment may be required and additional costs shall be applicable as provided at Section 6.5.3 for operation of same.

5.8 Participant also recognizes that Semitropic has entered into an "Agreement Between Shafter-Wasco Irrigation District and Semitropic Improvement District of Semitropic Water Storage District Providing for Construction and Operation of an Intertie Pipeline," dated December 6, 1993, which implements a water banking and exchange program. Semitropic has committed to return water to Shafter-Wasco by delivery of either surface water in excess of its needs from any available source or by pumping groundwater. The agreement with Shafter-Wasco is based on the use of Semitropic pre-Original Banking Program facilities for the delivery of water to storage and for the withdrawal or return of water. Shafter-Wasco, therefore, has priority over all Banking Partners in the use of existing facilities. Semitropic's obligation under said agreement does not require commitment of SWP entitlement nor the use of pumpback facilities required for the return of Banking Partners' Stored Water.

5.9 Participant further recognizes that return of Stored Water is subject to certain priorities and conditions for the benefit of the Original Banking Partners, as hereinafter provided.

ARTICLE 6.

COMPENSATION

Participant shall make the payments set forth below to compensate Semitropic for (i) its services as trustee under this Agreement, (ii) costs and expenses incurred by Semitropic in connection with its obligations under this Agreement.

6.1 General. Semitropic commits to utilize Participant's payments and other Semitropic funds, and to maintain such adequate financial flexibility, as it reasonably determines to be necessary to construct facilities needed to provide Participant with capacities herein provided.

Participant shall pay the following for services provided by Semitropic for storage and withdrawal of water. Semitropic shall pay all other costs not specified herein, and Semitropic shall not create and impose any other charges or fees upon Participant.

6.2 Capital Payments.

6.2.1 Participant shall pay to Semitropic [REDACTED] for Participant's Rights for recharge, storage and recovery rights being acquired under this Agreement. Participant shall deliver to Semitropic [REDACTED] upon execution of this Agreement and the balance shall be paid in accordance with the payment schedule attached as Exhibit C. Participant shall upon execution of this Agreement deliver an executed Promissory Note providing for payments as provided in Exhibit D.

6.2.2 Participant's obligation to make Semi-annual payments under the Promissory Note described in Section 6.2.1 shall be partially secured by a Letter of Credit equal at all times to 30% of the outstanding balance due under Section 6.2.1 (thus, initially [REDACTED]), but in any event at least in amount of [REDACTED] while there remains any such

balance outstanding of capital payments. Such Letter of Credit shall have the following characteristics:

(a) issued by a third party financial institution doing business in the State of California and reasonably acceptable to Semitropic;

(b) a term of at least two years providing for draws upon expiration unless renewed consistent with this Agreement;

(c) provide for drawing conditions and related documents in event not renewed or a failure to timely make capital payments pursuant to this Agreement, which conditions and documents are consistent with this Agreement; and

(d) be in a form reasonably acceptable to Semitropic.

6.2.3 All Capital Payments of SWRU Facilities will be adjusted (increased or decreased) based on the actual cost of construction, less any grants secured. Semitropic will use reasonable efforts to obtain grants to cover a portion of the construction costs. Debt service payments provided under Section 6.2.1 shall also be adjusted to actual construction costs by increasing or reducing each of the remaining debt service payments by the same percentage so as to adjust the principle amount to the actual cost following completion of construction.

6.3 Annual Payments. Participants shall pay annually to Semitropic the following sums:

6.3.1 A Management Fee of [REDACTED] per year.

6.3.2 A Maintenance Fee of [REDACTED] per year.

6.4 Usage Fees. Participant shall pay (i) a one-time fee of [REDACTED] per acre-foot for each acre-foot of Stored Water credited to its Storage Account and (ii) a one-time fee of [REDACTED] per acre-foot for each acre-foot withdrawn from its Storage Account.

6.4.1 The amounts provided for in Sections 6.3.1 and 6.4 shall be adjusted at the beginning of each year, and the adjusted amount shall apply to all Stored Water credited to or withdrawn from Participant's Storage Account Balance for that year. The adjusted amount for any particular calendar year shall be the amount equal to the amount provided in Section 6.3.1 or 6.4 [REDACTED] per year or [REDACTED] per acre-foot) multiplied by a fraction, the numerator of which is the Consumer Price Index, All Urban Consumers, All Items Index, Western Cities with populations between 50,000 and 1,500,000 (the "CPI-U") for November of the calendar year immediately preceding the calendar year with respect to which the adjusted amount is being determined (that is, for November 2008 with respect to the adjusted amount for 2009; November 2009 for 2010; and so on), and the denominator of which shall be the CPI-U for November 2003 (which, the Parties agree, is 114.9. If publication of this index herein referred ceases or if the basis for such index is substantially modified, the Parties shall negotiate and mutually agree on an alternative but equivalent index or, in the absence of agreement, the matter shall be resolved pursuant to Article 10.

6.4.2 The amount provided for in Section 6.3.2 shall be adjusted annually based upon a maintenance plan and budget developed by Semitropic in consultation with the SWRU Banking Partners, which plan and budget shall include a reasonable reserve for maintenance, repair and replacement of SWRU facilities. SWRU Facilities shall be maintained consistent with SWRU "Project Facilities Maintenance Guidelines" attached as Exhibit E.

6.5 Pumping and Treatment Costs

6.5.1 In addition to payment under Section 6.4, when water is returned, Participant shall pay the average unit power costs then actually incurred by Semitropic to pump such Stored Water from the groundwater basin for either direct delivery to the California Aqueduct or for entitlement exchange. In the case of direct delivery to the California Aqueduct,

Participant also shall pay the average unit power cost then actually incurred by Semitropic to convey the returned water through the distribution system and to pump such water into the California Aqueduct at the Semitropic turnout(s) in Reach 10A. (In the event Stored Water is returned from the Kern Water Bank, the power costs shall be deemed to be same as pumping to Semitropic turnouts in Reach 10A.) Said power costs shall be computed based on the amount of energy consumed to withdraw and when applicable to convey to the California Aqueduct Participant's Stored Water in a given month times Semitropic's average actual unit power cost for the same pumping period. For ease in billing, Semitropic shall establish an estimated power rate for each calendar year with respect to which Participant requests such information and shall provide Participant with such estimate, including back-up documentation to justify the rate, within fourteen (14) days of the request. Such estimated rate shall be used for billing purposes for the following year and then the billing will be adjusted to actual by March 1 of the year following the estimated rate year, or as soon as possible thereafter. Once the variance amount has been agreed to by the Parties, any amount due by either Party shall be billed immediately and paid in accordance with Section 6.7. Semitropic has its own power production and distribution facilities and the unit cost of power shall be based upon the cost of Semitropic's energy project including, but not limited to, debt service for the energy project, fuel, operation and maintenance for the energy project, replacements, reserve deposit for the energy project, utility billings, and the cost of production and distribution of such power. The Parties agree that the initial calculation shall be consistent with the calculation in Exhibit F.

6.5.2 Exhibit F may be revised from time to time by written consent of the Parties, which consent shall not be unreasonably withheld. The intent of Exhibit F is to provide Semitropic with sufficient revenue to recover the power costs incurred by Semitropic for Participant's withdrawal of Stored Water and to allow Semitropic flexibility to change the calculation based on experience and the changing electric utility industry.

6.5.3 If and when Stored Water from the Well Field must be treated to meet applicable DWR water quality requirements for pumping into the California Aqueduct (if Participant elects to utilize unused 150,000 AF SWRU Pumpback Capacity as provided at

Section 5.2.2.1), there shall be an additional cost for operation and maintenance of such facility. Semitropic shall annually estimate such cost and bill the applicable SWRU Banking Partners such amount to the extent the withdrawal Stored Water and such treatment facility is utilized. The actual costs shall be computed after the end of each Year and the billings for treatment costs adjusted accordingly.

6.6 If Semitropic or other Banking Partners use SWRU Facilities, Participant may be entitled to payment based on Participant's Share of SWRU as more particularly described in Article 7.

If Participant uses an Original Banking Partner's Unused Program Delivery Capacity, Unused Original Program Pumpback Capacity or Unused Program Entitlement Exchange Rights, Participant shall pay the share of the other Banking Partner's O&M Fee as further provided at Section 7.1.5.

6.7 In addition to payments under Section 6.2, Semitropic may bill Participant no more than monthly for payments under Sections 6.4 and 6.5 hereof and annually for payments under Section 6.3, which payments shall be due Semitropic and shall become delinquent forty-five (45) days after Participant receives the invoice under the terms of this Agreement under Section 14.9. In addition to other remedies available, delinquent payments shall bear interest at the rate of one percent (1%) per month. Data supporting the amounts invoiced shall be provided upon the reasonable request of Participant. Semitropic shall correct any erroneous billing promptly upon discovery of the error. If Participant has been underbilled, payment of the underbilled amount shall be due and become delinquent forty-five (45) days after Participant receives the corrective invoice and data justifying the change. Overpayments by Participant shall be refunded to Participant within forty-five days of discovery, together with interest thereon at the prime interest rate published by the Wall Street Journal as of the date of discovery.

6.8 In the event there is an adjustment in Participant's Storage Account Balance as provided at Article 4, applying the first-in-first-out method of accounting for water in the Storage Account Balance, previous payments shall be adjusted based on the payment charged in the year

the quantity of water to be adjusted was delivered with no further adjustments using the applicable indexes cited in Section 6.4.1. In addition no interest shall be payable on the amount of money required for said adjustment. Financial obligations shall occur as follows:

6.8.1 To the extent the Storage Account Balance is reduced (i.e., losses are determined to exceed ten percent (10%)), Semitropic shall reimburse Participant for the charges paid under 6.4 within one year of such determination.

6.8.2 To the extent the Storage Account Balance is increased (i.e., losses are determined to be less than ten percent (10%)), Participant shall pay Semitropic for charges that would have been paid under 6.4 for such additional water determined to be in the Participant Storage Account Balance within one year of such determination.

6.9 It is recognized that changes in Semitropic's actual costs of operating the SWRU may occur on or after the date this Agreement is executed as a result of enactments, amendments, changes in implementation or interpretation, or repeal of any federal, state or local law, rule, regulation or ordinance (each, a "**Regulatory Change**"). If either Party determines that a Regulatory Change has occurred that would result in a material change (upward or downward) in Semitropic's costs for storing, recovering or transporting water pursuant to the terms of this Agreement, which change in Semitropic's costs is not reflected in the adjustments in the payments due from Participant to Semitropic pursuant to Article 6 or other provision of this Agreement (including, but not limited to, this Section 6.9), such Party shall promptly inform the other Party of the nature and extent of such alleged Regulatory Change and of the reason why that party believes an adjustment pursuant to this Section 6.9 is warranted in the payments due from Participant to Semitropic. Promptly thereafter, Semitropic shall provide Participant with its calculation of the costs or cost savings associated with such Regulatory Change and the facts and assumptions underlying that calculation. Upon agreement by the parties hereto (i) that a charge or credit affecting any payment due from Participant to Semitropic should be made as a result of a Regulatory Change, (ii) of the amount of such charge or credit, (iii) as to whether such charge or credit is to affect the basic payment amount or is to be separately accounted for (and, if so, in what manner), and (iv) as to the period during which such charge or credit is to apply, such

charge or credit shall be incorporated into an amendment to this Agreement setting forth the foregoing and other particulars necessary to implement that adjustment. If such agreement cannot be reached within forty-five (45) days after Semitropic has provided the required notice and information to Participant, the matter shall be resolved pursuant to Article 10, the qualified third party or arbitration panel being charged with determining (x) whether a Regulatory Change has occurred (if that is in dispute), (y) the amount of change, if any, in Semitropic's costs resulting from the Regulatory Change, and (z) the manner in which the payments due from Participant to Semitropic are to be adjusted to fairly and equitably reflect that change in Semitropic's costs (it being the intent of the parties that no windfall or unwarranted compensation or benefit should result to any party as a result of any adjustment made pursuant to this Section 6.9). Any adjustment to the payments due from Participant to Semitropic made pursuant to this Section 6.9 shall be effective as of the first day such Regulatory Change affects Semitropic's operations hereunder unless the parties otherwise agree and may be reconsidered thereafter at any time, at the request of any party, if the adjustment is unjustly undercompensating or overcompensating any party.

ARTICLE 7.
INTERRELATIONSHIP OF ORIGINAL BANKING PROGRAM
AND STORED WATER RECOVERY UNIT (SWRU)

7.1 General Provisions

7.1.1 Semitropic shall use, on a first priority basis, Original Banking Program Facilities and any additional capacity available in those facilities annually, to meet its obligations under the Original Banking Program Agreements to convey water to storage and to recover stored water on behalf of the Original Banking Partners. Any unused capacity in Original Banking Program Facilities shall be available to Participant and other SWRU Banking Partners as herein provided.

In addition, Semitropic shall make Program Entitlement Exchange Rights available first to the Original Banking Partners. The Original Banking Partners also have

priority to SWP Entitlement Water or non-project water needed for exchange to accomplish the delivery of up to 90,000 acre-feet annually using the Original Program Pumpback Capacity. Semitropic shall not operate the SWRU pumpback facility in a manner that adversely impacts the return of Original Banking Partner's Stored Water using the Original Program Pumpback Capacity.

7.1.2 The SWRU Facilities are planned to recover, and convey to the California Aqueduct, up to 150,000 acre-feet per year of Stored Water from Area B as shown in Exhibit A. In addition, the SWRU may recover up to 50,000 acre-feet per year of Stored Water from Area A as shown in Exhibit A, which capability is being enhanced through the SWRU with additional well connections and conveyance facility improvements not part of the Original Banking Program Facility, and convey it to the California Aqueduct for the benefit of the SWRU. The Original Banking Partners will have access to such recovery Capacity in Area A on a first priority basis, to the extent required to satisfy the Program Pumpback Capacity and Program Entitlement Exchange Rights of the respective Original Banking Program Agreements. Whenever Original Program Pumpback Capacity is available from the Original Banking Program Facilities during Semitropic's off-peak irrigation season and other times Semitropic determines to be operationally feasible (as provided at Section 5.4), it shall be offered to the Original Banking Partners (on a first priority basis) and the SWRU (on a second priority basis). Semitropic shall be entitled in its discretion to allow Lower Priority Banking Partners use any Program capacity as long as such use (i) is at all times subordinate to the use thereof by Banking Partners and (ii) does not result in any expense to Original Banking Partners or SWRU Banking Partners.

7.1.3 Subject to Section 7.1.5, the Original Banking Partners shall have second priority use of SWRU facilities, provided that (i) the rights of Participant and other SWRU Banking Partners to use unused capacities within the SWRU have been met and (ii) such Original Banking Partner's use shall not reduce the SWRU's expected returns or cause water quality to be unacceptable for return to the California Aqueduct.

7.1.4 Subject to Sections 5.6 and 7.1.5, the SWRU will have second priority use

of Original Banking Program facilities provided that: (i) all rights of the Original Banking Partners to use unused capacity have been met, and (ii) such SWRU use shall not reduce the Original Banking Partners' expected returns or cause water quality to be unacceptable for return to the California Aqueduct.

7.1.5 If Semitropic utilizes the SWRU facilities in accordance with Section 7.1.3, on behalf of and with the consent of, an Original Banking Partner, then the Original Banking Partner shall pay a share of the fee determined pursuant to Section 14.1.5 of the Original Banking Partner's Agreement. If a SWRU Banking Partner utilizes Original Banking Program Facilities, the Operations and Maintenance fee shall be paid in accordance with Section 6.7.2 or 6.5.2 as applicable, of the Original Banking Program Agreements. The Original Banking Partners shall not be obligated to pay any additional fees for usage of the SWRU, nor shall SWRU Banking Partners be obligated to pay any additional fees for usage of Original Program Banking Facilities, other than as detailed in this section.

7.1.6 The Original Banking Partners' second priority rights specified in Sections 7.1.2 through 7.1.5 and Participant's right to use unused SWRU Pumpback Capacity of recovered stored water originating from the Well Field as specified in Section 5.2.2.1, shall not apply to water treatment facilities which may be constructed.

7.1.7 There shall be no increase in costs to the Original Banking Partners for modeling, monitoring, and any other activities resulting from the SWRU or any future expansion of the Semitropic Bank.

7.1.8 Nothing in this Agreement affects, acknowledges or establishes (i) rights as to use of any facilities other than the Original Banking Program Facilities and the Stored Water Recovery Unit Facilities, or (ii) rights as to the manner in which Stored Water, once recovered, is to be utilized; provided, however, that such use is consistent with the terms and conditions of and the Original Banking Program Agreements.