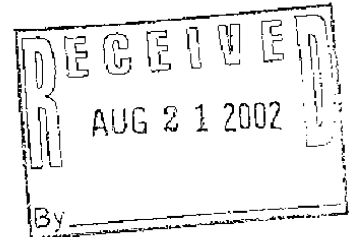




15701 Highway 178 • P.O. Box 60679 • Bakersfield, CA 93386-0679
(661) 872-5050 • Fax: (661) 872-7141

August 16, 2002

Mr. Robert DiPrimio, President
Valencia Water Company
24631 Avenue Rockefeller
Valencia CA 91355



Dear Mr. DiPrimio:

Enclosed please find the following documents:

1. Contract for Purchase and Sale of Kern River Water and Storage Rights dated 3/18/81.
2. Resolution of Nickel Family LLC Class A and Class B giving approval to sign Contract.
3. Resolution of Nickel Family LLC Management Committee giving approval to sign Contract.
4. Resolution of Bravo Management Company Board of Directors giving approval to sign Contract.
5. Resolution of Olcese Water District giving approval to sign Contract.
6. Resolution of Kern County Water Agency Board of Directors giving approval to sign Contract.
7. Resolution of Kern County Water Agency re: 10,000 acre feet use out of County.
8. Kronick, Moskovitz, Tiedemann & Girard Opinion Letter of Counsel re; Water Rights.
9. Letter from Gene R. McMurtrey, Attorney for Olcese Water District, representing that the representations and warranties given by Olcese in Article 7.1(k) are true and correct.

If I can be of further assistance, please call.

Sincerely,

Rita J. Rowland
Administrative Assistant

Encs.
File: 220-F-17

053837

1981 MAY 26 AM 11:35

OLCESE WATER DISTRICT
Suite 307
1415-18th Street
Bakersfield, Calif. 93301

RECORDED
RAY
KERN RIVER WATER DISTRICT

CONTRACT FOR PURCHASE AND SALE OF KERN RIVER
WATER AND STORAGE RIGHTS

28962 3 35/11/81

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THIS AGREEMENT, dated March 18, 1981, is between
OLCESE WATER DISTRICT, a California water district, herein-
after "Olcese", and LA HACIENDA, INC., a California corpora-
tion, GEORGE W. NICKEL, JR., and ADELE R. NICKEL, husband and
wife, hereinafter collectively referred to as "La Hacienda."

RECITALS

1. La Hacienda owns, administers and/or represents
certain water rights in the Kern River and storage entitlement
in Isabella Reservoir. Such water and storage rights which are
collectively hereinafter generally referred to as the "Hacienda
Water Rights," are dealt with in various previously executed
contracts, including the following:

- (a) Kern River Water Rights and Storage Agreement,
dated December 31, 1962, among and between
certain districts identified as the "Upstream
Group" and Hacienda Water District and Tulare
Lake Basin Water Storage District, identified
as the "Downstream Group";
- (b) Contract dated October 23, 1964, by and among
the United States of America and North Kern
Water Storage District, Buena Vista Water
Storage District, Tulare Lake Basin Water
Storage District and Hacienda Water District;
- (c) Kern River Water Settlement Agreement dated
January 1, 1963, by and between the Tulare
Lake Basin Water Storage District and the
Hacienda Water District;

- (d) Supplement to Kern River Water Settlement Agreement dated August 8, 1974, by and between Tulare Lake Water Storage District and Hacienda Water District;
- (e) Water Substitution Agreement dated November 14, 1972, by and between Buena Vista Water Storage District and Hacienda Water District, and any amendments or supplements thereto;
- (f) Agreement for Establishment and Maintenance of Minimum Recreation Pool of 30,000 Acre Feet In Isabella Reservoir dated November 8, 1963, by and between Buena Vista Water Storage District, North Kern Water Storage District, Tulare Lake Basin Water Storage District, Hacienda Water District and the County of Kern;
- (g) Agreement of Sale and the Kern River Water Storage and Reservation Agreement which is incorporated therein, both of which are dated October 16, 1978, and are by and between George W. Nickel, Jr., Adele R. Nickel, La Hacienda, Inc., and Tulare Lake Representatives, a joint venture, and
- (h) Kern River Water Right and Storage Allocation Agreement dated March 10, 1961, by and between Hacienda Water District, Kern River Delta Farms, as first parties, and Robert Burhans, Jr., Gertrude B. Burhans, his wife, and Burhans & Trew, Inc., as second parties. The interests of the second parties (Burhans) established by this agreement were subsequently assigned to Miller & Lux, Incorporated on March 10, 1961, thence to J. G. Boswell Company on January 11, 1974, and thence to George W. Nickel, Jr., on October 4, 1974.

It is the understanding and intent of the parties that the Hacienda Water Rights include 100% of the "Downstream Group's" rights as described in the 1962 agreement referred to in (a) above.

2. Olcese and the City of Bakersfield (hereinafter the "City") have entered into two agreements which are referred to

respectively as "Agreement No. 77-07 W.B.", dated November 9, 1977, and "Agreement No. 78-12 W.B.", dated June 27, 1978, which permit Olcese to use the City's 2800-acre spreading grounds west of the City for spreading and recovery of water under certain circumstances. These 2800 acres are hereinafter referred to as the "City's Kern River spreading area."

3. On August 1, 1979, and February 11, 1980, Olcese and La Hacienda entered into two Agreements for Sale and Purchase of Stored Water (Kern River Fan) providing for the sale and transfer of a portion of the Hacienda Water Rights to Olcese. Olcese and La Hacienda now desire to supplant those agreements with this contract providing for the purchase and sale of all of the Hacienda Water Rights upon the terms and conditions provided for herein.

4. Olcese is a California water district duly organized and existing under and by virtue of the laws of the State of California with full and lawful power and authority to enter into this agreement and to perform all covenants and obligations on its part to be performed hereunder.

5. La Hacienda, Inc., is a California corporation and George W. Nickel, Jr., and Adele R. Nickel, his wife, own a majority of the stock of La Hacienda, Inc. La Hacienda, Inc., is lawfully empowered and authorized to enter into this agreement and perform all covenants and obligations on its part to be performed hereunder.

NOW, THEREFORE, IT IS AGREED between the parties as follows:

Section 1. Sale and Transfer of Hacienda Water Rights
and Substitution of Olcese as Attorney-In-Fact.

La Hacienda hereby sells, transfers, assigns and sets over to Olcese all of its rights, title and interest in the Hacienda Water Rights. La Hacienda also hereby substitutes Olcese in place of La Hacienda, Inc., as Hacienda Water District's Attorney-In-Fact under that special power of attorney granted to La Hacienda, Inc., by Hacienda Water District on September 2, 1980, which is recorded in Book 1184, at Page 120, Official Records of Kings County and in Book 5315, at Page 1253, Official Records of Kern County.

Section 2. Further Assurances.

The parties agree to make, execute and deliver such documents and undertake such other and further acts as may be reasonably necessary or convenient to carry out the intent of the parties to this contract. In this regard, La Hacienda shall use its best efforts to obtain from the Hacienda Water District, Tulare Lake Basin Water Storage District and Tulare Lake Representatives any documents or actions that may be reasonably necessary or convenient to evidence the transfer of the Hacienda Water Rights to Olcese.

Section 3. Place and Manner of Use.

(a) Except for water made available to La Hacienda under the provisions of Sections 6, 7 and 8 below or as provided for in Paragraph (b) of this section, no Hacienda Water Rights

water sold to Olcese under this contract shall be sold or otherwise made available for use outside the boundaries of Olcese as they now exist without the prior written consent of La Hacienda; provided, however, the written consent of La Hacienda shall not be required for the service of Hacienda Water Rights water to all or any portion of the City's Rio Bravo Annexation which, as of the date of this contract, is being considered by LAFCO for annexation to Olcese, if it is annexed to Olcese.

(b) The parties recognize that the Hacienda Water Rights are rights to high flows in the Kern River which need regulation in order to be put to maximum beneficial use. For this reason, Olcese has entered into the two agreements with the City referred to in Recital No. 2 above, and 76,932 acre feet of Hacienda Water Rights water were spread, prior to January 1, 1981, all of which is now in storage in the City's Kern River spreading area for the benefit of Olcese pursuant to those agreements. In order to continue to conserve and maximize the use of Hacienda Water Rights water, Olcese shall spread water on the City's Kern River spreading area pursuant to said agreements when it is available for such purpose, so that this water will be available for recovery at later times for use either by Olcese directly or through exchanges or by La Hacienda pursuant to the provisions of Sections 7 and 8 below. In addition to using this water through such spreading and recovery operations, Olcese may use such water by direct diversion from the Kern River within Olcese boundaries when such water is available; provided, however,

that, except as provided in Section 6 hereof, Olcese shall not use water stored in Isabella Reservoir for either direct diversion or spreading.

Section 4. Price.

(a) Throughout the term of this contract, Olcese shall pay La Hacienda for each acre foot of Hacienda Water Rights water put to use by Olcese an amount equal to the price per acre foot then being paid to the State of California by the Kern County Water Agency for California Water Project entitlement water made available for use in the Agency's Improvement District No. 4 at the Tupman Turnout (Reach 12E) of the California Water Project Aqueduct; provided, that if and when the price per acre foot of such water exceeds \$55.00 the price thereafter shall be \$55.00 an acre foot.

(b) Although title to Hacienda Water Rights water is by this contract conveyed to Olcese, Olcese will have no requirement to pay La Hacienda for any such water until it is used by Olcese by exchange or otherwise. For payment purposes Hacienda Water Rights water shall not be deemed to have been used by Olcese until either water theretofore spread in City's Kern River spreading area is extracted for Olcese's use or Hacienda Water Rights water has been directly diverted from the Kern River for use within Olcese.

Section 5. Time and Manner of Payment.

Olcese shall meter the amount of Hacienda Water Rights water it uses each year in a manner acceptable to La Hacienda.

The quantities used each month shall be reported to La Hacienda no later than the 15th day of the subsequent month. The payments for each month's use required by Section 4 above shall be made on or before 90 days following the end of the month in which the water is used.

Section 6. Use of Isabella Reservoir Storage and River Flows and Payment of Obligations and Charges Associated with Hacienda Water Rights.

(a) Any Hacienda Water Rights water stored in Isabella Reservoir not needed by Olcese for spreading to meet Olcese's thirteen year requirement referred to in Section 8 below, all Hacienda Water Rights water not needed by Olcese for direct diversion from the Kern River, and any such water not usable by Olcese for spreading may be used and disposed of by La Hacienda at any time, in any manner, at any place outside the boundaries of Olcese, and for any purpose La Hacienda thinks proper without any payments to Olcese for such water except as provided in (b) below. Any such water which becomes available for La Hacienda's use pursuant to the preceding sentence may be kept in storage in Isabella Reservoir for use in subsequent years by La Hacienda and shall not be available for use by Olcese.

(b) A portion of La Hacienda's Hacienda Water Rights were obtained subject to the following obligations: (1) obligations owed to Tulare Lake Basin Water Storage District (Tulare Lake BWS), (2) Isabella Reservoir storage charges, and (3) charges for Kern River Watermaster costs. These obligations are set

forth in the agreements referred to in Recital No. 1 above. La Hacienda shall meet these obligations, subject to being reimbursed by Olcese for that portion of the Isabella Reservoir storage charges attributable to water stored therein for use by Olcese pursuant to (a) above, to and including the year in which Olcese's annual use of Hacienda Water Rights water for consumption within Olcese Water District first reaches 5,000 acre feet. Thereafter, Olcese shall be responsible for paying these obligations, subject to being reimbursed by La Hacienda for that portion of these obligations attributable to water stored in Isabella Reservoir for La Hacienda's use pursuant to (a) above. The reimbursement payments to be made by one party to the other for Isabella Reservoir storage shall be made 90 days following notice.

Section 7. Option to Purchase Excess Water.

The parties realize that for many years the quantity of water available to Olcese from the City's Kern River spreading area should be substantially in excess of Olcese's needs for water within its boundaries. As part of the consideration for the sale of the Hacienda Water Rights to Olcese, La Hacienda shall have each year during the term of this contract a right to purchase all of Olcese's water in the City's Kern River spreading area that is excess to Olcese's needs, determined as hereinafter provided in Section 8 (a), which water is referred to herein as "option water." As between Olcese and La Hacienda, but subject to the limitations in Agreement 78-12 W.B., or any

amendment or extension thereof, any such option water extracted and delivered by Olcese to La Hacienda may be used and disposed of by La Hacienda in any manner, at any place outside the boundaries of Olcese, and for any purpose La Haciendda thinks proper, either during the year the option is exercised or, subject to the provisions of Section 10, any time thereafter, at La Hacienda's discretion.

Section 8. Procedure for Determining Availability and Purchase of Option Water.

(a) The following procedure shall be used to determine how much water in the City's Kern River spreading area Olcese has each year in excess of its needs available for purchase by La Hacienda pursuant to Section 7 above. A consulting engineering firm designated and paid by Olcese, in conjunction with the City as provided in Agreement No. 78-12 W.B., and after consultation with La Hacienda shall annually on or before August 1st of each year determine what Olcese's requirements for Hacienda Water Rights water will be for the following thirteen years. This water requirement shall be compared to the amount of water that Olcese then has in storage in the City's Kern River spreading area, and the amount of water then in storage that is over 5,000 acre feet greater than the thirteen year requirement shall be deemed to be excess water available for option by La Hacienda pursuant to Section 7 above and Olcese shall give La Hacienda written notice of this amount by August 1 of each year.

(b) At the request of La Hacienda, option water may either be delivered immediately or kept in storage in the under-

ground for La Hacienda's later use. Any option water left in storage for later use by La Hacienda shall not be considered as water that Olcese has in storage in determining the availability of option water in subsequent years.

Section 9. Amount of Option Water Available
for Purchase by La Hacienda.

It has been determined that for the thirteen year period commencing January 1, 1981, Olcese's requirements are 68,150 acre feet and all water Olcese had in storage in the City's Kern River spreading area on January 1, 1981, in excess of 73,150 acre feet is hereby deemed option water under the provisions of this contract.

Section 10. Price for Option Water.

For each acre foot of option water purchased by La Hacienda pursuant to Section 7 above, La Hacienda shall pay Olcese \$10.00 plus all costs of such water to Olcese, including but not limited to a proration of operation and maintenance and capital costs. The price should be escalated based on changes from the July 1, 1980, price under "all commodities" classification of the wholesale price indices for Major Commodity Group published by the U.S. Bureau of Labor Statistics. Adjustment shall be made in January of each year. If the reference index is discontinued, the parties shall agree upon an appropriate substitute basis to reflect the effects of inflation. Olcese shall meter the option water delivered by Olcese to La Hacienda as it is extracted and report the quantities to La Hacienda no later than the 15th day of each month. La Hacienda shall pay

for each month's water no later than 90 days following the end of the month in which the water is delivered; provided that any option water not delivered within three years shall be paid for by the end of such three years or shall revert back to Olcese as water available to it.

Section 11. Use of Proceeds From Sale of Option Water.

The net receipts of Olcese resulting from La Hacienda's purchase of the water provided for in Section 7 above, over and above all costs to Olcese for water so purchased by La Hacienda, shall, to the extent necessary, be used by Olcese in the performance of its obligations under Article I of its Agreement No. 77-07 W.B. with the City, as amended. If these net receipts are not sufficient to enable Olcese to meet its obligations under Agreement No. 77-07 W. B., La Hacienda shall advance to Olcese sufficient funds for this purpose, and Olcese shall repay such advances, with interest at the maximum interest rate permitted by law at the time of the advance, as Olcese is able to do so from future net revenues from the sale of water extracted from the City's Kern River spreading area.

Section 12. Use of Hacienda Water Rights.

All rights to store, sell, transfer or substitute Hacienda Water Rights water which are transferred to Olcese hereunder and which are not needed by Olcese to make Hacienda Water Rights water available for use within Olcese, shall be made available to La Hacienda for its use and Olcese shall cooperate with La Hacienda to enable La Hacienda to make use of such rights.

Section 13. Term of Contract.

This contract shall be in perpetuity.

Section 14. Termination of August 1, 1979, and
February 11, 1980, Agreements.

This contract shall supersede the Agreements for Sale and Purchase of Stored Water (Kern River Fan) dated August 1, 1979, and February 11, 1980, between Olcese and La Hacienda, Inc., and upon execution of this contract those agreements shall have no further force or effect.

Section 15. La Hacienda's Separate Water.

Heretofore, La Hacienda has delivered to the Kern County Water Agency 32,163 acre feet of Kern River water for use in the Agency's Improvement District No. 4 treatment plant. This water was delivered pursuant to an exchange agreement with the Agency wherein the Agency agreed to deliver to La Hacienda at some future date an equal amount of Improvement District No. 4's allocation of State Project Water. This right to receive such water from the Agency belongs to La Hacienda and is not in any way being transferred, assigned or conveyed to Olcese by this contract.

Section 16. Representations.

La Hacienda hereby agrees to hold Olcese harmless from and against any and all loss, liability and expense which Olcese may sustain by reason of the breach of any of the representations set forth in Recitals Nos. 1, 3 and 5 of this contract.

Section 17. Notices.

Any notices required or convenient to be given under this

contract shall be in writing, and unless in fact otherwise timely received, shall be considered effectively given only upon personal delivery or upon mailing by registered mail, return receipt requested, postage prepaid. Notices shall be addressed to the parties at the following indicated addresses, or at such other addresses as may be later indicated to the other party:

Olcese Water District
1415-18th Street, Room 302
Bakersfield, CA 93301

La Hacienda, Inc.
c/o Nickel Enterprises
Star Route 4, Box 801
Bakersfield, CA 93306

Section 18. Successors, Heirs and Assigns.

The provisions of this contract shall inure to the benefit of and shall be binding upon the heirs, successors and assigns of the parties hereto, and each party may assign its interests in this contract without the written consent of the other party.

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first written above.

OLCESE WATER DISTRICT

By Melvin L. McColloch
Melvin L. McColloch, President

ATTEST:

By Owen F. Goodman
Owen F. Goodman, Secretary

George W. Nickel, Jr.
GEORGE W. NICKEL, JR.

Adele R. Nickel
ADELE R. NICKEL

LA HACIENDA, INC.

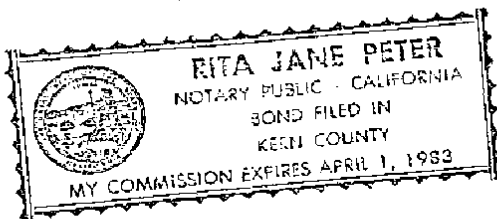
By George W. Nickel, Jr.
George W. Nickel, Jr., President

By Frank K. Stamboolian, Jr.
Frank K. Stamboolian, Jr., Secretary

STATE OF CALIFORNIA)
) ss.
County of Kern)

On March 18, 1981, before me, the undersigned, a Notary Public in and for said State, personally appeared Melvin L. McColloch, known to me to be the President, and Owen F. Goodman, known to me to be the Secretary of the district that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the district therein named, and acknowledged to me that such district executed the within instrument pursuant to an order of its Board of Directors.

WITNESS my hand and official seal.

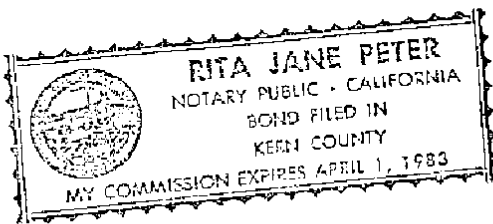


Rita Jane Peter
Notary Public

STATE OF CALIFORNIA)
) ss.
County of Kern)

On March 18, 1981, before me, the undersigned, a Notary Public in and for said State, personally appeared GEORGE W. NICKEL, JR., known to me to be the _____ President, and FRANK K. STAMBOOLIAN, JR., known to me to be _____ Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

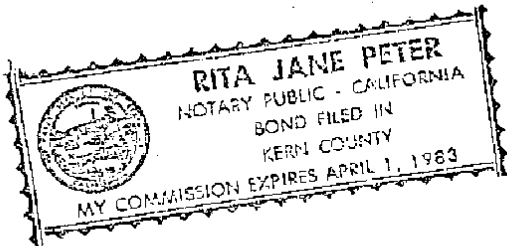


Rita Jane Peter
Notary Public

STATE OF CALIFORNIA)
County of Kern) ss.

On March 18, 1981, before me, the under-
signed, a Notary Public in and for said State, personally
appeared George W. Nickel, Jr., and Adele R. Nickel, known to
me to be the persons whose names are subscribed to the within
instrument and acknowledged to me that they executed the same.

WITNESS my hand and official seal.



Rita Jane Peter
Notary Public

CERTIFICATE OF ACCEPTANCE
(27281)

This is to certify that the interest in real property conveyed by the foregoing Contract for Purchase and Sale of Kern River Water and Storage Rights dated _____, 1981, from La Hacienda, Inc., a California corporation, George W. Nickel, Jr., and Adele R. Nickel, husband and wife, hereinafter collectively referred to as "La Hacienda," to Olcese Water District was accepted by order of the Board of Directors of Olcese Water District made January 9, 1981, and Olcese Water District consents to the recording thereof.

Owen F. Goodman, Secretary
Olcese Water District

RESOLUTION

WHEREAS, Nickel Family LLC has negotiated a "Contract to Transfer Lower River Water Rights on the Kern River" by and between Nickel, Olcese Water District, and Kern County Water Agency; and,


WHEREAS, the Contract provides substantial benefits to Nickel and, therefore, its execution is in the best interests of Nickel.

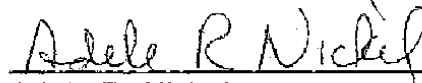
Now and therefore, the Class A and Class B Members of Nickel Family LLC do hereby approve the "Contract to Transfer Lower River Water Rights on the Kern River" and hereby authorizes and directs its President to enter into said contract.

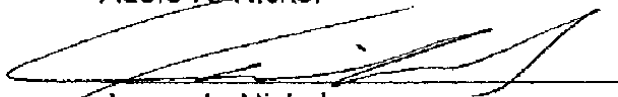
Executed as of the 2nd day of December, 2000.

Nickel Family LLC


Class A Members

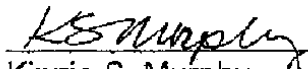

George W. Nickel, Jr.

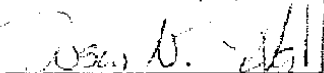

Adele R. Nickel

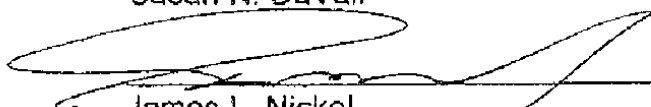

James L. Nickel

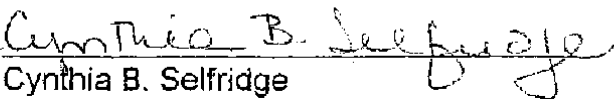
Class B Members

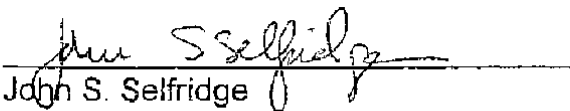

Sally N. Zanze


Kinzie S. Murphy


Susan N. DuVail


James L. Nickel


Cynthia B. Selfridge


John S. Selfridge

Nancy N. Resor

George Wilmarth Nickel, III

Kathleen D. Nickel, General Partner of
the Miller Nickel Family Partnership

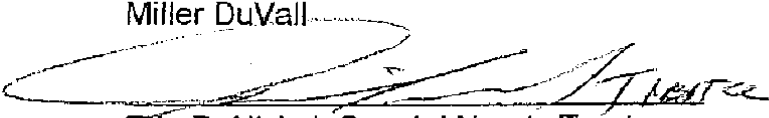
Sam Selfridge

Christine M. Warburton

Deborah Marskey

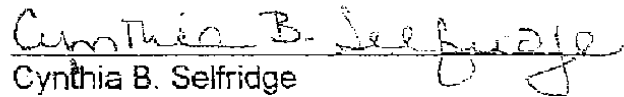
Eric DuVall

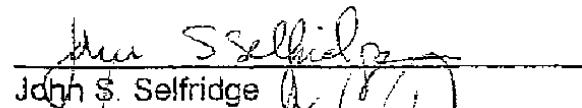
Miller DuVall

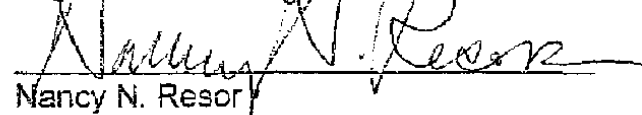

Erin D. Nickel, Special Needs Trust

Heidi N. Michael

Kara N. Lucas


Cynthia B. Selfridge


John S. Selfridge


Nancy N. Resor

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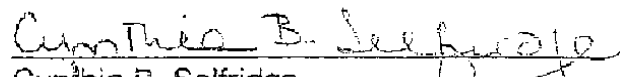
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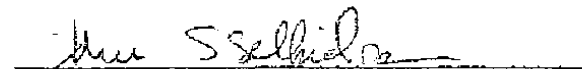
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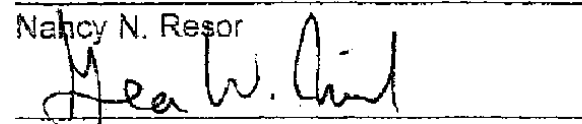

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Deborah Marskey

Eric DuVall

Miller DuVall


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Cynthia B. Selfridge

John S. Selfridge
John S. Selfridge

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Kathleen D. Nickel, General Partner of
the Miller Nickel Family Partnership

Sam Selfridge

Christine M. Warburton

Deborah Marskey

Eric DuVall

Miller DuVall

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Erin D. Nickel, Special Needs Trust

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Cynthia B. Selfridge

John S. Selfridge
John S. Selfridge

Nancy N. Resor

George Wilmarth Nickel, III
Kathleen D. Nickel
Kathleen D. Nickel, General Partner of
the Miller Nickel Family Partnership

John S. Selfridge for Sam Selfridge
Sam Selfridge

Christine M. Warburton

Deborah Marskey

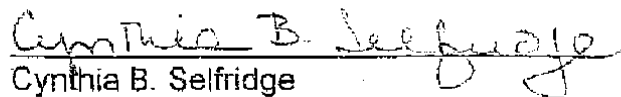
Eric DuVall

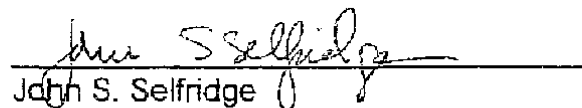
Miller DuVall

Erin D. Nickel
Erin D. Nickel, Special Needs Trust

Heidi N. Michael

Kara N. Lucas


Cynthia B. Selfridge


John S. Selfridge

Nancy N. Resor

George Wilmarth Nickel, III

Kathleen D. Nickel, General Partner of
the Miller Nickel Family Partnership

Sam Selfridge

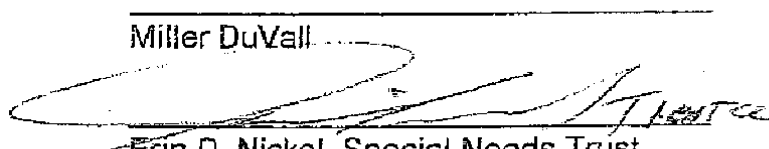
Christine M. Warburton

Deborah Marskey



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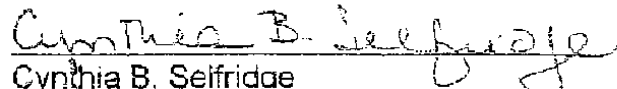
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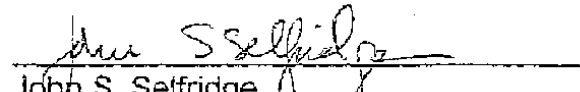
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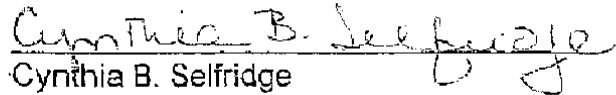
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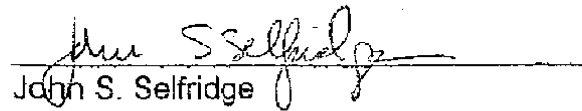
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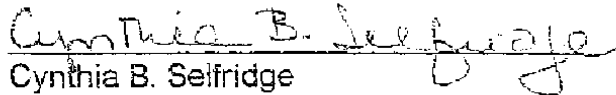
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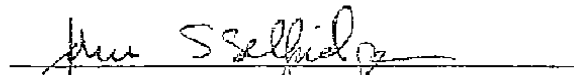


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Sam Selfridge

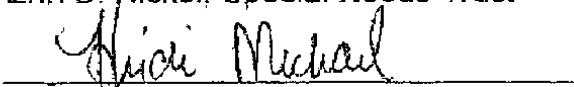
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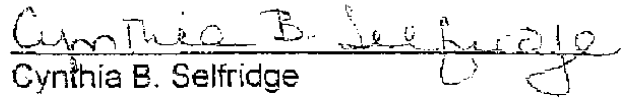
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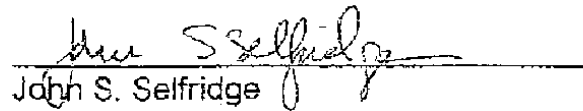
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Brian Murphy

Sarah Murphy

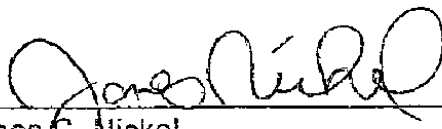
Turner Resor

Miller Resor

LOST HILLS FARMING COMPANY

By: _____

James L. Nickel, General Manager


James C. Nickel

Brian Murphy

Sarah Murphy

Turner Resor

Miller Resor

LOST HILLS FARMING COMPANY

By: 

James L. Nickel, General Manager

James C. Nickel

Brian Murphy

Sarah Murphy

Turner Resor

Miller Resor

LOST HILLS FARMING COMPANY

By:

James L. Nickel, General Manager

James C. Nickel

Brian Murphy


Sarah Murphy

Turner Resor

Miller Resor

LOST HILLS FARMING COMPANY

By: 

James L. Nickel, General Manager

James C. Nickel

Brian Murphy

Sarah Murphy

TURNER RESOR BY *Nancy N. Resor*
Turner Resor (Mother)

MILLER RESOR BY *Nancy N. Resor*
Miller Resor (Mother)

LOST HILLS FARMING COMPANY

By: 

James L. Nickel, General Manager

RESOLUTION

WHEREAS, Nickel Family LLC has negotiated a "Contract to Transfer Lower River Water Rights on the Kern River" by and between Nickel, Olcese Water District, and Kern County Water Agency; and,

WHEREAS, the Contract provides substantial benefits to Nickel and, therefore, its execution is in the best interests of Nickel.

Now and therefore, the Management Committee of Nickel Family LLC does hereby approve the "Contract to Transfer Lower River Water Rights on the Kern River" and hereby authorizes and directs its President to enter into said contract.

Executed as of the 2nd day of December, 2000.

Management Committee
Nickel Family LLC

By: 

George W. Nickel, Jr.

By: 

Adele R. Nickel

By: 

James L. Nickel

RESOLUTION

WHEREAS, Bravo Management Company entered into a Management Agreement by and between Bravo Management Company (Bravo) and Nickel Family LLC (Nickel) dated December 14, 1996 in which Bravo was hired to manage the assets of Nickel; and,


WHEREAS, Nickel proposes to enter into a "Contract to Transfer Lower River Water Rights on the Kern River" with Kern County Water Agency and Olcese Water District; and,

WHEREAS, the Bravo Board of Directors has determined that entering into the proposed Contract is in the best interest of Nickel;

Now and therefore, the Board of Directors of Bravo Management Company hereby authorizes James L. Nickel, President of both Nickel Family LLC and Bravo Management Company, to enter into the proposed contract.

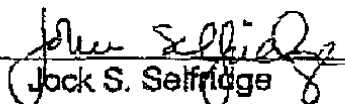
Executed this 2nd day of December, 2000.

BRAVO MANAGEMENT COMPANY

By: 
George W. Nickel, Jr.

By: 
Sally N. Zanze

By: 
Susan N. DuVail

By: 
Jock S. Selfridge

By: 
Adele R. Nickel

By: 
Kinzie S. Murphy

By: 
Cynthia B. Selfridge

**BEFORE THE BOARD OF DIRECTORS OF THE
OLCESE WATER DISTRICT**

RESOLUTION NO. 395

IN THE MATTER OF:

LOWER RIVER RIGHT SALE

WHEREAS, a contract has been negotiated between Nickel Family LLC, a California limited liability company, the Olcese Water District, and the Kern County Water Agency regarding transfer of the Lower River water rights on the Kern River from the Nickel Family LLC and Olcese Water District to the Kern County Water Agency; and

WHEREAS, this District will receive valuable consideration for the transfer of its interest in the Lower River water right to the Kern County Water Agency; and

WHEREAS, the Board of Directors of this District has reviewed the Agreement and has determined that said Agreement, and the transfer contemplated therein, is in the best interests of the District and its landowners;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED:

1. All the foregoing is true and correct.
2. The transfer of the Lower River water rights to the Kern County Water Agency as provided in the Agreement previously presented to this Board of Directors be, and it hereby is, approved.
3. The President and Secretary of the District be, and they hereby are, authorized and directed to execute, on behalf of the District, the final form of said Agreement when it is available for signature in substantially the form heretofore presented to the Board of Directors.
4. The Secretary of the District be, and hereby is, authorized and directed to distribute this Resolution as necessary or proper to confirm the action taken this date.

All the foregoing being on the motion of Director McNeill, seconded by Director Gregory, and authorized by the following vote, namely:

AYES: McNeill, Gregory, Davis.


NOES: None.

ABSENT: None.

ABSTAIN: Teagarden, Nickel.

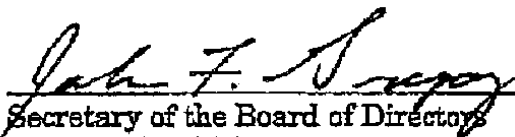
I HEREBY CERTIFY that the foregoing Resolution is the Resolution of the Olcese Water District as duly passed and adopted by said Board of Directors at a legally convened meeting held on the 27th day of November, 2000.

WITNESS my hand this 23 day of January, 2001.



President of the Board of Directors
OLCESE WATER DISTRICT

ATTESTED TO:



Secretary of the Board of Directors
OLCESE WATER DIST.

C:\N001101\OLCESE WATER DIST - (new) (new) (new) (new)

BEFORE THE BOARD OF DIRECTORS
OF THE
KERN COUNTY WATER AGENCY

In the matter of:

APPROVAL OF PROPOSED AGREEMENT
FOR AGENCY ACQUISITION OF LOWER
KERN RIVER WATER RIGHTS AND OTHER
ASSOCIATED RIGHTS FROM THE NICKEL
FAMILY LLP AND OLCESE WATER DISTRICT
AND AUTHORIZATION OF THE EXECUTION
OF SAME BY THE GENERAL MANAGER

I, PAM BOSWORTH, Secretary of the Board of Directors of the Kern County Water Agency, of the County of Kern, State of California, do hereby certify that the following resolution proposed by Director Radon and seconded by Director Garnett, was duly passed and adopted by said Board of Directors at an official meeting hereof this 15th day of December, 2000 by the following vote to-wit:

Ayes: Garnett, Frick, Radon, Lundquist, Rogers, Mathews & Starrh

Noes: None

Absent: None


Secretary of the Board of Directors
of the Kern County Water Agency

Resolution No. 88-00

WHEREAS, the Kern County Water Agency ("Agency") has previously entered into a long term water supply contract with the State of California for more than 1,000,000 AF of water per year on a firm annual basis, but due to regulatory restrictions the State of California is currently unable, and for the mid-term future will apparently be unable, to meet the obligations of that contract;

WHEREAS, the Agency currently has an opportunity to acquire and manage certain water rights and associated rights on the Lower Kern River currently held by the Nickel Family LLP and Olcese Water District due to funding provided by the State of California as directed by Governor Davis to help alleviate the shortages to the Agency which are anticipated;

WHEREAS, the General Manager has entered into negotiations with the Nickel Family LLP and Olcese Water District to reach agreement on a transaction which would provide for voluntary acquisition of such rights by the Agency;

WHEREAS, the General Manager has reached tentative agreement with the Nickel Family LLP and Olcese Water District on an agreement for such transaction which is attached hereto as Exhibit A and incorporated herein by reference;

WHEREAS, the Agency by virtue of its powers granted by the legislature in the Kern County Water Agency Act is empowered to acquire such rights by agreement; and

WHEREAS, the transaction is part of the Kern River Program previously approved by the Agency Board of Directors, including the analysis of environmental impacts associated therewith and the documentation of the Agency's review and decision regarding the analysis of environmental impacts.

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Kern County Water Agency that:

1. The foregoing recitals are found to be true and correct, and incorporated herein.
2. The agreement attached hereto as Exhibit A for transfer of the lower river rights of the Kern River, as defined therein is approved.
3. The General Manager is authorized to execute the agreement with the substantive provisions contained therein, subject to approval of the General Manager and General Counsel as to form.

CONTRACT TO TRANSFER

LOWER RIVER WATER RIGHTS ON THE KERN RIVER

This Contract is made as of the 21st day of December 2000, by and between Nickel Family, LLC ("Nickel"), a California limited liability company, the Olcese Water District ("Olcese") and the Kern County Water Agency ("Agency"), both of which are public agencies in the State of California, duly organized, existing and acting pursuant to the laws thereof.

RECITALS

WHEREAS, the Governor's Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the Department of Water Resources local assistance grant funds in the amount of \$161,544,000 by budget item 3860-01-6027, payable from the interim Reliable Water Supply and Water Quality Infrastructure and Management Subaccount, and the Kern County Water Agency's Kern River Restoration Project has been selected for funding in the amount of \$23,000,000 from that subaccount; and

WHEREAS, the Agency intends to use money from that appropriation for development of local water supplies and banking programs within Kern County; and

BEFORE THE BOARD OF DIRECTORS
OF THE
KERN COUNTY WATER AGENCY

In the matter of:

CONSIDERATION OF PROPOSED AGREEMENT
FOR AGENCY ACQUISITION OF LOWER
KERN RIVER WATER RIGHTS AND OTHER
ASSOCIATED RIGHTS FROM THE NICKEL
FAMILY LLP AND OLCESE WATER DISTRICT
AND FINDING THAT THE WATER PROPOSED
FOR UTILIZATION THEREIN IS SURPLUS TO
AGENCY NEEDS PURSUANT TO AGENCY ACT
SECTIONS 5 AND WATER CODE SECTION 382


Post-it® Fax Note	7671	Date	8-16-02	# of pages	3
To	Kita	From	Holly Melton		
Co./Dept.		Co.	KCWA		
Phone #		Phone #	634-1467		
Fax #		Fax #	634-1428		

I, PAM BOSWORTH, Secretary of the Board of Directors of the Kern County Water Agency, of the County of Kern, State of California, do hereby certify that the following resolution proposed by Director Radon and seconded by Director Garnett, was duly passed and adopted by said Board of Directors at an official meeting hereof this 15th day of December, 2000 by the following vote to-wit:

Ayes: Garnett, Frick, Radon, Lundquist, Rogers, Mathews & Starrh

Noes: None

Absent: None


Secretary of the Board of Directors
of the Kern County Water Agency

Resolution No. 90-00

WHEREAS, the Kern County Water Agency ("Agency") has previously entered into a long term water supply contract with the State of California for more than 1,000,000 AF of water per year on a firm annual

basis, but due to regulatory restrictions the State of California is currently unable, and for the mid-term future will apparently be unable, to meet the obligations of that contract;

WHEREAS, the Agency currently has an opportunity to acquire and manage certain water rights and associated rights on the Lower Kern River currently held by the Nickel Family LLP and Olcese Water District with an average historical yield of 50,000 AF/year of which approximately 40,000 AF/year is subject to capture in the opinion of the Agency General Manager and engineering staff;

WHEREAS, the General Manager has developed a proposed agreement which would provide for voluntary acquisition of such rights by the Agency to be approved by other resolution;

WHEREAS, the Agency by virtue of its powers granted by the legislature in the Kern County Water Agency Act is empowered to acquire such rights by agreement;

WHEREAS, the transaction is part of the Kern River Program previously approved by the Agency Board of Directors, including the analysis of environmental impacts associated therewith and the documentation of the Agency's review and decision regarding the analysis of environmental impacts; and

WHEREAS, this Board has considered the acquisition of such rights which contemplates the utilization of 10,000 AF/year of existing Agency supplies to exchange as part consideration for the transaction which will acquire 50,000 AF/year of water on average of which 40,000 AF/year average is capturable in the expert opinion of the Agency General Manager, who is thoroughly familiar with the rights, and the Agency engineering staff, who are experts in utilization of groundwater recharge and are thoroughly familiar with Agency existing facilities and planning for additional facilities; and

WHEREAS, no opponents to the plan have offered equivalent consideration for the exchange of such water, and there is no substantial evidence to show that the net effect of the transaction will be to enhance Agency supplies by an average of 30,000 AF/year to 40,000 AF/year over the long term.

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Kern County Water Agency that:

1. The foregoing recitals are found to be true and correct, are incorporated herein, are supported by substantial evidence, and are sufficient basis for the additional findings herein.
2. The agreement approved by Resolution No. 88-00 provides for the transfer by the Agency to Nickel Family LLP of 10,000 AF/year of Agency water to obtain water rights which historically have yielded far in excess of that amount.
3. The Agency is capable and will be capable of capturing sufficient amount of such water to provide a substantial net benefit to the Agency in terms of water supply, both quality and quantity.
4. No other entities have offered equivalent consideration for such water.
5. Under the terms of the proposed agreement which provide a significant net benefit to the water supply of the Agency, the water to be offered in exchange is surplus to Agency needs, and to be provided by voluntary conservation efforts, pursuant to the meaning of Agency Act Section 5 and Water Code Section 382.

STANLEY W. KRONICK
EDWARD J. TIEDEMANN
FREDERICK G. GIRARD
LLOYD HUNKELMAN
CLIFFORD W. SCHULZ
BERT E. MURPHY
BERT S. SHELBOURNE
JES M. BOYD, JR.
JANET K. GOLDSMITH
ROBIN LESLIE STEWART
WILLIAM A. KERSHAW
ROBERT A. RUNDSTROM
RUTHANN G. ZIEGLER
PAUL W. TOSER
DONALD W. FITZGERALD
THOMAS C. HUGHES, III
MICHAEL A. GROB
P. ADDISON COVERT

JAN K. DAMESYN
ANN M. MURRAY
PHILIP A. WRIGHT
DOROTHY S. LANDSBERG
ANN M. SEPHELLE
JAMES P. WITTEL
JONATHAN P. CRISTY
MICHAEL F. DEAN
EMILY E. VASQUEZ
LYLE W. COOK
BRUCE A. SCHEIDT

ANTHONY B. MANZANETTI
WILLIAM T. CHRISUM
JEFFREY A. MITCHELL

KRONICK
MOSKOVITZ
TIEDEMANN
& GIRARD
A PROFESSIONAL CORPORATION

DONNA M. MATTIES
SUSAN B. DENIOUS
THOMAS W. BARTH
JAMES J. BANKS

STACY L. SAETTA
MARILYN L. JACOBS
CYNTHIA L. KNIGHTON
GREGORY T. LYALL
SCOTT A. MORRIS
STEPHEN J. GREENE, JR.
SHELLY L. RENNER
CATHY S. HOLMES
JONATHAN P. HOBBS
AMELIA T. MINABERRIGARAI
JESS PORT TELLES, IV

STEPHEN CHILCOTT
KAREN NATAL
HOWARD F. WILKINS, III
LOUIS E. GREENWALD
ANDREW P. PUGNO

OF COUNSEL
DANIEL J. O'HANLON
MARK A. WASSER
CHARLES A. BARRETT
LEONARD M. FRIEDMAN (RETIRED)

ADOLPH MOSKOVITZ (1913-1995)
E. KENDALL DAVIS (1908-1981)
DEBORAH J. FRICK (1951-1995)

February 22, 2001

Mr. Thomas N. Clark
General Manager
Kern County Water Agency
P.O. Box 58
Bakersfield, California 93302

Re: Purchase of the Kern River Lower River Water Rights

Dear Mr. Clark:

We serve as attorneys to Nickel Family, LLC ("Nickel"). On January 23, 2001, Nickel, the Kern County Water Agency ("Agency") and Olcese Water District ("Olcese") entered into a contract entitled "Contract to Transfer the Kern River Lower River Water Rights", hereinafter referred to as "the Contract". Article 8.1(d) of the Contract, which is one of the conditions precedent to the close of the escrow provided for in the Contract states:

(d) Opinion Letter of Counsel: Nickel shall deposit into escrow an opinion letter of counsel, satisfactory to the Agency, providing that the conveyances, transfers and assignments provided in this Contract are sufficient to transfer all right, title and interest of Nickel and Olcese to the rights described herein, except those specifically retained by or quitclaimed to Nickel and/or Olcese.

This letter, which is that opinion, traces the ownership of the rights transferred to the Agency by Nickel and Olcese from the Miller-Haggin Agreement of July 28, 1888 to Nickel and Olcese.

The Miller-Haggin Agreement

The Miller-Haggin Agreement of July 28, 1888, was executed by numerous parties, but the principal party representing the Kern River downstream interests was Henry

Miller and the principal party representing the Kern River upstream interests was James B. Haggin. The agreement was entered into after the California Supreme Court issued its decision in *Lux v. Haggin* (1886) 69 Cal.255, holding, among other things, that the riparian rights of downstream owners on the Kern River were not extinguished by the use of upstream appropriators. The parties to the agreement claimed riparian, appropriative and other rights to the waters of the Kern River, Buena Vista Slough, Kern Lake, Buena Vista Lake, and the slough connecting those lakes, and the purpose of the agreement was to compromise and settle all claims among the parties. The Miller-Haggin Agreement, including the November 30, 1889 Supplemental Agreement, is item 1 in Exhibit A accompanying this letter. ("Exhibit A")

The Miller-Haggin Agreement established two points of measurement on the Kern River which were designated and have been known since then as "First Point of Measurement" and "Second Point of Measurement." The water was divided between the parties in two ways. During the months of March through August of each year, the first 300 cubic feet per second (cfs) of water flowing at First Point were given to the Kern Island Irrigating Canal Company and any flows over 300 cfs during that period were divided one-third to the so-called "first parties," which were Henry Miller and the other downstream owners, and the remaining two-thirds was given to the so-called "second parties," which were James B. Haggin and the other upstream users. The agreement further provided that the first parties were entitled to receive their one-third at the Second Point "without diminution by reason of percolation or seepage or any interference whatsoever of or by parties of the second part."

With regard to the flows during the months of September, October, November, December, January and February, the Miller-Haggin Agreement specified that all water flowing in the Kern River above the Second Point of measurement belonged to the second parties who could divert it and use it as they desire. Any water which the second parties did not divert before it reached the Second Point, became the property of the first parties, to be used when and where they desired.

The Miller-Haggin Agreement states that the water given to the various parties may be used and disposed of by them in any manner, at any place, and for any purpose they may think proper, or that they may arrange or agree upon among themselves. The agreement also specifies that if anyone not a party to the contract shall at any time divert water from the Kern River between the first and second points, the loss occasioned to the parties to the contract will be borne one-third by the parties of the first part (Miller, et al.) and two-thirds by the parties of the second part (Haggin, et al.). It also states that if anyone not a party diverts water between those two points, the parties will unite in such suits or proceedings as may be necessary to prevent such diversions and that the costs of such litigation will be borne one-half to the parties of the first part and one-half to the parties of the second part.

The Miller-Haggin Agreement states it is perpetual and is to be construed as a covenant running with all of the land owned and claimed by all of the parties situated in the various townships described in the agreement. The townships described in the agreement include virtually all of those in the San Joaquin Valley portion of Kern County between the State Aqueduct on the west, the Southern Pacific Railroad on the east, and the north boundary of the Wheeler Ridge-Maricopa Water Storage District on the south. The Miller-Haggin Agreement was recorded in Volume 2 of Contracts and Agreements at page 40 in the Kern County Recorder's Office.

The Miller-Haggin Agreement has been amended and supplemented from time to time, including the September 14, 1955, agreement between the North Kern Water Storage District ("North Kern WSD") and various canal companies, all of which are collectively referred to in that agreement as the "First Point Group," and Buena Vista Water Storage District ("Buena Vista WSD") and such other parties as wish to join in the agreement, which are collectively referred to as the "Second Point Group". In this agreement the First Point Group stated that it owns substantially all the waters apportioned to the second parties to the Miller-Haggin Agreement (Haggin, et al.) and Buena Vista WSD stated that it owned or controlled the major portion of the waters apportioned to the first parties in the Miller-Haggin Agreement (Miller, et al.). This 1955 agreement changed the allocations under the Miller-Haggin Agreement to provide the first parties (the Second Point Group) with a somewhat greater share of the water during the March through August period when the flows at First Point exceed 2,000 cfs, and to give the first parties one-third of the flows over 1,500 cfs during the months of September through February. The agreement states that waters apportioned to any party may be stored in Isabella Reservoir or elsewhere in any surface or underground reservoir and may be taken out, used and disposed of by such party in any manner, at any place and for any useful purpose as the parties may determine from time to time. The September 14, 1955 agreement is item 2 in Exhibit A.

The Miller-Haggin Agreement pertained to land only in Kern County and did not allocate water to the Hacienda Ranch, which is located in Kings County. It was, however, the forerunner of subsequent Kern River water agreements which do involve water rights which are the subject of the Contract.

Kern River Water Rights and Storage Agreement of December 31, 1962

On December 31, 1962, Buena Vista WSD, North Kern WSD, Tulare Lake Basin Water Storage District ("Tulare Lake BWSD"), and Hacienda Water District ("Hacienda WD") entered into a contract entitled "Kern River Water Rights and Storage Agreement" ("the 1962 Agreement"). Buena Vista WSD stated that it executed the 1962 Agreement for and on behalf of

itself, Buena Vista Associates, Incorporated, and all the parties of the first part (Miller, et al.), or their successors in interest, to the Miller-Haggin Agreement, who may wish to share in the benefits and obligations of the 1962 Agreement. North Kern WSD stated that it executed the 1962 Agreement for and on behalf of all the parties of the second part (Haggin, et al.), or their successors in interest, to the Miller-Haggin Agreement whose rights on the Kern River were adjudicated among themselves in the so-called "Shaw Decree"¹ who wish to share in the benefits and obligations of the 1962 agreement. Tulare Lake BWSD and Hacienda WD executed the 1962 Agreement on behalf of themselves and all others who establish rights to the waters of the Kern River for use on lands north of Wasco Road who wish to share in the benefits and obligations of the 1962 Agreement. Throughout the 1962 Agreement, Tulare Lake BWSD and Hacienda WD are collectively referred to as the "Downstream Group" and Buena Vista WSD and North Kern WSD are collectively referred to as the "Upstream Group". The 1962 Agreement is item 3 in Exhibit A.

The 1962 Agreement apportions the waters of the Kern River between the Upstream and Downstream Groups. The division between the two groups is set forth in Paragraph 1 of the 1962 Agreement. The 1962 Agreement also apportions the conservation storage space in Isabella Reservoir, with 32% allocated to Buena Vista WSD and the other 68% to North Kern WSD. The Downstream Group was given an option to purchase 20/68th of North Kern's space, which was equal to 20% of the entire space. This is referred to as the "Downstream Space." In addition to this option, which was never exercised, the Downstream Group was given a "perpetual right to rent the Downstream Space in whole or in part from North Kern for the storage of Kern River water allocated to Downstream Group in this contract." This is the method employed by Nickel and Olcese and their predecessors to store Kern River Water in Isabella Reservoir.

Other provisions of the 1962 Agreement which relate to the Downstream Group Rights are contained in Paragraphs 4, 12, and 14. Paragraph 4 states:

4. Covenant Against Claims.

Each party hereby accepts the water apportionment provisions hereof as a final and permanent settlement of all of its rights and claims in and to the waters of Kern River, and each party hereby covenants and agrees with the others that it will never make or assert against any other party or parties hereto any claim to any of

¹ This is a 1900 Kern County Superior Court decree in which the rights of the second parties (Haggin, et al.) to the Miller-Haggin Agreement were adjudicated among themselves by Judge Lucien Shaw in Farmers Canal Company, et al. v. J.R. Simmons, et al., Action No. 1901.

the waters of Kern River except the waters herein expressly apportioned to it. Each party agrees that all waters of the Kern River to which it may become entitled under any application now pending or hereafter filed before the State Water Rights Board, or under any permit or license issued pursuant to any such application, shall serve and be used only to feed and support the respective rights and allocations of the parties hereto in accordance with the provisions of this contract.

Paragraph 12 of the 1962 Agreement required the Kern River Delta Farms (predecessors to Nickel), the then owner of the Hacienda Ranch (which owned substantially all the land in Hacienda WD), to dismiss with prejudice two actions it had brought pertaining to Kern River water. The first was an action in the Kings County superior court and the other was in the United States Court of Claims.

Paragraph 14 provides that the Downstream Group shall have a priority position on any contracts to exchange Kern River water. It states that the Downstream Group may at any time sell Kern River water to which it is entitled under the 1962 Agreement or exchange it for water owned or obtained by other parties from other sources. It then states that North Kern WSD and Buena Vista WSD may independently or together exchange Kern River water to which they are entitled for waters owned or obtained by others from other sources, subject to the right of the Downstream Group to substitute, upon the same terms and conditions, up to the quantity of Kern River entitlement that the Downstream Group then has available, its Kern River water for all or a portion of the North Kern WSD or Buena Vista WSD water that other parties agree to accept. It also provides that the water to be returned by other parties for Kern River water shall first be offered to the Downstream Group to the extent that such group is willing to accept such water and to the extent that the Downstream Group has a credit balance of Kern River water. The Downstream Group is given the right to specify the points of delivery of such exchange water. North Kern WSD and Buena Vista WSD are also required, in any exchanges with third parties, to inform them of these provisions and require the third parties to agree to them.

Downstream Group Agreements

On January 1, 1963, one day after execution of the 1962 Agreement, the Downstream Group (consisting of Hacienda WD and Tulare Lake BWSD) entered into an agreement dividing among themselves their Downstream Group allocation (the "Downstream Group Agreement"). The two districts agreed to a 50/50 split of both the Kern River water and the Isabella Reservoir storage rights apportioned to the Downstream Group. The Downstream Group Agreement also provides that Hacienda WD shall have the right to use Tulare Lake BWSD's share of Kern River water and storage in Isabella Reservoir in return for Hacienda WD

either paying Tulare Lake BWSD cash for such water or by making State Water Project water available to Tulare Lake BWSD in exchange for such Kern River water. The Downstream Group Agreement did not prohibit or restrict transfers of the right of use by Hacienda WD or require the consent of Tulare Lake BWSD to any such transfer.

This 1963 agreement between Hacienda WD and Tulare Lake BWSD was amended and supplemented on August 8, 1974 to revise the payment and exchange provisions. The agreement as it now stands provides for the establishment of an Exchange Water Account. With regard to Tulare's water in that account, it states:

The amount of Tulare's water that shall be credited to Tulare in such Exchange Water Account in any one year shall be the amount of water which is divided and apportioned to Tulare under the following formula:

<u>Aggregate Kern River Flow in Thousands of acre-feet</u>	<u>Credit to Tulare</u>
<u>January - March</u>	
First 250	None
All over 250	10%
<u>April - July</u>	
First 550	None
Next 50 (from 550 to 600)	10%*
Next 50 (from 600 to 650)	10%
Next 400 (from 650 to 1050)	13-1/3%
All over 1050	18-1/3%
<u>August - December</u>	

- * Only in certain years, namely, each year immediately following a year in which the April - July flow equals or exceeds 600,000 acre-feet.

The maximum credit to the bank account of Tulare in any one calendar year will be 75,000 acre-feet. Any water that the foregoing formula yields to Tulare in any calendar [year] in excess

of 75,000 acre-feet may be used by Hacienda free of any charge therefor by Tulare and without obligation to return to Tulare under the exchange formula

In return for this water, Hacienda WD can either deliver State Project Water or make dollar payments. The amount of water to be delivered to Tulare Lake BWSO in each year is either 10,000 acre feet or the quantity in Tulare's Exchange Water Account, whichever is less. If Hacienda WD elects to pay cash in lieu of water deliveries, the payments were set at \$5.00 per acre foot, with the amount to be adjusted as necessary on January 1, 1980 and each 5 years thereafter based upon changes in the Consumer Price Index.

Thus, in any year when Tulare's Exchange Water Account has a balance of 10,000 acre feet or more, Hacienda WD must deliver 10,000 acre feet of State Project water or pay an amount in excess of \$50,000 (10,000 AF times \$5.00 times the change in the Consumer Price Index).

The Downstream Group Agreement and the 1974 amendment are items 4 and 5 in Exhibit A.

The Minimum Pool Agreement

On November 8, 1963, the four parties to the 1962 Agreement entered into an agreement with the County of Kern to provide for a minimum pool of 30,000 acre-feet in Isabella Reservoir for recreational purposes (the "Minimum Pool Agreement"). The Minimum Pool Agreement provides that when the volume in the reservoir is 30,000 acre-feet or less, the parties would not release or withdraw any of their water from Isabella Reservoir for irrigation purposes at any time. The parties also agreed to allocate all seepage and evaporation losses and flood control releases attributable to the 30,000 acre-foot recreational pool as follows: 25% to Buena Vista WSD and 75% to North Kern WSD. The Minimum Pool Agreement is item 6 in Exhibit A.

Federal Contract for Isabella Storage

On October 23, 1964, the four parties to the 1962 Agreement entered into a contract with the United States of America pertaining to storage of Kern River water at Isabella Dam and Reservoir. The four parties stated that they executed the contract for the same respective parties for whom they executed the 1962 Agreement and the 1962 Agreement is attached to and incorporated into this contract with the United States.

The U.S. contract apportions all of the irrigation storage capacity in Isabella Reservoir, which is set at 535,000 acre feet, in the same manner as the 1962 Agreement, -- i.e., -- 32% to Buena Vista WSD and 68% to North Kern WSD. It also apportions the reimbursable costs and operation and maintenance charges for this storage capacity in the same manner.

In the contract, the United States expressly recognizes the Kern River water rights of the four districts under the Miller-Haggin Agreement, the Shaw Decree, the 1962 Agreement and the Minimum Pool Agreement, and the contract contemplates the use of 100% of the irrigation storage space of Isabella Reservoir by the four districts. However, if parties other than the four districts, and those on whose behalf they executed the contract, establish rights to Kern River water, such other parties will have the right to contract with the United States for the use of a proportionate part of such storage space under the same terms and conditions as the four districts. In such event, there would be a reapportionment of the costs to reflect these new storage rights. The federal contract for Isabella Storage is item 7 in Exhibit A.

Hacienda Ranch Sale Agreements

On October 6, 1978, George W. Nickel and Adele R. Nickel conveyed the Hacienda Ranch to La Hacienda, Inc., together with all water rights appurtenant to the property. This conveyance is item 8 in Exhibit A. On October 16, 1978, La Hacienda, Inc. and George and Adele Nickel sold the Hacienda Ranch to a joint venture group known as "Tulare Lake Representatives" ("TLR"). The sale was consummated by several agreements in which La Hacienda, Inc. and the Nickels are collectively referred to as "Nickel." One of the agreements was designated "Kern River Water and Storage Reservation Agreement." (the "Reservation Agreement.") The Reservation Agreement recited that the Hacienda WD owned and administered or represented certain Kern River water rights and Isabella Reservoir storage entitlements and stated that such water and storage rights were dealt with in various contracts, including some of those referred to in this letter. The agreements with TLR provide that all of the Kern River water rights and Isabella Reservoir storage entitlement owned, administered or represented by Hacienda WD, were reserved to, transferred, or conveyed to "Nickel", subject to the obligations owed to Tulare Lake BWSD or other Tulare Lake Basin interests. The rights reserved or transferred to "Nickel" were also limited to those attributable to the Hacienda Ranch property sold to TLR and such other Kern River water and storage rights then held by Hacienda WD. The Reservation Agreement is item 9 in Exhibit A.

The Reservation Agreement, in Recital 9, recognized that fulfillment of the parties' intentions was subject to various legal and practical contingencies. To better protect the Kern River water reserved to "Nickel" from third-party challenges, the Reservation Agreement further provided that TLR would appoint "Nickel" as its agent in fact for the limited purpose of contracting for, selling, exchanging, transferring, conveying, or otherwise dealing in those water

rights and that TLR would also, subject to certain fiduciary obligations, cause the Hacienda WD to appoint "Nickel" as agent in fact for these same limited purposes.

Hacienda WD, on or about February 6, 1979, appointed La Hacienda, Inc., as its attorney-in-fact for the limited purpose of contracting for, selling, exchanging, transferring, conveying or otherwise dealing with the Kern River water and storage rights reserved to "Nickel" under the Reservation Agreement. On February 8, 1979, TLR appointed La Hacienda, Inc., as its attorney-in-fact for the limited purpose of contracting for, selling, exchanging, transferring, conveying or otherwise dealing with the Kern River rights reserved to "Nickel" under the Reservation Agreement. At that point in time, La Hacienda, Inc., held the right to contract to sell, exchange, transfer, or convey, or to otherwise deal with, the Downstream Group's water rights under the 1962 Agreement.

Transfers to Olcese

In 1980, Hacienda WD and Tulare Lake BWSD, by formal agreement, consented to La Hacienda, Inc., selling, transferring, assigning and setting over to Olcese all of La Hacienda, Inc.'s rights, title and interest in and to the Kern River water and storage rights allocated to the "Downstream Group" in the 1962 Agreement which were reserved, transferred, or to be transferred to "Nickel" pursuant to the Reservation Agreement. This agreement also provided that, to the extent Hacienda WD and Tulare Lake BWSD held or administered any right, title or interest in such rights, those districts transferred, assigned and set such rights over to Olcese. In addition, Hacienda WD and Tulare Lake BWSD consented to the substitution of Olcese in place of La Hacienda, Inc., as their attorney-in-fact under the special powers of attorney referenced above. Copies of these consents are item 10 in Exhibit A.

By agreement dated March 18, 1981, (the "1981 Agreement"), La Hacienda, Inc. and the Nickels, et al., sold, transferred, assigned and set over to Olcese all of their right, title and interest in all of the Kern River water rights and storage entitlement in Isabella Reservoir referred to in that agreement.. They also substituted Olcese in place of La Hacienda, Inc., as the attorney-in-fact under the special power of attorney granted to La Hacienda, Inc., by Hacienda WD regarding the subject Kern River water and storage rights. In this 1981 Agreement, La Hacienda, Inc. and the Nickels reserved to themselves in their own capacities, and not as agents, the use of all the Kern River water and storage rights transferred to Olcese that is in excess of the needs of Olcese. They retained the right both (a) to use any water that Olcese could not use or spread in any year and (b) to purchase all water that Olcese spread in the City of Bakersfield's Kern River spreading area which is in excess of Olcese's needs as determined by the 1981 Agreement. This excess spread water was referred to as "option water" and was defined as the amount of water in storage in the City of Bakersfield's spreading area in excess of the sum of 5,000 acre-feet and Olcese's requirements for such water for the next 13 years. The agreement

also provided for payment provisions for the purchase of the "option water." Olcese is obligated, pursuant to this agreement, to cooperate with La Hacienda, Inc. and the Nickels, to enable them to make use of their retained water. The 1981 Agreement is item 11 in Exhibit A.

By agreement entered into on November 9, 1977, Olcese obtained from the City of Bakersfield the right to spread water on the City's 2800-acre spreading area, subject to the City's first priority right (the "City Agreement"). The City Agreement also provides for the sharing of costs between the City and Olcese associated with spreading water and the costs that Olcese must pay the City for water it pumps from the spreading area. On April 15, 1981, the City Agreement was amended to allow Olcese to sell water for non-irrigation use outside Olcese according to terms mutually agreeable to Olcese and the City. This amendment also modified the City's priority right for spreading and recovery of water in return for Olcese's commitment to construct some additional wells and water conveyance facilities. The April 15, 1981 amendment, however, did not modify the provisions of the March 18, 1981 Agreement pursuant to which Olcese is prohibited from selling or otherwise using Downstream Group water outside the boundaries of Olcese and certain property known as the "Rio Bravo Annexation" without the consent of the Hacienda Parties. The City Agreement and the 1981 amendment, along with Buena Vista WSD's April 15, 1981 letter attached, are items 12 and 13 of Exhibit A.

La Hacienda, Inc. - KCWA Agreement

On May 6, 1987, La Hacienda, Inc., entered into an agreement with the Agency entitled "Agreement on Use, Storage & Extraction of Hacienda Kern River Water" ("KCWA Agreement"). The KCWA Agreement provided that the parties would share on an equal basis all "Hacienda Water" diverted into a spreading area to be developed by the Agency for percolation and storage within the Kern River Basin. The KCWA Agreement was contingent upon the Agency acquiring and developing a spreading area consisting of 3,000 acres, or more, for such purpose. The Agency did not acquire and make available the spreading acreage required by the KCWA Agreement, and on September 13, 1994, La hacienda, Inc. sent a letter to the Agency terminating the KCWA Agreement.

Transfers to Garces and the Trust

In an agreement dated March 29, 1988 (the "Transfer Agreement"), George W. Nickel, Adele R. Nickel, Nickel Enterprises, Rio Bravo Resorts, Inc., La Hacienda, Inc., Kern River Development Company and Lekcin Management Company, Inc. collectively referred to as "Transferrors" transferred (a) to Garces Water Company, Inc. ("Garces") an undivided fifteen percent (15%) of the Transferrors' interest in certain Kern River water and storage rights referred to in that agreement as "Water Assets," which included the "Lower River Water Rights" described in the Contract, and (b) to the McNear-Driver Trust (the "Trust") the other undivided

eighty-five percent (85%) in those assets. At the time of those transfers, Garces and the Trust appointed George W. Nickel and Adele Nickel and La Hacienda, Inc. as its attorney-in-fact to obtain, store, transfer, exchange, market, or sell various water and water rights, including the water which is the subject of the Transfer Agreement. The transfers to the Trust and Garces were subject to a security interest held by Wells Fargo Bank. Olcese concurred in these transfers to Garces and the Trust, including the right of Garces and the Trust to exercise the special powers of attorney granted to La Hacienda, Inc., and the Nickels. This power of attorney and the Wells Fargo security interests referred to in this paragraph were terminated in 1994. The Transfer Agreement is item 14 in Exhibit A.

Other Transfers

In 1990, La Hacienda, Inc., as the attorney-in-fact for Garces and the Trust, sold 98,005 acre-feet of Downstream Group water to the Agency for the benefit of the State of California. The Department of Water Resources (DWR) performed a detailed legal analysis of La Hacienda, Inc.'s rights and was apparently satisfied that La Hacienda, Inc., had legal ability to pass title to the water in issue. This sale and resulting transfer of the water to the DWR occurred without any legal challenge. Also, we have been informed that the DWR has pumped and used a portion of this water without challenge.

On or about November 30, 1992, Judgment was entered in Kern County Superior Court No. 181265 settling litigation commenced by Kern Property Corporation against La Hacienda, Inc., and others. As part of the settlement, La Hacienda, Inc., is contractually obligated to provide up to 3,300 acre-feet of banked groundwater per year to supplement a base supply of 3,300 acre-feet per year of drain water made available by Buena Vista WSD to Kern Property Corporation for use on its lands located north of Wasco Road.

Transfer from Trust to Nickel Family LLC

On April 4, 1997, the Trust transferred its undivided eighty-five percent interest in the "Water Assets" to the Nickel Family LLC. This 1997 transfer agreement without exhibits is item 15 in Exhibit A. Exhibit A to that agreement dealt with so-called "Hydro Assets", not a part of this Contract. Exhibit B was the "Water Assets" which are described in the March 29, 1988 "Transfer Agreement" referred to above (item 14).

On September 1, 2000, the Agency purchased Garces' fifteen percent interest in the "Water Assets". On the close of escrow provided for in the Contract, the Agency will own all of the Lower River Water Rights provided for in the Contract.

Warranties by Nickel and Olcese

In Article 7.1 of the Contract, Nickel and Olcese have given the Agency various warranties. Among those warranties they have warranted that they have the "full power, authority and legal right to execute, deliver and perform the Contract" and that they now possess "the unrestricted right and power to own, use and sell their respective interests in the Lower River Water Rights as set forth in Exhibit A" of the Contract.

Conclusions

Based on our review of the documents discussed in this letter and other information which has been provided to us:

1. It is our opinion that Nickel and Olcese hold such rights and have such obligations with respect to the Lower River Water Rights as are created by the reviewed documents and can transfer those portions of those rights to the Agency as provided for in the Contract. We are not aware of any other documents of any kind or nature or any other facts that would render the description of those rights and obligations set forth in this letter false or misleading, but do not, by this letter, offer an opinion with respect to the nature or extent of those rights and obligations.

These rights are subject to the following obligations, as well as the laws of California governing water rights and the laws of the United States governing the use of Federal facilities:

- a. The California constitutional limitation that the water must be put to reasonable beneficial use.
- b. The limitation imposed by the Minimum Pool Agreement that you not release or withdraw any of your stored water when the volume in the reservoir is 30,000 acre-feet or less.
- c. The obligation to pay Tulare Lake BWSD for any credits it has in its Exchange Water Account, or deliver water to Tulare Lake BWSD pursuant to the Downstream agreement.
- d. The obligation to provide water to the Kern Property Corporation pursuant to the November 30, 1992 judgment.
- e. The obligation to pay fees for storage in Isabella Reservoir.

f. The possible obligation to share storage capacity in Isabella Reservoir pursuant to the 1964 federal contract.

g. Any obligations that may be owing to the City of Bakersfield as a result of the City Agreement and amendments thereto referred to above and in items 12 and 13 of Exhibit A.

h. Any other obligations that Nickel and Garces may have had regarding the use of Lower River Water Rights and Isabella storage at the time of the transfer of those rights to the Agency not heretofore disclosed to us.

2. We are not aware of any current or threatened litigation challenging the Nickel's or Olcese's rights to the Lower River Water Rights which are the subject of the Contract. However, litigation exists in the United States District Court which may affect the amount of water you can store in Isabella Reservoir: *Southwest Center for Biological Diversity v. Colonel Dorothy Klasse*, Case CIV S-97-1969 GEB JFM.

3. Assuming the parties to the various agreements described above are bound thereby, there are only two types of persons or entities who theoretically might be able to challenge these water rights. The first type is appropriators and the second is riparians.

a. We are not aware of any existing appropriators not a party to the existing agreements for the Kern River. We are aware of some small diversions from Lake Isabella, but believe these are illegal diversions rather than being pursuant to established rights. The only permits and licenses that have been issued by the State on the Kern River are those given for non-consumptive power generation use. Any other appropriators would have had to have begun their appropriations prior to 1914 and their use would have had to have been continuous since then or their right would be subject to loss for non-use. We have not carried out any independent investigation to determine if there are any existing appropriative rights of which we are not aware.

b. As to potential new appropriators, in 1964, in its Decision D. 1196 denying various applications to appropriate Kern River water, the State Water Rights Board found there was no unappropriated water in the River. In that decision, the Board found that: "The natural flow of Kern River reaching the floor of the San Joaquin Valley has been apportioned among the various users for many years by court decisions and agreements." It then referred specifically to the Supreme Court decision in *Lux v. Haggin*, supra, the Miller-Haggin Agreement and amendments thereto, the Shaw Decree, the Minimum Pool Agreement, and the 1962 Agreement.

c. Again, on November 16, 1989, the State Water Resources Control Board ("State Board"), acting pursuant to Water Code Sections 1205 through 1207, adopted Board Order WR-89-25, entitled "Order Adopting Declaration of Fully Appropriated Stream Systems and Specifying Conditions for Acceptance of Applications and Registration." Exhibit A to the Declaration indicates that the Kern River in Kern County is a fully appropriated stream and that there is no unappropriated water on this system. In 1994, the State Board adopted Order WR-94-1 denying Lost Hills Water District's request to modify Board Order WR-89-25, i.e. that the Kern River is a fully appropriated stream. More recently, the State Board's Division of Water Rights has received four petitions requesting modification of the fully appropriated stream determination for the Kern River and applications for appropriation. The petitions and applications were based on a determination by the Superior Court of Tulare County in *North Kern Water Storage District v. Kern Delta Water District, et al.*, Case 96-172919, that 87,000 acre-feet per year of water held by Kern Delta Water District under a pre-1914 appropriative water right had been forfeited by non-use. The State Board has deferred action on these petitions and applications until completion of the on-going litigation, which is currently on appeal.

d. As for non-party riparians, there are some apparently riparian lands upstream from First Point of measurement. However, we have been informed that their potential use is not considered material. If there are any such users along the river below First Point who were not parties to the above-mentioned agreements or successors in interest to any of the parties, they might be able to assert their riparian rights. However, we are informed that there are very few parcels along the river that meet this test and that none of them are of significant size. We have not independently investigated the extent of riparian lands along the Kern River.

4. Nickel, the Trust and La Hacienda, Inc., as attorneys-in-fact have made several sales and exchanges of Kern River water with various public entities and individuals, such as the sale to the Agency/State of California referenced above. Additional transactions have involved the Agency and its Improvement District #4, County of Kern, North Kern Water Storage District, Buena Vista Water Storage District, Lost Hills Water District, the Kern National Wildlife Refuge, Shell Oil Co., Union Oil Co., Chevron Oil Co. and Paramount Farming Company. These transactions have been accomplished without successful challenge.

The factual matters discussed in this letter are made to the best of our current actual knowledge. We have used due diligence in accumulating and reviewing this material so that the opinion accurately reflects the state of the record as reasonably determinable as of the date of this opinion. In the course of preparing this letter, no information that would give us current actual knowledge of the inaccuracy of such factual statements has come to our attention. We have made no other factual investigations beyond the documents provided.

Mr. Thomas N. Clark
February 22, 2001
Page 15

This letter should not be construed as a representation that all of the facts necessary to reach any particular conclusion are contained herein. Rather, we represent only that this letter contains those facts within our current actual knowledge that we would deem material in connection with due diligence investigations of transactions of this sort. You should review the documents in their entirety. We are not currently aware of any other agreements, water rights, documents or circumstances that would impair Nickel's or Olcese's ability to carry out their obligations under the Contract, or that would impair the ability of the Contract to function in the manner contemplated by the parties.

We disclaim the use of this letter as warranting title to the water and water rights in issue. We have provided and/or offered to the Agency copies of all of the agreements, assignments, and powers of attorney in our possession which we believe to be relevant to the Kern River Lower River Water Rights which are the subject of the Contract. You have informed us that you have made a thorough independent examination into this matter and have completed your own due diligence review to confirm the information in this letter.

We disclaim any obligation to update this letter for events occurring after the date hereof.

This letter is furnished by us as counsel to Nickel Family, LLC. No attorney-client relationship has existed or exists between our firm and Olcese or Garces in connection with the Contract or by virtue of this letter. This letter is intended solely for the use of the Agency in connection with the Contract, and may not be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person without our prior written consent.

Respectfully,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

cc: Mr. James L. Nickel

642630.2

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February 22, 2001

Mr. James L. Nickel
Nickel, LLC
P. O. Box 60679
Bakersfield, CA 93386-0679

Via Hand Delivery (Bakersfield)

Scott A. Morris, Esq.
Kronick, Moskovitz, Tiedemann & Girard
400 Capitol Mall, 27th Floor
Sacramento, CA 95814-4416

Re: Purchase of the Lower Kern River Water Rights
(Our File No.: OWD-8.1.2)

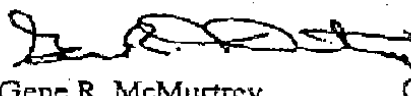
Gentlemen:

As you are aware, on January 23, 2001 Nickel Family, LLC ("Nickel"), a California limited liability company; the Olcese Water District ("Olcese") and the Kern County Water Agency ("KCWA"), both of which are public agencies in the State of California, executed the Contract to Transfer the Kern River Lower River Water Rights (hereinafter referred to as the "Contract"). Article 8.1(d) of the Contract states:

- (d) Opinion Letter of Counsel: Nickel shall deposit into escrow an opinion letter of counsel, satisfactory to the Agency, providing that the conveyances, transfers and assignments provided in this Contract are sufficient to transfer all right, title and interest of Nickel and Olcese to the rights described herein, except those specifically retained by or quitclaimed to Nickel and/or Olcese.

In order to satisfy Article 8.1(d), I hereby represent that the representations and warranties given by Olcese in Article 7.1(k) are true and correct.

Very truly yours,


Gene R. McMurtrey
Attorney for Olcese Water District

GRM:gg

**CONTRACT TO TRANSFER
THE KERN RIVER LOWER RIVER WATER RIGHTS**

This Contract is made as of the 23rd day of January 2001, by and between Nickel Family, LLC ("Nickel"), a California limited liability company; the Olcese Water District ("Olcese") and the Kern County Water Agency ("Agency"), both of which are public agencies in the State of California, duly organized, existing and acting pursuant to the laws thereof.

RECITALS

WHEREAS, the Governor's Budget Act for 2000, Chapter 52, Statutes of 2000, appropriated to the Department of Water Resources local assistance grant funds in the amount of \$161,544,000 by budget item 3860-01-6027, payable from the interim Reliable Water Supply and Water Quality Infrastructure and Management Subaccount, and the Kern County Water Agency's Kern River Restoration Project has been selected for funding in the amount of \$23,000,000 from that subaccount; and

WHEREAS, the Agency intends to use money from that appropriation for development of local water supplies, water quality, conveyance and banking programs within Kern County; and

WHEREAS, the Agency has identified the acquisition of the Lower River Water Rights as a source suitable for such programs; and

WHEREAS, the Lower River Water Rights are Kern River rights that historically have yielded on average 50,000 acre-feet per Year; and

WHEREAS, the Agency has purchased the undivided interest in the Lower River Water Rights, and other water rights and inventories, previously owned by Garces Water Company; and

WHEREAS, Olcese owns the remaining interest in the Lower River Water Rights subject to Nickel's right to use any portion of that water that is excess to Olcese's needs in accordance with the March 18, 1981 contract between Olcese and Nickel; and

WHEREAS, the Agency desires to purchase the remaining interest in the Lower River Water Rights and other interests described herein from Olcese and Nickel on the terms provided for in this Contract; and

WHEREAS, pursuant to the Detachment and Water Sale Contract No. 99-150, dated June 30, 1999, between Olcese, the City of Bakersfield and the California Water Service Company, the City of Bakersfield will provide water to meet the future municipal and industrial needs of lands within Olcese that are within the boundaries of the City of Bakersfield, provided those lands are detached from Olcese; and,

WHEREAS, while there is no current demand from the landowners in Olcese for agricultural water supplies, if there should be a demand for water for agricultural use within Olcese over and above the amount that can be supplied to such lands from riparian rights, Olcese will receive sufficient compensation from the sale of its Lower River Water Rights to enable it to meet those demands from sources other than the Lower River Water Rights; and

WHEREAS, the Olcese Board of Directors has determined that the transfer of the Lower River Water Rights to the Agency as provided for in this Contract is in the best interest of its landowners; and

WHEREAS, the Agency, as the lead agency, and Olcese as a responsible agency, have completed all requirements under the California Environmental Quality Act for all actions provided for in this Contract.

NOW, THEREFORE, Nickel, Olcese and the Agency agree as follows:

ARTICLE 1. DEFINITIONS

When used in this contract, the following terms have the meanings hereinafter set forth:

1.1 "Agency's Return on Investment Rate" means the County of Kern's Treasury Pool investment rate.

1.2 "Agency SWP Entitlement Water" and "SWP Entitlement Water" mean the SWP water provided for in Table A of the Agency's Water Supply Contract.

1.3 "Agency's Water Supply Contract" means the November 15, 1963 Water Supply Contract between the State of California Department of Water Resources and Kern County Water Agency, as amended.

1.4 "Carmel Rights" means those rights and interests described in Exhibit C.

1.5 "Castro Ditch Rights" means those water rights and interests described in Exhibit B.

1.6 "CEQA" means the California Environmental Quality Act, California Public Resources Code sections 21000, *et seq.*

1.7 "Close of Escrow" or "Closing Date" means the day on which all applicable conditions precedent to this Contract are completed to Nickel's, Olcese's and the Agency's satisfaction or waived by the party that benefits from the condition precedent as set forth in Articles 8.1, 9.1 and the assignments provision of Article 10.1.

1.8 "DWR" means the Department of Water Resources of the State of California.

1.9 "Escrow Agent" means Chicago National Title Company in its Bakersfield, California office.

1.10 "Agency Transfer Water" means 10,000 acre-feet of water annually, to be provided by the Agency to Nickel for delivery and sale to third parties from the California Aqueduct.

1.11 "Johnson Ditch Rights" means those water rights described in Exhibit B.

1.12 "Lower River Water Rights" means those water rights described in Exhibit A.

1.13 "Rio Bravo Ranch" means that property described as the southern half of the northeast quarter and that portion of the southern half north of the Kern River of Section 33, the southern half of the southern half of Section 34, the southern half of the northern half and the southern half of Section 35, the southern half of the northern half and the southern half of Section 36, Township 28 South Range 29 East Mount Diablo Base and Meridian; Section 1, Section 2, the portion of Section 3 lying east of the Kern River, the northeast quarter of Section 10, Section 11, Section 12, the western half of the northeast quarter and the northwest quarter of the southeast quarter of Section 13, the northeast quarter of Section 24, Township 29 South, Range 29 East Mount Diablo Base and Meridian; the southern half of Section 5, Section 6 and Section 8, Township 29 South, Range 30 East Mount Diablo Base and Meridian, as depicted on Exhibit F.

1.14 "State" means the State of California.

1.15 "State Funds" means the funds made available to the Agency by the State from appropriations of funds authorized by Chapter 52, Statutes of 2000.

1.16 "SWP" means the State Water Project.

1.17 "Tupman" means the point of delivery on the California Aqueduct more particularly described as milepoint 238.04 located within Reach 12E of the California Aqueduct.

1.18 "Year" means the twelve (12) month period from January 1st through December 31st, both dates inclusive.

ARTICLE 2. GENERAL PROVISIONS

2.1 The Agency is purchasing and Nickel and Olcese are selling to the Agency their Lower River Water Rights and other rights as described and provided for herein. The Agency shall pay Nickel and Olcese for these rights the various considerations provided for in this Contract, including, but not limited to, providing Nickel with 10,000 acre-feet of Agency Transfer Water annually at Tupman which Nickel intends to sell both within and outside of Kern County. The Agency shall assume all the rights, duties and obligations associated with the Lower River Water Rights and other rights being transferred to it. Nickel, the Agency, and Olcese shall cooperate with each other in the

performance of their respective obligations and in the exercise of their respective rights under this Contract.

ARTICLE 3. TERM OF CONTRACT

3.1 This Contract shall continue in perpetuity. However, if Escrow does not close by the date specified in Article 11.1, this Contract shall terminate on that date.

ARTICLE 4. PURCHASE AND PAYMENT TERMS

4.1 Purchase and Sale: Nickel hereby sells to the Agency and the Agency hereby purchases from Nickel all of Nickel's rights, title and interest to the Lower River Water Rights, including, but not limited to, Nickel's right to store, exchange, substitute and regulate the Lower River water as set forth in Exhibit A. Nickel also quitclaims to the Agency the Castro Ditch Rights and the Johnson Ditch Rights as set forth in Exhibit B. Olcese hereby sells to the Agency and the Agency hereby purchases from Olcese all of Olcese's rights, title and interest to the Lower River Water Rights, including, but not limited to, Olcese's right to store, exchange, substitute and regulate the Lower River Water as set forth in Exhibit A. Nickel and Olcese also hereby substitute the Agency as attorney-in-fact for any powers of attorney they may presently have relating to the Lower River Water Rights sold to the Agency. The purchase and sale of all of these rights shall be consummated through the escrow opened with the Escrow Agent. Any escrow instructions given the Escrow Agent by Nickel, Olcese or the Agency shall be consistent with the terms of this Contract unless otherwise agreed to by all parties in writing.

4.2 Cash Payments: By the Close of Escrow, Agency shall pay to Olcese one million dollars (\$1,000,000) for the purchase of Olcese's Lower River Water Rights. By the Close of Escrow, Agency shall pay to Nickel six million four hundred twenty-two thousand dollars (\$6,422,000) as partial consideration for the purchase of all rights and assets acquired by the Agency from Nickel under this Contract. The Agency shall pay Nickel and Olcese interest at the Agency's Return on Investment Rate on the above sums from the date on which the Agency receives not less than \$10,000,000 of State Funds until the Close of Escrow. This interest shall be payable within five days of the Agency's receipt of the County of Kern's calculation of the first quarter of the Year 2001 quarterly interest rate, provided that the escrow closes, to Nickel and Olcese in proportion to the purchase payments to be paid to them respectively as provided for above.

4.3 Internal Revenue Code Section 1031 Exchange: Agency agrees to cooperate with Nickel in completing an exchange qualifying for nonrecognition of gain under Internal Revenue Code section 1031 and the applicable provisions of the California Revenue and Taxation Code. Nickel reserves the right to convert this transaction to an exchange at any time before the Close of Escrow. Nickel and the Agency agree, however, that consummation of the transaction contemplated by this Contract is not conditioned on completion of such an exchange. Nickel shall have the right to transfer and assign to an intermediary all of Nickel's rights and obligations under this Contract in order to complete the exchange. The Agency shall incur no additional liabilities, expenses or costs as a result of or connected with the exchange.

4.4 Water Exchange: Beginning in 2001 the Agency shall deliver to Nickel, annually during the term of this Contract, ten thousand (10,000) acre-feet of the Agency Transfer Water at Tupman as partial consideration for Nickel's interest in the Lower River Water Rights. The Agency shall provide the Agency Transfer Water at Tupman at no cost to Nickel other than the cost set forth in Article 4.5. The Agency shall use its best efforts to obtain and maintain approvals from the DWR for delivery of any Agency Transfer Water into the California Aqueduct, and if such approvals are not obtained after reasonable efforts the parties shall, in good faith, negotiate alternative mechanisms for delivery of Agency Transfer Water.

4.5 Power Charges: In any Year in which the Agency's allocation of SWP Entitlement Water on May 1st is seventy-five percent (75%) or less than its entitlement for that Year, Nickel shall pay the Agency the following power charge within thirty days after the Agency submits an invoice to Nickel, which invoice shall be submitted on or shortly after May 1. The power charge set forth in the invoice shall be an amount determined by the Agency by multiplying 10,000 acre-feet by the Agency's estimated per acre-foot power costs for pumping water from the Agency's Pioneer Project and delivering it to Tupman. The Agency shall estimate this per acre-foot cost using the method set forth in Exhibit D. There shall be no power charge to Nickel in any Year in which the Agency's allocation of SWP Entitlement Water on May 1 is greater than 75% of its SWP entitlement for that Year.

4.6 Treatment Costs: If the Agency is prevented from delivering non-SWP water into the California Aqueduct to meet the ten thousand (10,000) acre-foot obligation to Nickel required by Article 4.4 due to water quality restrictions unless it is treated, the Agency shall pay the cost of treating that water to the level acceptable for delivery into the California Aqueduct.

4.7 California Aqueduct Capacity: The ten thousand (10,000) acre-feet of Agency Transfer Water provided to Nickel shall be transported within the California Aqueduct to the full extent of the Agency's rights to use Aqueduct.

4.8 Scheduling of Agency Transfer Water: The Agency, in consultation with Nickel, shall schedule all Agency Transfer Water deliveries with the DWR at the same time and in the same manner as the Agency schedules deliveries of SWP Entitlement Water to the Agency's Member Units, as set forth in the Agency's contracts with its Member Units as they presently exist or may be changed from time to time.

4.9 Agency Transfer Water Sales: Any sale of the Agency Transfer Water shall be at the sole discretion and direction of Nickel. Nickel may request Agency's assistance, involvement and expertise in negotiating and consummating any sale. The Agency shall cooperate and assist Nickel, as requested, subject to the Agency's legal powers and duties and the direction of the Agency's Board of Directors. The Agency's involvement may include efforts to market Nickel's Agency Transfer water on behalf of Nickel, entering into contracts for the sale of the Agency Transfer Water and efforts to obtain the approval, cooperation and assistance of DWR and the State Water Contractors in obtaining any necessary approvals from regulatory agencies to effect such sales or transfers.

4.10 Proceeds of Agency Transfer Water Sales: All net proceeds of Agency Transfer Water sales shall be distributed as follows: Ninety percent (90%) to Nickel, ten percent (10%) to the Agency. "Net proceeds of Agency Transfer Water sales" shall mean the amount remaining from the proceeds of a sale after deducting any payments to third parties or other costs incurred by Nickel or the Agency that are necessary in order to complete a sale, such as costs for CEQA compliance, regulatory fees and charges, wheeling charges, power charges for transportation beyond Tupman or pursuant to Article 4.5, etc. Neither Nickel's nor the Agency's administrative costs in affecting an Agency Transfer Water sale shall be deemed to be payments to third parties necessary to complete a sale. All costs shall conform with standard industry practice, and are subject to audit at the requesting parties expense. After incurring such costs, Nickel or the Agency may invoice the other party for its respective share of such costs (Nickel 90%, Agency 10%) and payment thereon shall be made within thirty days of mailing.

4.11 Riparian or Carmel Rights: The Agency shall not challenge or contest directly or indirectly any of the Kern River riparian rights, as defined in the March 18, 1981 "Agency Agreement for Riparian Lands – Olcese Water District", of Nickel or Rio Bravo Ranch. The Agency shall not challenge or contest directly or indirectly any of the Carmel Rights of Olcese, Nickel or Rio Bravo Ranch.

4.12 Discharge of Well Water: The Agency shall not challenge or support any challenge to Olcese's or Rio Bravo Ranch's discharge of well water into the Kern River to meet the demands of the Rio Bravo Ranch or Olcese; provided, that the pumping of such well water does not substantially degrade the Kern River water quality to the injury of the Agency. The Agency acknowledges that Nickel has provided the Agency with an April 2000 study by Kenneth D. Schmidt and Associates regarding the origin of the groundwater pumped by Rio Bravo Ranch and Olcese.

4.13 Additional Consideration: At the Close of Escrow:

(a) The Agency shall convey to Nickel all of the Agency's rights, title and interest in the water inventories, more particularly described in Exhibit E.

(b) Olcese shall convey to the Agency all of Olcese's rights, title and interest in the City of Bakersfield's 2,800 acre recharge facility and to any water banked therein, subject to the City of Bakersfield's agreement to release Olcese from the thirteen (13) year supply requirement to meet the demands within Olcese set forth in Agreement 77-07, as amended by Agreement 78-12, Agreement 81-76, and Agreement 90-05.

(c) The Agency shall quitclaim all its rights, title and interest in the Carmel Rights to Olcese.

(d) Garces Deed: The Agency shall quitclaim to Nickel the rights and property identified in Exhibit G which were included in the rights and property granted to the Agency by the Garces Water Company, Inc. in the September 1, 2000 grant deed from Garces Water Company, Inc. to the Agency.

(e) Nickel and Olcese shall deliver to the Agency all documents, files, legal files, historical records, communications and correspondence related to the Lower River Water Rights and the Johnson and Castro Ditch rights. Nickel and Olcese may, at their cost, make copies of such records. The Agency shall provide Nickel and Olcese access to any documents relating to the Lower River Water Rights in its possession upon request.

(f) Miller and Lux Facilities: Nickel and its related entities, and Olcese, agree to transfer, assign and convey any water or water related rights acquired from Miller & Lux, and its successors in interests, related to the Kern River within Kern County north of Highway 46. These rights may include, but are not limited to, transportation, spreading, storage and water rights.

ARTICLE 5. WATER PIPELINE EASEMENT

5.1 Nickel shall grant the Agency, for fifty thousand dollars (\$50,000), an easement through Nickel's Rio Bravo Ranch for a water pipeline, beginning at the Rio Bravo Hydroelectric Project power plant forebay and roughly paralleling Highway 178. The size, use, location and terms for this easement shall be mutually agreed upon by Nickel and the Agency. If the use of this easement by the Agency causes any damage of facilities, improvements or orchards in the Rio Bravo Ranch, the Agency shall either, at Nickel's election, replace the damaged facilities or compensate Nickel for the fair market value of the damages. Agency's use of the power canal shall be consistent with the Condemnation Settlement Agreement of May 20, 1985. If any Agency facilities in the easement interfere with Nickel's current or future use of the Nickel's property, the Agency, at Nickel's request, shall relocate its facilities at Nickel's expense. Nickel is not obligated to obtain subordination from existing deeds of trust on its property. For the granting of the easement provided for herein, the Agency shall pay all costs to survey and record the easement. Nickel and the Agency shall use their best efforts to record the easement prior to the Close of Escrow; however, if the easement is not recorded within one year from the date of execution of this Contract the Agency's right to the easement will expire, and the \$50,000 payment will be retained by Nickel unless failure to record has been caused by Nickel's failure to cooperate or unreasonable disapproval of proposed alignments. The Agency hereby grants Nickel (a) the right to convey water in the Agency's future water pipeline at the Agency's incremental cost to the extent there is capacity in the water pipeline not being used by the Agency and (b) the right to increase the capacity of the Agency's future water pipeline at the incremental cost.

ARTICLE 6. HYDROPOWER

6.1 Hydropower Interests: Nickel's conveyance of its Lower River Water Rights, and the other described rights to the Agency provided for in this Contract does not include Nickel's rights in the Rio Bravo Hydroelectric Project. The parties agree that Nickel retains its eighty-five percent (85%) interest in the Rio Bravo Hydroelectric Project Agreement dated April 29, 1985 between Catalyst Energy Development Corporation, Catalyst Rio Bravo Corporation and Olcese and the Condemnation Settlement Agreement dated May 20, 1985 between Nickel Enterprises and Olcese.

6.2 Right to Take: Nickel and Olcese shall grant to the Agency the right to take water from the Rio Bravo Hydroelectric Project to serve the Agency's proposed water pipeline referred to in Article 5.1. The Agency's right to take such water shall be subordinate at all times to the extent of Nickel's and Olcese's rights for the Rio Bravo Ranch's current or future irrigation demands.

ARTICLE 7. REPRESENTATIONS AND WARRANTIES

7.1 Nickel and Olcese hereby acknowledge, represent and warrant to the Agency that, as of the date of this Agreement and the Close of Escrow:

(a) Recitals and Exhibits: The Recitals and Exhibits to this Contract are true and correct.

(b) Organization: Nickel and Olcese are duly organized and validly exist in good standing under the laws of the State of California. Nickel and Olcese have full power, authority and legal right to execute, deliver and perform this Contract. To the best of Nickel's and Olcese's knowledge (after due diligent investigation and due inquiry), Nickel and Olcese have the unrestricted right and power to own, use and sell their respective interests in the Lower River Water Rights, as set forth in Exhibit A, as provided in and required by this Contract, have complied with all applicable laws and regulations of governmental agencies, officials or authorities, have obtained all necessary permits, licenses and approvals necessary and appropriate to proceed with the conduct of their business in accordance with the requirements of this Contract and have followed all necessary, proper and appropriate procedures in procuring such permits, licenses and approvals.

(c) Authorization: The execution and delivery by Nickel and Olcese of this Contract, and any other agreements or instruments required by this Contract and the performance by Nickel and Olcese of their obligations in connection with this Contract: (1) have been each duly authorized by all necessary boards of directors; and (2) to the best of Nickel's and Olcese's knowledge, after diligent investigation and due inquiry, require no registrations with or approvals of any person not heretofore obtained.

(d) Litigation: To the best of Nickel's and Olcese's knowledge (after diligent investigation and due inquiry), there is no action, suit, claim, cause of action, or proceeding at law or in equity (or by or before any governmental agency, official or authority of any local, State or Federal government) now pending, contemplated by Nickel or Olcese or threatened in writing against or affecting any Lower River Water Rights other than as expressly stated in a writing delivered to Agency at or prior to the Close of Escrow.

(e) No Oral Understandings: In executing this Contract, neither Nickel nor Olcese is relying upon any representation, communication, understanding or expectation (whether express or implied) that is not clearly and expressly stated in this Contract.

(f) Receipt of Information: Nickel and Olcese have received any and all information from the Agency which they desire or expect in connection with the transaction evidenced by this Contract, or any other document related to or required by this Contract. Nickel and Olcese are not relying upon the Agency directly or indirectly to disclose (or to evaluate any other person's disclosure of) any such matters, and Nickel and Olcese excuse and release the Agency from any duty whatsoever to make such disclosures.

(g) No Continuing Obligations: Nickel and Olcese understand and agree that, after the Close of Escrow, the Agency shall have no direct or indirect obligations whatsoever to them except as expressly stated in or required by this Contract.

(h) Separate Obligations: Nickel and Olcese shall be bound by and perform this Contract and each of the other documents related to or required by this Contract to which they are a party, separately and independently from the obligations of any other person or entity and regardless of whether or not any other person or entity performs this Contract or any other documents related to or required by this Contract.

(i) Violations of Applicable Laws: To the best of their knowledge, neither Nickel nor Olcese is in violation of any law, statute, regulation, ordinance or other governmental provisions with respect to any of the Lower River Water Rights to be conveyed to the Agency pursuant to this Contract.

(j) Violations of Other Agreements: The entry into this Contract does not create or result in a breach of any agreements with respect to any of the Lower River Water Rights to which Nickel or Olcese is a party or to which either of them is otherwise subject or bound.

(k) Ownership of Lower River Water Rights: Nickel and Olcese (a) collectively are the sole owners of the remaining of the Lower River Water Rights, as set forth in Exhibit A, being conveyed herein exclusive of any other owner or claimant and (b) have no knowledge and are not aware of any notice or other information concerning any other claims of any kind which would effect Nickel's or Olcese's title or claim to the Lower River Water Rights. The Lower River Water Rights described in Exhibit A constitute a complete description of all water, water storage, exchange entitlements and drainage contracts and other miscellaneous rights of any kind or description relating thereto owned or claimed by Nickel and Olcese. Nickel and Olcese have heretofore supplied the Agency with all documents known to Nickel and Olcese which constitute evidence of any Lower River Water Rights and title and claim thereto by Nickel and Olcese.

(l) Taxes: To the best of Nickel and Olcese's knowledge (after diligent investigation and due inquiry), Nickel and Olcese have paid (or caused to be paid) all property and other taxes required to be paid (and all assessments of which they have notice or acknowledged) with respect to the Lower River Water Rights to the extent such taxes (or assessments) have become due and payable. If there are any unpaid taxes or assessments as of the Close of Escrow, Nickel and Olcese shall be liable for their payment.

7.2 Agency hereby acknowledges, represents and warrants to Nickel and Olcese that, as of the date of this Contract and the Close of Escrow:

(a) Recitals and Exhibits: The Recitals and Exhibits to this Contract are true and correct.

(b) Organization: The Agency is duly organized and validly exists in good standing under the laws of the State of California. The Agency has full power, authority and legal right to execute, deliver and perform this Contract. To the best of the Agency's knowledge (after due diligent investigation and due inquiry) the Agency has complied with all applicable laws and regulations of governmental agencies, officials or authorities, have obtained all necessary permits, licenses and approvals necessary and appropriate to proceed with the conduct of its business in accordance with the requirements of this Contract and has followed all necessary, proper and appropriate procedures in procuring such permits, licenses and approvals, provided, however, that the approvals which are the subject of Article 4.4 shall be governed by that Article.

(c) Authorization: The execution and delivery by the Agency of this Contract, the consummation of the transactions and contracts required or contemplated by it and the performance by the Agency of its obligations in connection with this Contract: (1) have been each duly authorized by the Agency's board of directors; and (2) to the best of the Agency's knowledge, after diligent investigation and due inquiry, require no registrations with or approvals of any person not heretofore obtained.

(d) No Oral Understandings: In executing this Agreement, the Agency is not relying upon any representation, communication, understanding or expectation (whether express or implied) that is not clearly and expressly stated in this Contract.

(e) Receipt of Information: The Agency has received any and all information from Nickel and Olcese which it desires or expects in connection with the transaction evidenced by this Contract, or any other document related to or required by this Contract. The Agency is not relying upon Nickel or Olcese directly or indirectly to disclose (or to evaluate any other person's disclosure of) any such matters, and the Agency excuses and releases Nickel and Olcese from any duty whatsoever to make such disclosures.

(f) No Continuing Obligations: The Agency understands and agrees that, after the Close of Escrow, neither Nickel nor Olcese shall have any direct or indirect obligations whatsoever to the Agency except as expressly stated in or required by this Contract.

(g) Violations of Applicable Laws: To the best of the Agency's knowledge, the Agency is not in violation of any law, statute, regulation, ordinance or other governmental provisions with respect to any of the funds and the Agency Transfer Water to be conveyed to Nickel pursuant to this Contract.

(h) Violations of Other Agreements: The entry into this Contract does not create or result in the breach of any other agreement to which the Agency is a party or to which the Agency is otherwise subject or bound.

(i) Agency Transfer Water: The Agency has a legal right to the Agency Transfer Water to be provided to Nickel pursuant to this Contract whether from Agency SWP Entitlement Water or other sources, with full authority to exchange such water as provided for herein; and that such water is held free and clear of any liens, encumbrances or rights of any other party, other than the obligation of the Agency to make the payments to the State and other obligations, as required by the Agency's Water Supply Contract, and that the Agency shall maintain such water free and clear of any such claims during the term of this Contract.

(j) Kern River Water: The Agency understands the hydrology of the Kern River and the historical yield of the Lower River Water Rights, which has been on average, approximately fifty thousand (50,000) acre-feet per year. The Agency shall not hold Nickel or Olcese liable for any reduction in the yield of the Lower River Water Rights below this average.

(k) Obligations of the Lower River Water Rights: The Agency understands, agrees and assumes all of the Lower River Water Rights obligations, including, but not limited to, the Tulare Lake Basin Water Storage District annual ten thousand (10,000) acre-foot fee, the Lake Isabella storage costs, the Kern River Watermaster charges and legal fees, and the City of Bakersfield accounting fees and the Kern Property Corporation settlement. The Agency shall assume such obligations at the Close of Escrow, at which time all expenses for such obligations shall be prorated as per Article 9.1.

(l) Litigation: To the best of the Agency's knowledge (after diligent investigation and due inquiry), there is no action, suit, claim, cause of action, or proceeding at law or inequity (or by or before any governmental agency, official or authority of any local, State or Federal government) now pending, contemplated by the Agency or threatened in writing against or affecting any funds the Agency shall receive from the State of California pursuant to the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act or wherein an unfavorable decision, ruling or finding would (i) affect the creation, organization, existence or powers of the Agency or the titles and powers of its Board members and officers to their respective offices; (ii) enjoin or restrain the approval and/or execution of this Contract, or (iii) in any way question or affect any of the rights, powers, duties or obligations of the Agency with respect to implementation of this Contract, other than as expressly stated in a writing delivered to Nickel and Olcese at or prior to the Close of Escrow.

ARTICLE 8. CONDITIONS PRECEDENT

8.1 The obligations of Nickel and Olcese to sell the water rights set forth in Exhibits A and B and the resulting obligation of the Agency to pay and provide additional consideration are conditioned upon the satisfaction or waiver of the following conditions precedent prior to the Close of Escrow:

(a) State Funds: The Agency's receipt of State Funds sufficient to make the payments required of the Agency.

(b) Agency Resolution: The Agency shall provide Nickel a resolution adopted by the Agency's Board of Directors, meeting the requirement of Section 5 of the Kern County Water Agency Act (California Statutes of 1961, Chapter 1003, as amended), containing a finding by the Board that the Agency Transfer Water to be provided to Nickel pursuant to this Contract will not be needed for use within the Agency.

(c) Authorizing Resolutions: Nickel, the Agency and Olcese shall each provide the other parties to this Contract resolutions from their respective Boards of Directors authorizing the execution of this Contract.

(d) Opinion Letter of Counsel: Nickel shall deposit into escrow an opinion letter of counsel, satisfactory to the Agency, providing that the conveyances, transfers and assignments provided in this Contract are sufficient to transfer all right, title and interest of Nickel and Olcese to the rights described herein, except those specifically retained by or quitclaimed to Nickel and/or Olcese.

ARTICLE 9. CLOSE OF ESCROW

9.1 Close of Escrow: Agency shall deposit the sum of \$7,472,000 into Escrow, and Close of Escrow shall occur when (1) the Agency delivers to the Escrow Agent \$7,472,000 as required by Articles 4.2 and 5.1; (2) the Agency delivers to the Escrow Agent its prorated portion of the annual expenses incurred by the Lower River Water Rights; (3) the Agency, Nickel and Olcese have deposited all requisite documents for the transfer of the Lower River Water Rights, and other described rights to be transferred pursuant to this Contract, duly executed, authorized, acknowledged and approved by the parties' respective counsel as sufficient to transfer all purchased rights; and (4) all conditions precedent have occurred. If assignments are not approved, Nickel and Olcese shall in good faith negotiate with the Agency to provide for an operation agreement which will provide the Agency with equivalent rights (in the Agency's judgment) to the failed assignment. All expenses associated with the Lower River Water Rights shall be prorated as of January 1, 2001. The Agency, Nickel and Olcese shall notify by written notice to all parties and the Escrow Agent of the intended date for the Close of Escrow. All closing costs and fees, including without limitation, any transfer taxes, escrow fees, drafting and notary charges and recording fees shall be apportioned equally between the Agency, Olcese and Nickel. Each party shall be responsible for fees and costs of its own counsel.

ARTICLE 10. CONDITIONS SUBSEQUENT

10.1 Completion of All Required Assignments of Rights and/or Obligations: Prior to the Close of Escrow, the parties shall cooperate to achieve all necessary approvals of assignments and transfers of the rights and obligations to the Agency described herein and such approvals shall be deposited into Escrow prior to the Close of Escrow. If such assignments are not approved prior to the Close of Escrow, the parties

shall negotiate a mutually satisfactory amendment, pursuant to Article 12.9, making such approvals a condition subsequent.

ARTICLE 11. ESCROW AGENT'S EXCULPATORY PROVISIONS

11.1 Close of Escrow: Escrow shall be closed as soon as possible, but no later than February 22, 2001 provided that the Escrow may extend beyond February 22, 2001 for six months by written agreement of the parties.

11.2 Neglect, Misconduct: The Escrow Agent will not be liable for any of its acts or omissions unless the same constitutes negligence or willful misconduct.

11.3 Information: The Escrow Agent will have no obligation to inform any party of any other transaction or of facts within the Escrow Agent's knowledge, even though the same concerns water entitlements, provided such matters do not prevent the Escrow Agent's compliance with this Contract.

11.4 Form, Validity, and Authority: The Escrow Agent will not be responsible for (1) the sufficiency or correctness as to form or the validity of any document deposited with the Escrow Agent, (2) the manner of execution of any such deposited document, unless such execution occurs in the Escrow Agent's premises and under its supervision, or (3) the identity, authority, or rights of any person executing any document deposited with the Escrow Agent.

11.5 Conflicting Instructions: Upon receipt of any conflicting instructions, the Escrow Agent shall immediately notify all parties that there is an apparent conflict in the instructions. The Escrow Agent will have the right to take no further action until otherwise directed, either by the parties' mutual written instructions or a final order or judgment of a court of competent jurisdiction.

11.6 Interpleader: The Escrow Agent will have the absolute right, at its election, to file an action in interpleader requiring the parties to answer and litigate their several claims and rights among themselves, and the Escrow Agent is authorized to deposit with the clerk of the court all documents and funds held in Escrow. If such action is filed, the parties will jointly and severally pay the Escrow Agent's termination charges and costs and reasonable attorney's fees that the Escrow Agent is required to expend or incur in the interpleader action, the amount thereof to be fixed and judgment therefor to be rendered by the court. Upon the filing of such action, the Escrow Agent will be and become fully released and discharged from all obligations to further perform any obligations imposed by this Contract.

ARTICLE 12. MISCELLANEOUS

12.1 Reference: The parties to this Contract agree to waive and give up the right to a jury trial and to submit all disputes, controversies, differences, claims or demands, whether of fact or of law or both, relating to or arising out of this Contract, to be resolved at the request of any party, by a trial on Order of Reference conducted pursuant to the provisions of Code of Civil Procedure section 638 *et seq.* or any

amendment, addition or successor section thereto to hear the case and report a statement of decision thereon. The parties intend this general reference agreement to be specifically enforceable in accordance with said provisions. If the parties are unable to agree upon a referee, one shall be appointed by the Presiding Judge of the Kern County Superior Court. The parties shall share equally, by paying their proportionate amount of the estimated fees and costs of the initial reference.

12.2 Indemnity: Each party shall jointly and severally indemnify the other parties hereto against, and hold each other harmless from, any loss, cost, damage (whether general, compensatory, or otherwise), liability, indebtedness, claim, cause of action, judgment, court costs, and legal or other out-of-pocket expense (including attorneys' fees) which any party may suffer or incur as a direct or indirect consequence of (a) any breach by another party of any representation or warranty made in connection with this Contract; (b) any failure of any party to perform any obligation under this Contract which may affect another party.

12.3 Notices: All Notices given hereunder shall be transmitted in writing to the addresses below or to such other address in the State of California as a party may designate by written notice to the other parties:

If to Nickel:

Mr. James Nickel, President
Nickel Family, LLC
P.O. Box 60679
Bakersfield, California 93386-0679
Facsimile: (661) 872-7141

If to Olcese:

Board of Directors
Olcese Water District
P.O. Box 651
Bakersfield, California 93302
Facsimile: (661) 872-9956

If to Agency:

Mr. Thomas N. Clark, General
Manager
Kern County Water Agency
P.O. Box 58
Bakersfield, California 93302
Facsimile: (661) 634-1428

All such notices shall be deemed to have been given at the first to occur of time of actual delivery, or, if mailed, forty-eight (48) hours after deposited in certified or registered United States mail, postage prepaid. In case of notice transmitted by an overnight delivery service (which obtains a written receipt upon delivery), notice shall be deemed to be given when delivered by any such service, charges prepaid and the receipt is signed. If any party transmits information to any other party orally or by a means not authorized herein, the party receiving such information shall be entitled to assume that the party giving such information will nevertheless comply with its written notice obligations, and

no notice shall be deemed to have been given until the party receiving the information receives written notice as required herein.

12.4 Cumulative Remedies: Except as otherwise expressly provided herein, all rights and remedies provided for in this Contract are cumulative and shall be in addition to any and all other rights, powers, privileges and remedies provided by law.

12.5 No Third Parties Benefited: This Contract is made and entered into for the sole protection and benefit of the parties hereto, their successors and assigns, and no other person shall be a direct or indirect beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Contract.

12.6 Time: Time is of the essence in this Contract.

12.7 Governing Law: This Contract shall be governed by and be construed according to the law of the State of California.

12.8 Counterparts: This Contract may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

12.9 Amendments: This Contract contains the entire and exclusive agreement of the parties hereto. This Contract may only be modified or amended by a written contract executed by Nickel and the Agency. This Contract supersedes all prior drafts and communications with respect thereto. Neither such principles of interpretation nor the express language herein shall be impaired or adversely affected by the language of any prior discussion form or draft of this Contract or any other documents. Furthermore, this Contract has been the subject of negotiations by the parties, and this Contract shall not be construed against any party merely because of that party's involvement in their preparation.

12.10 Force Majeure: If the performance by any party to this Contract of any of its obligations or undertakings under this Contract is interrupted or delayed by any occurrence not occasioned by the conduct of any party to this Contract, whether that occurrence is an act of God or public enemy, or whether that occurrence is caused by war, riot, storm, earthquake, or other natural forces, or by the acts of anyone not party to this Contract, then that party shall be excused from any further performance for whatever period of time after the occurrence is reasonably necessary to remedy the effects of that occurrence.

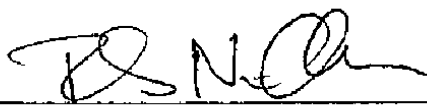
12.11 Post-Escrow Cooperation: Following Close of Escrow, Nickel, Olcese, and Agency shall in good faith cooperate to ensure the complete transfer of all assets as specified in this Contract including, but not limited to, the execution and delivery of documents, deeds, assignments, and other instruments required to achieve the asset transfers specified in this Contract. The parties currently believe George W. Nickel Jr., Adele R. Nickel, and La Hacienda, Inc. do not possess an independent interest in the assets specified in the Contract, but if such interest is discovered they will cooperate to achieve the asset transfers specified in this Contract.

12.12 List of Exhibits: The following shall constitute all of the Exhibits to this Contract and by this reference are fully incorporated herein:

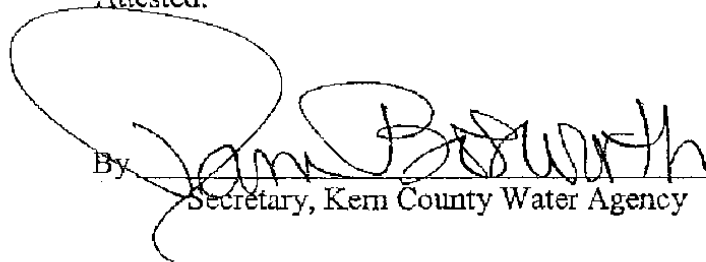
Exhibit A	Lower River Water Rights
Exhibit B	Johnson Ditch Rights and Castro Ditch Rights
Exhibit C	Carmel Water Rights
Exhibit D	Power Charges for Agency Transfer Water
Exhibit E	Water Inventories
Exhibit F	Map of Rio Bravo Ranch
Exhibit G	Garces Property Description

Dated: January 23, 2001

Kern County Water Agency

By 
General Manager

Attested:

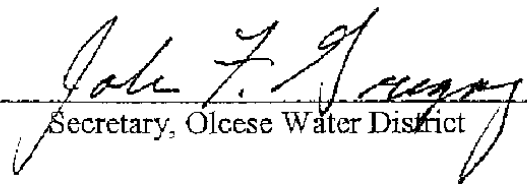
By 
Secretary, Kern County Water Agency

Dated: January 23, 2001

Olcese Water District

By 
President, Board of Directors

Attested:

By 
Secretary, Olcese Water District

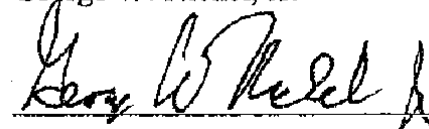
Dated: January 23, 2001

Nickel Family, LLC

By 
President, Board of Directors


Dated: January 23, 2001

George W. Nickel, Jr.



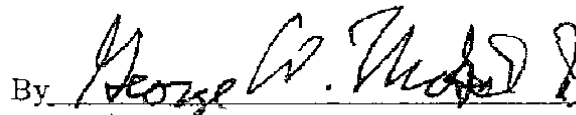
Dated: January 23, 2001

Adele R. Nickel



Dated: January 23, 2001

La Hacienda, Inc.

By 
President

Recording Requested By:
CHICAGO TITLE COMPANY
ESCROW NO. 673298-MM

When Recorded Mail to:
KERN COUNTY WATER AGENCY
Attention: JOHN STOVALL
P.O. BOX 58
BAKERSFIELD, CA 93302-0058

GRANT DEED

DOCUMENTARY TRANSFER TAX \$ -0-

() COMPUTED ON FULL VALUE OF PROPERTY CONVEYED, OR () COMPUTED ON FULL VALUE
LESS LIENS AND ENCUMBRANCES REMAINING THEREON AT TIME OF SALE.

Signature of declarant or agent determining tax – Firm Name

() Unincorporated Area

() City of _____

Assessor's Parcel No.: _____

NICKEL FAMILY, LLC, a California limited liability company and OLCESSE WATER DISTRICT, a California public agency, for valuable consideration, receipt of which is hereby acknowledged, DO
HEREBY GRANT TO KERN COUNTY WATER AGENCY, a California public agency, the real property in the county of Kern, State of California, described on Exhibit A attached hereto and incorporated herein by this reference, together with all improvements thereon and all easements, rights of way, and other rights appurtenant thereto, subject, however, to the lien of non-delinquent real property taxes and assessments and covenants, conditions, restrictions, easements, rights-of-way and servitudes of record.

DATE: _____, 2001

SELLERS:

Nickel Family, LLC

By: _____

Title: _____

Olcese Water District

By: _____

Title: _____

(ALL SIGNATURES MUST BE ACKNOWLEDGED)
MAIL TAX STATEMENTS TO GRANTEE AT ADDRESS ABOVE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

)

) ss.

COUNTY OF KERN

)

On _____, before me, _____,

Date

Name and Title of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____,

Name of Signers

☐ personally known to me – **OR** – ☐ proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

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(IES) CLAIMED BY SIGNER(S)

- ☐ Individual
☐ Corporate Officer

Titles

- ☐ Partners ☐ Limited
☐ General
☐ Attorney-in-Fact
☐ Trustees
☐ Guardian/Conservator
☐ Other: _____

Signer is Representing:
Name of Persons or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Title or Type of Document

Number of Pages

Date of Document

Signers Other Than Named Above

EXHIBIT A

TO GRANT DEED FROM NICKEL FAMILY, LLC AND OLCESE WATER DISTRICT TO
THE KERN COUNTY WATER AGENCY

The real property transferred pursuant to this Grant Deed consists of the undivided interests held by Grantors, Nickel Family, LLC and Olcese Water District in and to the real property described in EXHIBIT A-1 attached hereto.

EXHIBIT A-1

The property referred to in this Contract is set forth below. For the purposes of this Water Asset Description, the term "Sellers" shall refer collectively to the following:

Nickel Family, LLC, a California limited liability company (sometimes herein called "Nickel") and the Olcese Water District, a California public agency (sometimes herein called "Olcese"), George W. Nickel, Jr., Adele R. Nickel, and La Hacienda, Inc..

A. LOWER RIVER WATER RIGHTS. Any and all of Sellers' right, title and interest now owned in any right or title to divert that certain present and future allocation of the natural flow of the Kern River, including, but not limited to, those rights arising pursuant to the following series of agreements and commonly known as the Lower River Water Rights, and any powers of attorney relating thereto which Sellers may now have:

1. Kern River Water Right and Storage Allocation Agreement. That certain Kern River Water Right and Storage Allocation Agreement (the "Allocation Agreement") dated March 10, 1961, by and among Hacienda Water District and Kern River Delta Farms, as first parties, and Robert Burhans, Jr., Gertrude B. Burhans and Burhans & Trew, Inc., as second parties, recorded January 25, 1967, Book 4019, Page 311, Kern County which grants certain water and storage rights to the second parties ("Burhans") which rights were transferred, or modified, as follows:

(a) That certain Assignment dated March 10, 1961, recorded January 25, 1967, Book 4019, Page 309, Kern County, by which Burhans transferred their rights under the Allocation Agreement to Miller & Lux Incorporated; and

(b) That certain Agreement dated September 30, 1966, recorded January 25, 1967, Kern County, Book 4019, Pages 305-322 and recorded in Book 899, Pages 824-842 of the Official Records of Kings County ("Kings County"), by and among Hacienda Water District, George W. Nickel, Jr. dba Kern River Delta Farms and Miller & Lux Incorporated confirmed and ratified by the Kern River Water Right and Storage Allocation Agreement; and

(c) That certain Assignment dated January 11, 1974, recorded January 22, 1974, Book 4822, Page 952, Kern County, by which Miller & Lux, Incorporated assigned all of its rights under the Allocation Agreement to J.G. Boswell Company ("Boswell"); and

(d) That certain unrecorded Assignment dated October 4, 1974, by which J.G. Boswell transferred all of its rights under the Allocation Agreement to George W. Nickel, Jr.;

2. 1962 Kern River Water Rights and Storage Agreement. That certain Kern River Water Rights and Storage Agreement (the "1962 Agreement"), dated

December 31, 1962, by and between Buena Vista Water Storage District ("Buena Vista"), North Kern Water Storage District ("North Kern"), collectively the "Upstream Group," and Tulare Lake Basin Water Storage District ("Tulare Lake") and Hacienda Water District ("Hacienda"), collectively the "Downstream Group," and recorded April 5, 1963, in Book 3594 at Page 3, Kern County, which agreement further allocates diversion rights to Kern River water subject to the Miller-Haggin Agreement, and, in addition, certain storage and exchange rights for water so diverted in Isabella Reservoir, between the Upstream Group and the Downstream Group as successors in interest to the parties to the Miller-Haggin Agreement; and

3. Water Settlement Agreements. That certain Kern River Water Settlement Agreement dated January 1, 1963, which divides and apportions the Downstream Group's water and storage and provides for the exchange of water, and that certain Supplement to Kern River Water Settlement Agreement dated August 8, 1974, in which Hacienda has the option of delivering water from the California Aqueduct to Tulare Lake or making dollar payments to Tulare Lake, or both, and both agreements are by and between Tulare Lake and Hacienda (collectively, the "Tulare Lake-Hacienda Agreement") and neither agreement has been recorded; and

4. Agreement of Sale of Hacienda Ranch. That certain Agreement of Sale, and that certain Kern River Water and Storage Reservation Agreement (the "Reservation Agreement") both agreements dated October 16, 1978, and entered into by and between La Hacienda-TLR Agreement"), a California joint venture (the "La Hacienda-TLR Agreement"), and that certain Memorandum of Agreement dated October 12, 1978, recorded October 24, 1978, Book 1130, Page 957, Kings County, which agreements reserve to George Nickel, Adele Nickel and La Hacienda the Kern River water and storage rights allocated to the Downstream Group pursuant to the 1962 Agreement and, in addition, certain other water rights formerly held by Hacienda; and

5. Special Power of Attorney. That certain Special Power of Attorney from Hacienda to La Hacienda dated February 14, 1979, recorded Book 1184, Page 120, Kings County and recorded September 18, 1980, Book 5315, Page 1253, Kern County, as authorized by Hacienda Resolution No. 79-1; and that certain Special Power of Attorney from the Tulare Lake Representatives to La Hacienda dated February 8, 1979, both of which grant all rights to utilize the water and storage rights reserved under the Agreement of Sale of Hacienda Ranch referred to in subparagraph A.4 above for the limited purpose of contracting for, selling, exchanging, transferring, conveying or otherwise dealing with Kern River rights reserved by George Nickel, Adele Nickel, and La Hacienda; and

6. 1980 Contract. That certain Contract by and between Hacienda, Olcese, La Hacienda, George Nickel and Adele Nickel dated on or about August 20, 1980; and

7. Olcese-La Hacienda Agreement. That certain contract for the Purchase and Sale of Kern River Water and Storage Rights (the "Olcese-La Hacienda

Agreement”), dated March 18, 1981, by and between Olcese Water District (“Olcese”), La Hacienda, George Nickel and Adele Nickel, recorded May 26, 1981, Book 5377, Page 349, Kern County, which purports to transfer into Olcese the Kern River water and storage rights set forth in subparagraphs A.4 and A.1.a-d above, but reserves to La Hacienda, George Nickel and Adele Nickel “Excess Water” rights, “Option Water” rights, and other “Residential Rights,” including the use of the special powers of attorney referred to in subparagraph A.5 above to the extent necessary to exercise Nickel’s reserved rights.

8. Water Transfer Agreement. That certain contract entered into on March 29, 1988, by and between George W. Nickel, Jr., Adele R. Nickel, Nickel Enterprises, Rio Bravo Resort, Inc., La Hacienda, Inc., Kern River Development Company, and Lekcin Management Company, Inc., as Transferors and Garces Water Company, Inc. and the McNear-Driver Trust, which transferred eighty-five percent (85%) of the Transferors’ combined interest in the Kern River water and storage rights reserved to the Transferors in the Olcese-La Hacienda Agreement referred to in subparagraph A.7 above to the McNear-Driver Trust and the remaining fifteen percent (15%) of those reserved interests to Garces Water Company, Inc. The March 29, 1988 contract granted Garces the right of first refusal to purchase the Trust’s interest in those assets upon a sale or disposition of any of them by the Trust.

9. Water Transfer Agreement; Amendment and Consent to Ownership Transfer. That certain contract between the McNear-Driver Trust and Nickel Family, LLC, George W. Nickel, Jr., Adele R. Nickel, Nickel Enterprises, La Hacienda, Inc. and Garces Water Company, Inc. in which the Trust stated its desire to transfer the interests it obtained from the Transferors in the Water Transfer Agreement referred to in subparagraph A.8 above to Nickel, LLC, and in which Garces consented to such a transfer.

10. January 1, 1997 Transfer Agreement. That certain transfer agreement dated January 1, 1997, by and between Dudley L. Drake, Trustee of the McNear-Driver Trust and Nickel, LLC, wherein the Trustee granted and conveyed to Nickel LLC the undivided eighty-five percent (85%) interest in the assets obtained by the Trust in the Water Transfer Agreement referred to in subparagraph A.8 above.

B. STORAGE RIGHTS. Any and all Sellers’ right, title and interest in any right to store water, in Isabella Reservoir including, but not limited to the following:

1. Storage Rights In Isabella Reservoir. The perpetual right of Sellers to rent from North Kern (which has a right to storage space in Isabella Reservoir pursuant to the 1962 Agreement referred to in subparagraph A.2 above and that certain Contract among the United State of America, North Kern, Buena Vista, Tulare Lake and Hacienda, dated October 23, 1964) storage space in Isabella Reservoir for storage of their Kern River water, including Excess Water, as such right is set forth on behalf of the Downstream Group in Paragraph 9 of the 1962 Storage Agreement (such right to rent storage space reserved by Sellers in the Reservation Agreement referred to in subparagraph A.4 currently entitles Sellers

to twenty percent (20%) of the storage capacity of Isabella Reservoir); and

2. 1964 Contract with the United States of America. Any and all of Sellers' right to store water pursuant to the Contract with the United States of America, Number 14-06-200-1360A; and

3. Settlement Agreements. Any and all of Sellers' right to store water pursuant to the Reservation Agreement referred to in subparagraph A.4 and the Kern River Water Settlement Agreement and the Supplement to Kern River Water Settlement Agreement referred to in subparagraph A.3 above; and

4. Minimum Pool Agreement. Any and all of Sellers' right to store water pursuant to the Agreement for Establishment and Maintenance of Minimum Recreation Pool of 30,000 acre feet in Isabella Reservoir by and between Buena Vista, North Kern, Tulare Lake, Hacienda, and the County of Kern dated November 8, 1963; and

5. Allocation Agreement. Any and all of Sellers' right to store water pursuant to the Allocation Agreement referred to in subparagraph A.1 above assigned to Miller & Lux, Inc. pursuant to the Assignment referred to in subparagraph A.1.a above and confirmed and ratified by the Agreement dated September 30, 1966, referred to in subparagraph A.1.b above; and

6. Spreading Agreements. Any and all of Sellers' rights under the Olcese-La Hacienda Agreement, referred to in subparagraph A.6 above, to store water in the Bakersfield Spreading Area pursuant to the Agreement No. 77-07 W.B. and Agreements No. 78-12 W.B. and 81-76 W.B.; and

C. WATER EXCHANGE AGREEMENTS. Any and all of Sellers' right, title and interest to, exchange water and entitlements arising as a result of contracts executed by Sellers for deliveries of water pursuant to various water exchange agreements for water originating in Kern County regardless of where delivered or regardless of whether the water for which it is exchanged originated in Kern County, including, but not limited to, the following:

1. 1962 Agreement; Water Exchange Rights. Such rights and entitlements of Sellers as from time to time arise pursuant to the priority position of Sellers to substitute its Kern River water for Kern River water to be delivered by Buena Vista or North Kern to third parties, and to receive water being returned to such parties in payment of prior exchanges, to the extent Sellers have a credit balance of water to be delivered, as such priority is set forth in Paragraph 14 of the 1962 Agreement; and

2. Right To Purchase Option Water. The annual right of Nickel to purchase all Olcese water in the Bakersfield Spreading Area which is in excess of that needed by Olcese as determined by Sections 8 and 9 of the Olcese-La Hacienda Agreement referred to in subparagraph A.6 above ("Option Water"), on the terms and conditions set forth in Section 10 of the Olcese-La Hacienda Agreement; and

3. Hacienda Water Substitution Agreement. The right of Sellers to substitute Hacienda water for all or a portion of Buena Vista water in exchange for Buena Vista entitlement of State Aqueduct water pursuant to the Water Substitution Agreement dated November 14, 1972, by and between Buena Vista and Hacienda; and

4. Buena Vista-La Hacienda Water Exchange Agreement. The right of Nickel to exchange Option Water for the Kern River water of Buena Vista pursuant to Paragraph 3(f) of the Buena Vista-La Hacienda Agreement; and

5. California Aqueduct Water Exchange Agreement. The right of Sellers to receive California Aqueduct Water from the Kern County Water Agency Improvement District No. 4 (the "Agency") in return for amounts of Kern River water delivered by Sellers or their predecessors to the Agency, pursuant to the terms and conditions set forth in that certain Water Exchange Agreement dated April 17, 1982, by and between the Agency and Nickel; and

D. CONTRACT RIGHTS. Any and all Sellers' right, title and interest in any contract rights relating to the sale or exchange of water originating in Kern County, whether general intangibles or otherwise, including, but not limited to the following:

1. TLR-La Hacienda Agreement. The right of Sellers to the first opportunity to sell Kern River water to TLR for use on that real property commonly referred to as the "Hacienda Ranch" or within the Tulare Lake Basin area, as set forth in Section 2(h) of the Kern River Water and Storage Reservation Agreement referred to in subparagraph A.4 above, and the right of Sellers to payment from TLR as set forth in Section 2 thereof; and

E. TRANSPORTATION RIGHTS. Those certain miscellaneous rights of Sellers to utilize canals, ditches, or other water transportation methods or conveyances or delivery facilities, and pumping equipment such as is necessary to exercise the water conveyance, transportation, and delivery rights, storage rights, water rights, water exchange entitlements, contract rights or any other rights or entitlements Sellers may have now, including, but not limited to, the rights specified in the following agreements:

1. That certain Common Use Agreement Between Buena Vista Water Storage District and Hacienda Water District dated June 18, 1973; and

2. That certain Agreement of Sale referred to in subparagraph A.4 above, as more particularly set forth in Section 2(h) thereof, including the canal parallel to and one mile north of state Highway 46 as said canal is described therein; and

3. That certain 1964 Amendment to Miller-Haggin Agreement referred to in subparagraph A.1.a. above which provides for use of first-point conduit to transport second-point group water pursuant to Section 5 thereof; and

4. That certain Kern River Canal Extension Agreement dated October 14, 1964, by and between Buena Vista, Buena Vista Associates Incorporated, and Miller & Lux Incorporated as more particularly set forth in Section VI thereof; and

5. Any and all agreements that now exist with respect to or regarding the Johnson Ditch.

6. Certain Agreements. Any rights, to the extent owned by Sellers, under the following agreements:

a. That certain Goose Lake Canal Agreement dated May 13, 1979 by and between Buena Vista as first party, and La Hacienda and Twin Farms, Inc., as second parties, recorded June 5, 1979, Kern County, Book 5203, Page 487; and

b. That certain goose Lake Canal Allocation of Water and Operating Agreement dated May 13, 1979 by and between La Hacienda, and Nickel Enterprises and Twin Farms; and

c. That certain Agreement for Joint Use of Burhans Canal System and Introduction of Nondistrict Water Into Burhans Ranch Area dated May 14, 1979, by and between Nickel Enterprises and Lost Hills Water District.

F. EXCLUSIONS. The following rights held by Sellers shall not be included within the definition of Lower River Water Rights:

1. Riparian Rights. Any rights not discussed above that are legally defined as riparian rights under California law; and

2. Groundwater. The right to pump groundwater that naturally occurs beneath land owned by Sellers; and

3. Public Agency Water. The right to obtain water from any Public Agency exclusively for use on land owned or leased by Sellers within that agency's service area.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

COUNTY OF KERN

)
) ss.
)

On _____, before me, _____
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name of Signers

☐ personally known to me -- OR -- ☐ proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

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(IES) CLAIMED BY SIGNER(S)

- ☐ Individual
☐ Corporate Officer

Titles

- ☐ Partner(s) ☐ Limited
☐ General
☐ Attorney-In-Fact
☐ Trustee(s)
☐ Guardian/Conservator
☐ Other: _____

Signer is Representing:
Name of Persons or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Title or Type of Document

Number of Pages

Date of Document

Signers Other Than Named Above

EXHIBIT B

TO QUITCLAIM DEED FROM NICKEL FAMILY, LLC TO KERN COUNTY WATER
AGENCY

The real property transferred pursuant to this Quitclaim Deed consists of the undivided interests held by Grantor, NICKEL FAMILY, LLC in and to the real property described in EXHIBIT B-1 attached hereto.

EXHIBIT B-1

A. CASTRO DITCH WATER RIGHTS. Any and all of Nickel's right, title and interest now owned in the so-called Castro Right to divert water from the Kern River evidenced by various instruments, conveyances, contracts and agreements, including, but not limited to, the following:

1. That certain Indenture dated April 5, 1894, recorded April 6, 1894 Kern County, Book 54, Deeds, Pages 30 and 31, by which H.H. Fish, George Daggett, and H.A. Blodget conveyed an undivided 1/18th interest in the Castro Ditch and water right to James M. Keith; and
2. That certain Indenture dated April 5, 1894, recorded April 6, 1894, Kern County, Book 54, Deeds, Pages 32 and 33, by which H.H. Fish, George Daggett, and H.A. Blodget conveyed an undivided 1/9th interest in the Castro Ditch and water right to S.W. Wible; and
3. That certain Indenture dated May 20, 1896, recorded May 20, 1896, Kern County, Book 60, Deeds, Pages 640 and 641, by which Tomas Castro and Manual Castro conveyed an undivided 2/18ths part of the Castro Ditch and all the branches thereof and of the water and water rights appurtenant thereto to William S. Tevis; and
4. That certain Indenture dated May 20, 1896, recorded May 22, 1896 Kern County, Book 60, Deeds, Pages 644 and 645, by which W.L. Dixon and Florence G. Dixon, his wife, conveyed an undivided 2/18ths part of the Castro Ditch and all the branches thereof and of the water and water rights appurtenant thereto to William S. Tevis; and
5. That certain Agreement dated March 31, 1905, which provides for the right to appropriate and divert water from the Kern River at the head of Stine Canal Extension up to 20 cfs; and
6. That certain Corporation Quitclaim Deed dated February 4, 1982, recorded February 25, 1982, Kern County, Book 5440, Pages 2241-2242, by which Miller & Lux, Inc., remised, released and quitclaimed to La Hacienda, Inc., Assessors Parcel Number 700-980-24-00-8; and
7. That certain Corporation Quitclaim Deed recorded February 25, 1982, Kern County, Book 5440, Pages 2243-2244, by which Miller & Lux, Inc., remised, released and quitclaimed to La Hacienda, Inc., Assessors Parcel Number 700-980-25-00-1; and

8. That certain Quitclaim Deed dated November 25, 1986, by which La Hacienda, Inc., remised, released and quitclaimed to the City of Bakersfield the physical facilities of the Castro Ditch excepting all Kern River Rights appurtenant to eight shares of stock in the Castro Ditch; and

9. Any other or additional right, title or interest in or to the Castro Ditch and water right now owned by Nickel.

B. JOHNSON DITCH WATER RIGHTS. The so-called Johnson Right to divert water from the Kern River of which Nickel owns a part as a result of various instruments, conveyances, contracts, and agreements, including, but not limited to, the following:

1. That certain Corporation Quitclaim Deed dated February 4, 1982, recorded February 25, 1982, Kern County, Book 5440, Pages 2245-2246, by which Miller & Lux, Inc., remised, released and quitclaimed to La Hacienda, Inc., Assessors Parcel Number 700-980-26-00-4; and

2. Any other or additional right, title or interest in or to the Johnson Ditch and water right now owned by Nickel.

RECORDING REQUESTED BY:
CHICAGO TITLE COMPANY

WHEN RECORDED MAIL TO
AND MAIL TAX STATEMENTS TO:

NAME OLCESE WATER DISTRICT
 Attention: Board of Directors
ADDRESS P.O. BOX 651

CITY BAKERSFIELD

STATE & ZIP CALIFORNIA 93302

QUITCLAIM DEED

TITLE NO.

ESCROW NO. 673298-MM

APN:

THE UNDERSIGNED GRANTOR(s) DECLARE(s)

DOCUMENTARY TRANSFER TAX is \$ -0- (No Consideration) CITY TAX \$ _____

- ☐ Computed on full value of property conveyed, or ☐ Computed on full value less value of liens or encumbrances remaining at time of sale,
☐ Unincorporated area: ☐ City of Bakersfield, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, KERN COUNTY WATER AGENCY, a California public agency, hereby remise, release and forever quitclaim to OLCESE WATER DISTRICT, a California public agency, receipt of which is its interest in the real property described in Exhibit C attached hereto and incorporated herein by this reference, together with all improvements thereon and all easements, rights of way, and other rights appurtenant thereto, subject, however, to the lien of non-delinquent real property taxes and assessments and covenants, conditions, restrictions easements, rights-of-way and servitudes of record in the County of Kern, State of California.

See Attached Exhibit C

Dated _____, 2001

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

COUNTY OF KERN

)
) ss.
)

On _____, before me, _____
Date Name and Title of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____
Name of Signers

☐ personally known to me – **OR** – ☐ proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

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(IES) CLAIMED BY SIGNER(S)

DESCRIPTION OF ATTACHED DOCUMENT

- ☐ Individual
☐ Corporate Officer

Titles

- ☐ Partner(s) ☐ Limited
☐ General

- ☐ Attorney-In-Fact
☐ Trustee(s)
☐ Guardian/Conservator
☐ Other: _____

Signer is Representing:
Name of Persons or Entity(ies)

Title or Type of Document

Number of Pages

Date of Document

Signers Other Than Named Above

EXHIBIT C

TO QUITCLAIM DEED FROM KERN COUNTY WATER AGENCY TO OLCESSE WATER DISTRICT

The real property transferred pursuant to this Quitclaim Deed consists of the undivided interests held by Grantor, KERN COUNTY WATER AGENCY in and to the real property described in EXHIBIT C-1 attached hereto.

EXHIBIT C-1

A. CARMEL WATER RIGHT. The so-called Carmel Water right to 3.956% of Kern River water allocated to the Miller-Haggin First Parties of which Nickel's predecessors in interest owned a part as a result of various instruments, conveyances, contracts, and agreements as follows:

1. That certain Agreement dated October 24, 1945, between Buena Vista Water Storage District as first party, and C.E. Houchin and George L. Bradford, co-partners doing business as Carmel Cattle Company, as second party, recorded December 1, 1945, Kern County, Book 1290, Page 176, by which the second party reserved said Carmel Water Right; and
2. That certain Deed dated February 23, 1956, in which Kathryn Houchin, Francis L. Houchin, and Anna Lumis, as executors of the estate of C.E. Houchin, deceased, conveyed to Miller & Lux, Inc. said Carmel Water Right; and
3. That certain Deed dated February 24, 1956, recorded February 1956, Kern County, Book 2567, Page 0527, document no. 11922, in which Miller & Lux, Inc. conveyed to C. Ray Robinson and Pauline Robinson, husband and wife, an undivided 15% of said Carmel Water Right; and
4. That certain Quitclaim Deed Agreement dated August 31, 1973, recorded September 24, 1973, Kern County, Book 4805(?), Page 812(?) by which C. Ray Robinson, as grantor and as successor in interest to Pauline Robinson in said Deed to Mr. & Mrs. Robinson, thereafter transferred all his then remaining 12.75% undivided interest in and right to either water or income in said Carmel Water Right to George Nickel; and
5. That certain Agreement by and between Nickel doing business as Kern River Delta Farms, and Olcese Water District, dated February 27, 1976, to which said 12.75% undivided interest of George Nickel in said Carmel Water Right is subject, pursuant to Sections 1 and 5 thereof.

RECORDING REQUESTED BY:
CHICAGO TITLE COMPANY

WHEN RECORDED MAIL TO
AND MAIL TAX STATEMENTS TO:

NAME NICKEL FAMILY, LLC
Attention: James Nickel, President
ADDRESS P.O. BOX 60679
CITY BAKERSFIELD
STATE & ZIP CALIFORNIA 93386-0679

QUITCLAIM DEED

TITLE NO.

ESCROW NO. 673298-MM

APN:

THE UNDERSIGNED GRANTOR(s) DECLARE(s)

- DOCUMENTARY TRANSFER TAX is \$ -0- (No Consideration) CITY TAX \$ _____
- ☐ Computed on full value of property conveyed, or ☐ Computed on full value less value of liens or encumbrances remaining at time of sale,
- ☐ Unincorporated area: ☐ City of Bakersfield, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, KERN COUNTY WATER AGENCY, a California public agency, hereby remise, release and forever quitclaim to NICKEL FAMILY, LLC, a California limited liability company, receipt of which is its interest in the real property described in Exhibit E attached hereto and incorporated herein by this reference, together with all improvements thereon and all easements, rights of way, and other rights appurtenant thereto, subject, however, to the lien of non-delinquent real property taxes and assessments and covenants, conditions, restrictions easements, rights-of-way and servitudes of record in the County of Kern, State of California.

See Attached Exhibit E

Dated _____, 2001

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

COUNTY OF

)
) ss.
)

On _____, before me, _____
Date Name and Title of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____
Name of Signers

☐ personally known to me – OR – ☐ proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

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(IES) CLAIMED BY SIGNER(S)

DESCRIPTION OF ATTACHED DOCUMENT

- ☐ Individual
- ☐ Corporate Officer

Titles

Title or Type of Document

- ☐ Partner(s) ☐ Limited
- ☐ General

☐ Attorney-In-Fact

☐ Trustee(s)

☐ Guardian/Conservator

☐ Other: _____

Number of Pages

Date of Document

Signer is Representing:
Name of Persons or Entity(ies)

Signers Other Than Named Above

Exhibit D

$$\text{Power Charge} = \$/\text{KWH} \times \text{Avg. KWH/AF} \times 10,000 \text{ AF}$$

1. \$/KWH is calculated by using the PG&E, AG 5b rate or future equivalent determined prior to May 1 of each year. Currently AG 5b includes demand charges and electric energy charges for on peak, off peak, and partial peak and California Energy Commission taxes. The 10,000 af is assumed to be pumped at a rate of 1,000 AF per month from March 1 to December 31. The average daily rate is 33 AF. Pumping is assumed to occur throughout the entire 24 hour period for each day of the month.
2. The following table will be used to determine the KWH/AF. Average Depth to Groundwater is a value calculated from the measurements of wells in the Pioneer Project during the spring of each year. This data is compiled for the Kern Fan Monitoring Committee.

Spring Average Depth to Groundwater on the Pioneer Project ¹	Average KWH/AF
10	184
20	211
30	229
40	246
50	264
60	281
70	299
80	317
90	334
100	352
110	369
120	387
130	405
140	422
150	440
160	457
170	475
180	493
190	510
200	528
210	545
220	563
230	581
240	598
250	616
260	633
270	651
280	668
290	686
300	704

Example: If groundwater levels are 102 feet.

$$\$224,005 = \$0.0631/\text{KWH} \times 355 \text{ KWH/AF} \times 10,000 \text{ AF}$$

¹If average depth to groundwater drops below 300 feet the KWH/AF will be recalculated.

**Summary of Power Costs
Nickel 10,000 AF
2001**

Month	AF	KWH	Amount	\$/KWH
March	1,000	355,000	\$16,972.54	0.05
April	1,000	355,000	16,913.30	0.05
May	1,000	355,000	26,145.30	0.07
June	1,000	355,000	25,853.10	0.07
July	1,000	355,000	26,145.30	0.07
August	1,000	355,000	26,145.30	0.07
September	1,000	355,000	25,853.10	0.07
October	1,000	355,000	26,145.30	0.07
November	1,000	355,000	16,913.30	0.05
December	1,000	355,000	16,972.54	0.05
Total	10,000	3,550,000	\$224,059.08	

Average \$/KWH..... \$0.06

KERN COUNTY WATER AGENCY

POWER BILLING CALCULATION

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	B
FACILITY:	Pioneer Project	MONTH of	Mar 2001	CODE	3

	Usage	Rate	TOTAL \$
CUSTOMER CHARGE:			0.00

METER CHARGE:			0.00
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DEMAND CHARGES PER (KW) :	KW	\$/KW	
per KW of maximum-peak-period demand	564	0.00	0.00
(From PG&E) per KW of maximum-part-peak-period demand	0	0.00	0.00
per KW of off-peak-period seasonal billing demand			
(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 KW)	555	4.40	2,442.00

ELECTRIC ENERGY CHARGES:

	Multiplier	KWH	\$/KWH	Amount \$
Total KWH		355,000		
Base Energy Charges:				
On Peak	0.0%	0	0.00000	0.00
(From PG&E) Partial Peak	38.4%	136,465	0.04661	6,360.63
Off Peak	61.6%	218,535	0.03706	8,098.91

TOTAL ELECTRIC ENERGY CHARGES:	14,459.54
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Sub Total	\$16,901.54
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TAXES

California Energy Commission	KWH	\$/KWH	71.00
	355,000	0.00020	

TOTAL BILLING	\$16,972.54
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TOTAL NET BILLING	\$16,972.54
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KERN COUNTY WATER AGENCY

POWER BILLING CALCULATION

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	B
FACILITY:	Pioneer Project	MONTH of	Apr 2001	CODE	4

	Usage	Rate	TOTAL \$
CUSTOMER CHARGE:			0.00

ELECTRICITY CHARGE:			0.00
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DEMAND CHARGES PER (KW) :		KW	\$/KW	
	per KW of maximum-peak-period demand	564	0.00	0.00
From PG&E)	per KW of maximum-part-peak-period demand	0	0.00	0.00
	per KW of off-peak-period seasonal billing demand			
	(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 KW)	555	4.40	2,442.00

ELECTRIC ENERGY CHARGES:

	Multiplier	KWH	\$/KWH	Amount \$
Total KWH		355,000		
Base Energy Charges:				
	On Peak	0.0%	0	0.00000 0.00
From PG&E)	Partial Peak	38.7%	130,262	0.04661 6,071.51
	Off Peak	63.3%	224,738	0.03706 8,328.79

TOTAL ELECTRIC ENERGY CHARGES:	14,400.30
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Sub Total	\$16,842.30
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TAXES

	KWH	\$/KWH	
California Energy Commission	355,000	0.00020	71.00
TOTAL BILLING			\$16,913.30

TOTAL NET BILLING	\$16,913.30
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**KERN COUNTY WATER AGENCY
POWER BILLING CALCULATION**

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	A
FACILITY:	Pioneer Project	MONTH of	May 2001	CODE	5

	<u>Usage</u>	<u>Rate</u>	<u>TOTAL \$</u>
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CUSTOMER CHARGE: 0.00

ENERGY CHARGE: 0.00

DEMAND CHARGES PER (KW) :		<u>KW</u>	<u>\$/KW</u>	
	per KW of maximum-peak-period demand	554	0.00	0.00
From PG&E)	per KW of maximum-part-peak-period demand	555	2.70	1,498.50
	per KW of off-peak-period seasonal billing demand			
	(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 K	555	6.55	3,635.25

ELECTRIC ENERGY CHARGES:

	<u>Multiplier</u>	<u>KWH</u>	<u>\$/KWH</u>	<u>Amount \$</u>
Total KWH		355,000		
Base Energy Charges:				
	On Peak	17.7%	62,984	0.14294 9,002.93
From PG&E)	Partial Peak	0.0%	0	0.00000 0.00
	Off Peak	82.3%	292,016	0.04088 11,937.61

TOTAL ELECTRIC ENERGY CHARGES: 20,940.55

Sub Total \$26,074.30

TAXES

California Energy Commission	<u>KWH</u>	<u>\$/KWH</u>	
	355,000	0.00020	71.00

TOTAL BILLING \$26,145.30

TOTAL NET BILLING \$26,145.30

KERN COUNTY WATER AGENCY

POWER BILLING CALCULATION

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	A
FACILITY:	Pioneer Project	MONTH of	Jun 2001	CODE	6

	<u>Usage</u>	<u>Rate</u>	<u>TOTAL \$</u>
CUSTOMER CHARGE:			0.00

METER CHARGE:			0.00
---------------	--	--	------

	<u>KW</u>	<u>\$/KW</u>	
DEMAND CHARGES PER (KW) :			
per KW of maximum-peak-period demand	564	0.00	0.00
(From PG&E) per KW of maximum-part-peak-period demand	555	2.70	1,498.50
per KW of off-peak-period seasonal billing demand			
(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 K	555	6.55	3,635.25

ELECTRIC ENERGY CHARGES:

	<u>Multiplier</u>	<u>KWH</u>	<u>\$/KWH</u>	<u>Amount \$</u>
Total KWH		355,000		
Base Energy Charges:				
On Peak	16.9%	60,121	0.14294	8,593.70
(From PG&E) Partial Peak	0.0%	0	0.00000	0.00
Off Peak	83.1%	294,879	0.04088	12,054.65

TOTAL ELECTRIC ENERGY CHARGES:			20,648.35
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Sub Total			\$25,782.10
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TAXES

	<u>KWH</u>	<u>\$/KWH</u>	
California Energy Commission	355,000	0.00020	71.00
TOTAL BILLING			\$25,853.10

TOTAL NET BILLING			\$25,853.10
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**KERN COUNTY WATER AGENCY
POWER BILLING CALCULATION**

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	A
FACILITY:	Pioneer Project	MONTH of	Jul 2001	CODE	7

	<u>Usage</u>	<u>Rate</u>	TOTAL \$
CUSTOMER CHARGE:			0.00

			0.00
METER CHARGE:			0.00

DEMAND CHARGES PER (KW) :	<u>KW</u>	<u>\$/KW</u>		
per KW of maximum-peak-period demand	564	0.00		0.00
(From PG&E) per KW of maximum-part-peak-period demand	555	2.70		1,498.50
per KW of off-peak-period seasonal billing demand				
(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 K	555	6.55		3,635.25

ELECTRIC ENERGY CHARGES:

	<u>Multiplier</u>	<u>KWH</u>	<u>\$/KWH</u>	<u>Amount \$</u>
Total KWH		355,000		
 Base Energy Charges:				
	On Peak	17.7%	62,984	0.14294 9,002.93
(From PG&E)	Partial Peak	0.0%	0	0.00000 0.00
	Off Peak	82.3%	292,016	0.04088 11,937.61

TOTAL ELECTRIC ENERGY CHARGES:	20,940.55
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Sub Total	\$26,074.30
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TAXES

	<u>KWH</u>	<u>\$/KWH</u>		
California Energy Commission	355,000	0.00020		71.00

TOTAL BILLING	\$26,145.30
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TOTAL NET BILLING	\$26,145.30
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KERN COUNTY WATER AGENCY POWER BILLING CALCULATION

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	A
FACILITY:	Pioneer Project	MONTH of	Aug 2001	CODE	8

	<u>Usage</u>	<u>Rate</u>	<u>TOTAL \$</u>
CUSTOMER CHARGE:			0.00

METER CHARGE:			0.00
---------------	--	--	------

DEMAND CHARGES PER (KW) :	KW	\$/KW	
per KW of maximum-peak-period demand	564	0.00	0.00
(From PG&E) per KW of maximum-part-peak-period demand	555	2.70	1,498.50
per KW of off-peak-period seasonal billing demand			
(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 K	555	6.55	3,635.25

ELECTRIC ENERGY CHARGES:

	<u>Multiplier</u>	<u>KWH</u>	<u>\$/KWH</u>	<u>Amount \$</u>
Total KWH		355,000		
Base Energy Charges:				
On Peak	17.7%	62,984	0.14294	9,002.93
(From PG&E) Partial Peak	0.0%	0	0.00000	0.00
Off Peak	82.3%	292,016	0.04088	11,937.61

TOTAL ELECTRIC ENERGY CHARGES:	20,940.55
--------------------------------	-----------

Sub Total	\$26,074.30
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TAXES

	<u>KWH</u>	<u>\$/KWH</u>	
California Energy Commission	355,000	0.00020	71.00
TOTAL BILLING			\$26,145.30

TOTAL NET BILLING	\$26,145.30
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KERN COUNTY WATER AGENCY POWER BILLING CALCULATION

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	A
FACILITY:	Pioneer Project	MONTH of	Sep 2001	CODE	9

	<u>Usage</u>	<u>Rate</u>	<u>TOTAL \$</u>
CUSTOMER CHARGE:			0.00

METER CHARGE:			0.00
---------------	--	--	------

	<u>KW</u>	<u>\$/KW</u>	
DEMAND CHARGES PER (KW) :			
per KW of maximum-peak-period demand	564	0.00	0.00
From PG&E) per KW of maximum-part-peak-period demand	555	2.70	1,498.50
per KW of off-peak-period seasonal billing demand			
(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 KW)	555	6.55	3,635.25

ELECTRIC ENERGY CHARGES:

	<u>Multiplier</u>	<u>KWH</u>	<u>\$/KWH</u>	<u>Amount \$</u>
Total KWH		355,000		
Base Energy Charges:				
On Peak	16.9%	60,121	0.14294	8,593.70
From PG&E) Partial Peak	0.0%	0	0.00000	0.00
Off Peak	83.1%	294,879	0.04088	12,054.65

TOTAL ELECTRIC ENERGY CHARGES:	20,648.35
--------------------------------	-----------

Sub Total	\$25,782.10
-----------	-------------

TAXES

California Energy Commission

	<u>KWH</u>	<u>\$/KWH</u>	
	355,000	0.00020	71.00

TOTAL BILLING	\$25,853.10
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TOTAL NET BILLING	\$25,853.10
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**KERN COUNTY WATER AGENCY
POWER BILLING CALCULATION**

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	A
FACILITY:	Pioneer Project	MONTH of	Oct 2001	CODE	10

	<u>Usage</u>	<u>Rate</u>	<u>TOTAL \$</u>
CUSTOMER CHARGE:			0.00

METER CHARGE:			0.00
---------------	--	--	------

DEMAND CHARGES PER (KW) :	<u>KW</u>	<u>\$/KW</u>	
per KW of maximum-peak-period demand	564	0.00	0.00
From PG&E) per KW of maximum-part-peak-period demand	555	2.70	1,498.50
per KW of off-peak-period seasonal billing demand			
(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 K	555	6.55	3,635.25

ELECTRIC ENERGY CHARGES:

	<u>Multiplier</u>	<u>KWH</u>	<u>\$/KWH</u>	<u>Amount \$</u>
Total KWH		355,000		
Base Energy Charges:				
On Peak	17.7%	62,984	0.14294	9,002.93
(From PG&E) Partial Peak	0.0%	0	0.00000	0.00
Off Peak	82.3%	292,016	0.04088	11,937.61

TOTAL ELECTRIC ENERGY CHARGES:	20,940.55
--------------------------------	-----------

Sub Total	\$26,074.30
-----------	-------------

TAXES

	<u>KWH</u>	<u>\$/KWH</u>	
California Energy Commission	355,000	0.00020	71.00
TOTAL BILLING			\$26,145.30

TOTAL NET BILLING	\$26,145.30
-------------------	-------------

**KERN COUNTY WATER AGENCY
POWER BILLING CALCULATION**

LOCATION: Nickel 10,000 AF

PG&E SCHEDULE No. AG-5B

PERIOD:

B

FACILITY: Pioneer Project

MONTH of Nov 2001

CODE

11

Usage Rate

TOTAL \$

CUSTOMER CHARGE:

0.00

METER CHARGE:

0.00

DEMAND CHARGES PER (KW) :

KW \$/KW

per KW of maximum-peak-period demand

564 0.00

0.00

(From PG&E)

per KW of maximum-part-peak-period demand

0 0.00

0.00

per KW of off-peak-period seasonal billing demand

(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 K

555 4.40

2,442.00

ELECTRIC ENERGY CHARGES:

Multiplier

KWH

\$/KWH

Amount \$

Total KWH

355,000

Base Energy Charges:

On Peak

0.0%

0

0.00000

0.00

(From PG&E)

Partial Peak

36.7%

130,262

0.04661

6,071.51

Off Peak

63.3%

224,738

0.03706

8,328.79

TOTAL ELECTRIC ENERGY CHARGES:

14,400.30

Sub Total

\$16,842.30

TAXES

KWH

\$/KWH

California Energy Commission

355,000

0.00020

71.00

TOTAL BILLING

\$16,913.30

TOTAL NET BILLING

\$16,913.30

KERN COUNTY WATER RECLAMATION POWER BILLING CALCULATION

LOCATION:	Nickel 10,000 AF	PG&E SCHEDULE No.	AG-5B	PERIOD	B
FACILITY:	Pioneer Project	MONTH of	Dec 2001	CODE	12

	<u>Usage</u>	<u>Rate</u>	<u>TOTAL \$</u>
CUSTOMER CHARGE:			0.00

ETER CHARGE:			0.00
--------------	--	--	------

DEMAND CHARGES PER (KW) :	KW	\$/KW	
per KW of maximum-peak-period demand	564	0.00	0.00
From PG&E) per KW of maximum-part-peak-period demand	0	0.00	0.00
per KW of off-peak-period seasonal billing demand			
(3 wells - 250 HP @ .74 KW/hp = maximum demand of 555 K	555	4.40	2,442.00

ELECTRIC ENERGY CHARGES:

	<u>Multiplier</u>	<u>KWH</u>	<u>\$/KWH</u>	<u>Amount \$</u>
Total KWH		355,000		
Base Energy Charges:				
On Peak	0.0%	0	0.00000	0.00
(From PG&E) Partial Peak	38.4%	136,465	0.04661	6,360.63
Off Peak	61.6%	218,535	0.03706	8,098.91

TOTAL ELECTRIC ENERGY CHARGES:	14,459.54
--------------------------------	-----------

Sub Total	\$16,901.54
-----------	-------------

TAXES

California Energy Commission	KWH	\$/KWH	
	355,000	0.00020	71.00

TOTAL BILLING	\$16,972.54
---------------	-------------

TOTAL NET BILLING	\$16,972.54
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EXHIBIT E

TO QUITCLAIM DEED FROM KERN COUNTY WATER AGENCY TO NICKEL FAMILY,
LLC

The real property transferred pursuant to this Quitclaim Deed consists of the undivided interests held by Grantor, KERN COUNTY WATER AGENCY in and to the real property described in EXHIBIT E-1 attached hereto.

EXHIBIT E-1

A. WATER INVENTORIES:

1. The Buena Vista Water Storage District forty thousand (40,000) acre-foot inventory;
2. The North Kern Water Storage District five thousand eight hundred eighty-two (5,882) acre-foot inventory;
3. The Preconsolidation fourteen thousand one hundred seventy (14,170) acre-foot inventory;
4. The five thousand (5,000) acre-foot payback water from Kern County Water Agency Improvement District No. 4.

RECORDING REQUESTED BY:
CHICAGO TITLE COMPANY

WHEN RECORDED MAIL TO
AND MAIL TAX STATEMENTS TO:

NAME NICKEL FAMILY, LLC
 Attention: James Nickel, President
ADDRESS P.O. BOX 60679

CITY BAKERSFIELD

STATE & ZIP CALIFORNIA 93386-0679

QUITCLAIM DEED

TITLE NO.

ESCROW NO. 673298-MM

APN:

THE UNDERSIGNED GRANTOR(s) DECLARE(s)

DOCUMENTARY TRANSFER TAX is \$ -0- (No Consideration) CITY TAX \$ _____

- ☐ Computed on full value of property conveyed, or ☐ Computed on full value less value of liens or encumbrances remaining at time of sale,
☐ Unincorporated area: ☐ City of Bakersfield, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, KERN COUNTY WATER AGENCY, a California public agency, hereby remise, release and forever quitclaim to NICKEL FAMILY, LLC, a California limited liability company, receipt of which is its interest in the real property described in Exhibit G attached hereto and incorporated herein by this reference, together with all improvements thereon and all easements, rights of way, and other rights appurtenant thereto, subject, however, to the lien of non-delinquent real property taxes and assessments and covenants, conditions, restrictions easements, rights-of-way and servitudes of record in the County of Kern, State of California.

See Attached Exhibit G

Dated _____, 2001

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

COUNTY OF KERN

)
) ss.
)

On _____, before me, _____
Date Name and Title of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____
Name of Signers

- ☐ personally known to me -- OR -- ☐ proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

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(IES) CLAIMED BY SIGNER(S)

- ☐ Individual
☐ Corporate Officer

Titles

- ☐ Partner(s) ☐ Limited
☐ General

- ☐ Attorney-In-Fact
☐ Trustee(s)
☐ Guardian/Conservator
☐ Other: _____

Signer is Representing:
Name of Persons or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

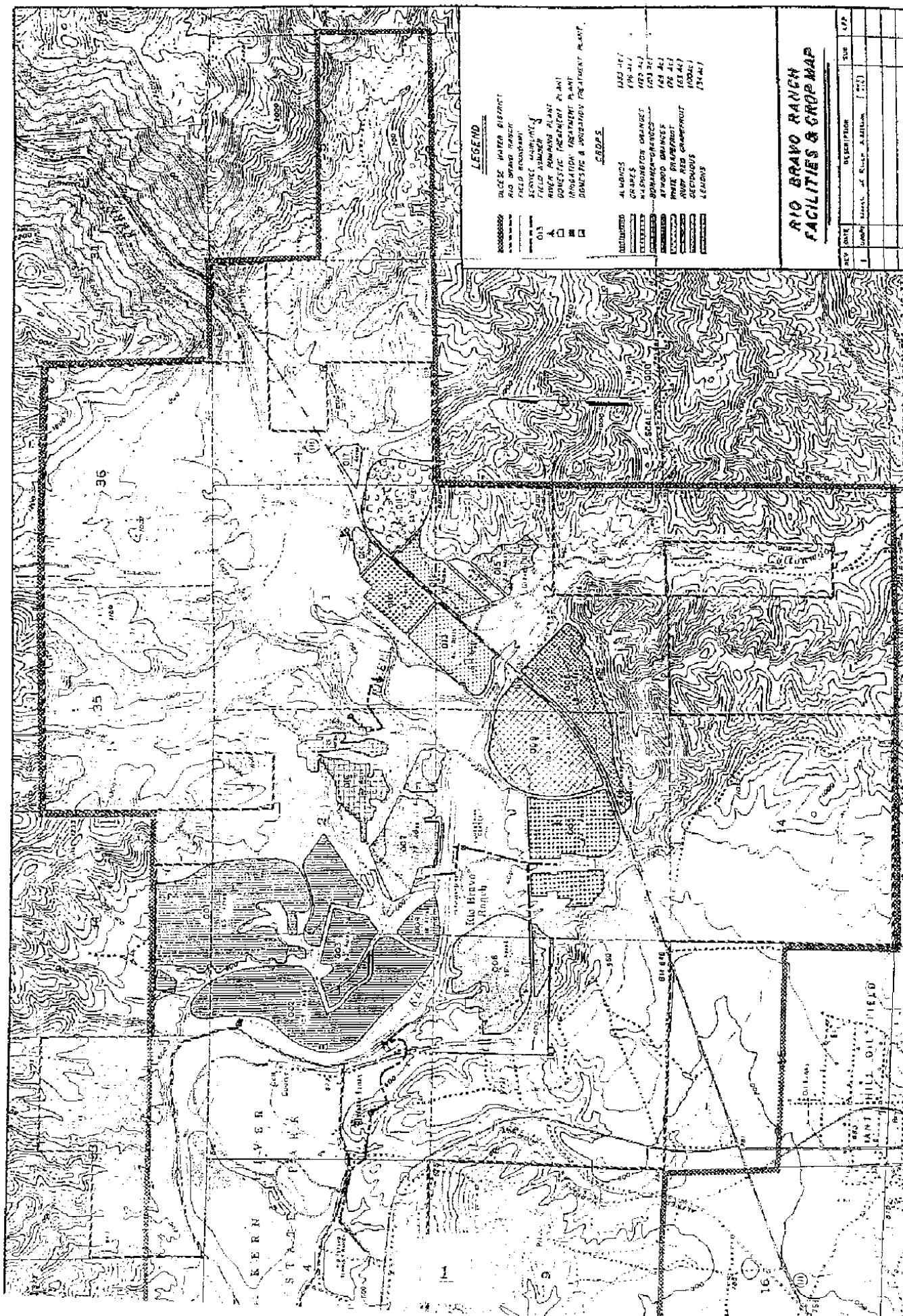
Title or Type of Document

Number of Pages

Date of Document

Signers Other Than Named Above

Exhibit F - Map of Rio Bravo Ranch



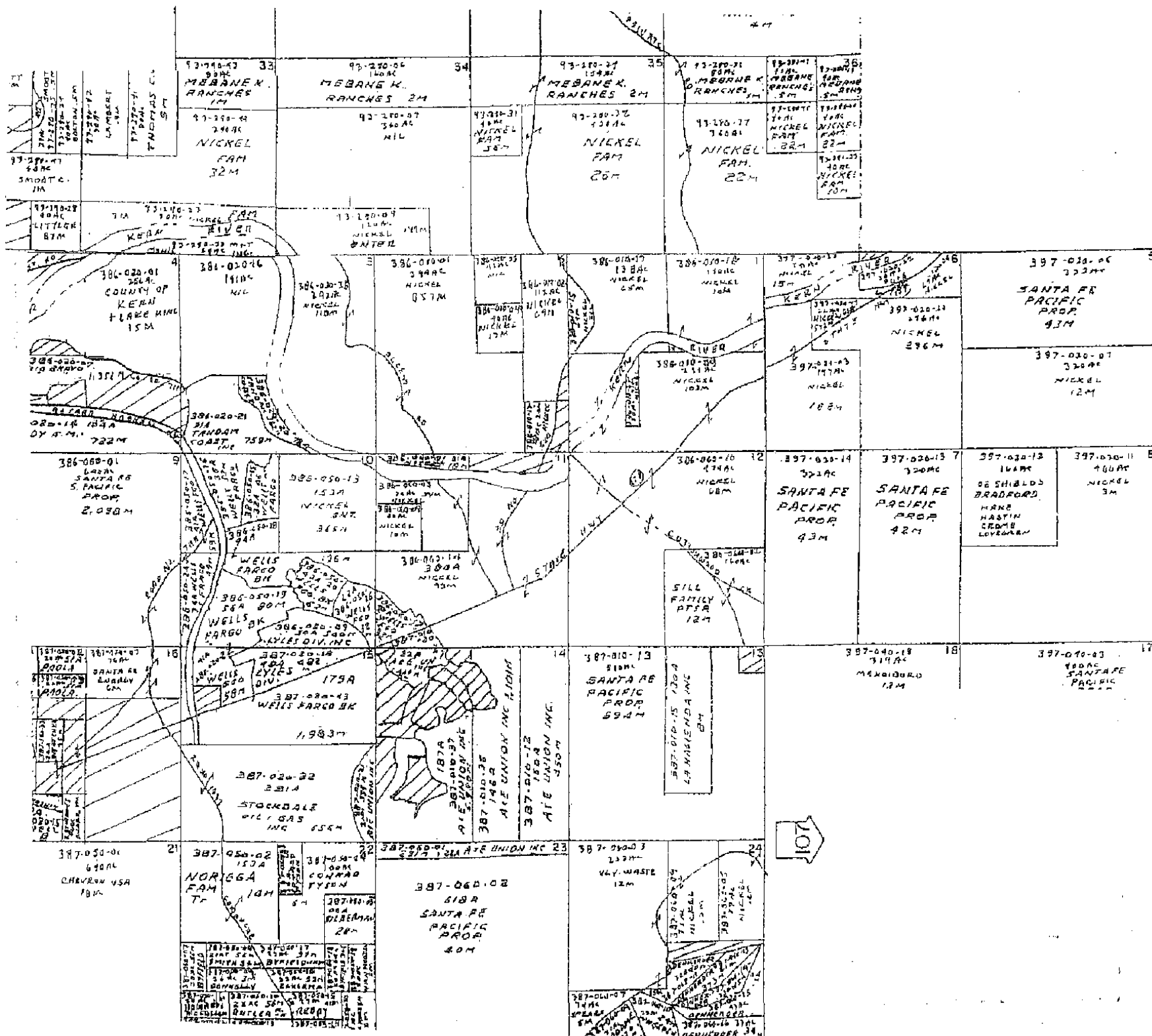


EXHIBIT G

TO QUITCLAIM DEED FROM KERN COUNTY WATER AGENCY TO NICKEL FAMILY,
LLC

The real property transferred pursuant to this Quitclaim Deed consists of the undivided interests held by Grantor, KERN COUNTY WATER AGENCY in and to the real property described in EXHIBIT G-1 attached hereto.

EXHIBIT G-1

On or about September 1, 2000, Garces Water Company, Inc., a California corporation, hereinafter referred to as "Garces" granted to the Kern County Water Agency, a California public agency, hereinafter referred to as the "Agency", various property rights described in the Grant Deed from Garces to the Agency, which is attached hereto and incorporated herein by reference. This Grant Deed was recorded in the Official Records of Kern County on September 8, 2000, as document No. 0200112678 consisting of 24 pages, and is hereinafter referred to as the "Garces Grant Deed". For valuable consideration, receipt of which is hereby acknowledged, the Agency hereby quitclaims to Nickel Family LLC, a California limited liability company, hereinafter referred to as "Nickel LLC", the following described portions of the property and rights the Agency received from Garces in the Garces Grant Deed; it being the intent of the Agency in this Quit Claim Deed to transfer to Nickel LLC only such property and rights described herein as it received from Garces in the Garces Grant Deed and not to transfer to Nickel LLC any other property or rights that the Agency may now or hereafter own. All references hereinafter to Exhibit WTA-1 refer to that exhibit in the attached Garces Grant Deed.

The following Particular Water Rights referred to in Part I of Exhibit WTA-1:

1. Pre-consolidation Return Water. The Agency's right, title and interest in the Pre-Consolidation Return Water described in Item B of Part I of Exhibit WTA-1, which the Agency received from Garces in the Garces Grant Deed.
2. Right to Use Olcese Water. The Agency's right, title and interest in those portions of the right to use Olcese water described in Item C-3 of Part I of Exhibit WTA-1, which the Agency received from Garces in the Garces Grant Deed.
3. Water Rights Arising From Previously Riparian Rights. The Agency's right, title and interest in any riparian water rights appurtenant to the Rio Bravo Ranch in Kern County, described in Item D of Part I of Exhibit WTA-1, which the Agency received from Garces in the Garces Grant Deed.
4. Storage Rights. The Agency's right, title and interest to any storage rights which the Agency received from Garces in the Garces Grant Deed, which may be hereinafter acquired by Nickel LLC.
5. Storage Rights in Buena Vista Water Storage District. The Agency's right, title and interest in the storage rights in Buena Vista Water Storage District described in Item E-7 of Part I of Exhibit WTA-1, which the Agency received from Garces in the Garces Grant Deed.
6. Buena Vista-La Hacienda Water Exchange Agreement. The Agency's right, title and interest in the Buena Vista-La Hacienda Water Exchange Agreement described in Item F-4 of Part I of Exhibit WTA-1, which the Agency received from Garces in the Garces Grant Deed.
7. General Water Exchange Rights. All the Agency's right, title and interest in all water exchange rights and entitlements which may accrue to Nickel LLC in any future contracts and agreements entered into by Nickel LLC, which the Agency received from Garces in the Garces Grant Deed.

15. Hydro Assets. All of the Agency's right, title and interest in any licenses, guarantees, bills of sale, securities, confidential information and other proceeds and products described in Exhibit HTA-1 of the Garces Grant Deed, that may be hereinafter acquired by Nickel LLC in any hydroelectric projects other than the Rio Bravo Hydroelectric Project described in Exhibit HTA-1 of the Garces Grant Deed, which were conveyed to the Agency by Garces in the Garces Grant Deed.

KERN COUNTY WATER AGENCY
A California Public Agency

By: _____
Chairman, Board of Directors

OPTION AND WATER PURCHASE AGREEMENT

THIS AGREEMENT is made and effective as of October __, 2002 (the "Effective Date") by and between Nickel Family, LLC, a California limited liability company ("Nickel") and The Newhall Land and Farming Company, a California limited partnership ("Newhall") with reference to the following facts:

A. Nickel previously held rights to water from the Kern River. Nickel conveyed those rights to the Kern County Water Agency ("KCWA") in exchange for certain other water (the "Exchange Water") to be made available by KCWA for the benefit of Nickel pursuant to the terms of that certain Contract to Transfer the Kern River Lower River Water Rights between Nickel, the Olcese Water District and the KCWA dated January 23, 2001 (the "KCWA Agreement"). A copy of the KCWA Agreement is attached hereto as Exhibit A and incorporated herein by this reference. Pursuant to the terms of KCWA Agreement, Nickel has the right to transfer and sell the use of the Exchange Water to third parties.

B. Newhall wishes to acquire an option to purchase the use of 1,607 acre feet of the Exchange Water (the "Acquired Water") for the exclusive use by Newhall as described herein, each year, for an initial period of 35 years (the "Transfer Term"). Nickel is willing to grant such an option under the terms and conditions set forth in this Agreement.

THEREFORE, the parties hereby agree as follows:

- Grant of Option. Subject to the terms and conditions set forth in this Agreement, Nickel hereby grants to Newhall an option (the "Option") to purchase and acquire the exclusive right to the use of the Acquired Water each year during the Transfer Term. The term of the Option shall be one year from the date of this Agreement (the "Initial Option Term"); provided, that Newhall may elect to extend the term of the Option for six additional calendar months (the "Extended Option Term") by giving written notice of extension to Nickel in the manner set forth in Section 18 and paying the Second Option Consideration Payment (as defined below) not less than five days prior to the expiration of the Initial Option Term. If the Option is not extended for the Extended Option Term, the Option will expire one year from the Effective Date. If the Option is extended for the Extended Option Term, the Option will expire 18 calendar months from the Effective Date.
- Option Consideration. As consideration for the grant of the Option, Newhall shall pay \$150,000 to Nickel as a First Option Consideration Payment within five days after the Effective Date. If Newhall elects to extend the Option for the Extended Option Term as provided in Section 1 of this Agreement, Newhall shall pay to Nickel a Second Option Consideration Payment of \$100,000. Neither the First Option Consideration Payment nor the Second Option Consideration Payment shall be applied as a credit against the Purchase Price, as defined below. Other than as set forth in this Agreement, the First Option Consideration Payment and the Second Option Consideration Payment shall be non-refundable to Newhall.
- Exercise of Option. Newhall may exercise the Option by giving written notice (the "Option Notice") to Nickel at any time prior to the expiration of the Option. Once the Option has been exercised, Newhall shall be obligated to purchase, and Nickel shall be obligated to sell, the use of the Acquired Water each year of the entire Transfer Term in accordance with the terms of this Agreement. If the Option Notice is delivered on or before September 1, 2003, the Transfer Term shall commence on January 1, 2004. If the Option Notice is delivered after September 1, 2003, the Transfer Term shall commence on January 1, 2005. The first year of the Transfer Term shall be referred to herein as the "First Water Year."
- Purchase Price; Payment of Purchase Price. If Newhall exercises the Option, the annual purchase price (the "Purchase Price") for the use of the Acquired Water shall be \$763,245 if the First Water Year is 2004; provided that the annual Purchase Price shall be increased on each January 1, commencing on January 1, 2005, by multiplying the Purchase Price in effect on the previous January 1 by 1.0325. The annual Purchase Price shall be paid on or before January 15 of each year during the Transfer Term.

5. Right to Extend Transfer Term. Provided that Newhall is not then in default under the terms of this Agreement, Newhall shall have the right to extend the Transfer Term for an additional 35 years by providing Nickel with written notice of Newhall's election to extend the Transfer Term pursuant to this Section 5 at least 90 days prior to the expiration of the initial Transfer Term. The terms and conditions of this Agreement including, without limitation, the amount of the Purchase Price shall apply to the extended Transfer Term, and all references in this Agreement to the Transfer Term shall include the Transfer Term as extended pursuant to this Section 5.

6. Reversion of Acquired Water to Nickel. The use of the Acquired Water shall revert to Nickel at the end of the Transfer Term, including any valid extension thereof, or upon termination of this Agreement.

7. Delivery Schedule; Point of Delivery.

(a) The Acquired Water shall be made available to Newhall at Tupman, free and clear of all liens, encumbrances, or rights of any other party, at the same time and in the same manner as KCWA schedules deliveries of State Water Project Entitlement Water to the KCWA's Member Units, as set forth in the Agency's contracts with its Member Units as they presently exist or may be changed from time to time.

(b) Nickel shall make or cause the Acquired Water to be available to Newhall at the Tupman turnout, as defined in Article 1.17 of the KCWA Agreement ("Tupman"), as provided in Article 4.4 of the KCWA Agreement.

8. Water Charges. Except as expressly provided in this Agreement, Nickel shall be solely responsible for all conveyance or delivery costs and expenses (including without limitation pumping costs) associated with making the Acquired Water available at Tupman. Newhall shall be responsible for all costs or expenses associated with the conveyance and delivery of the Acquired Water beyond Tupman imposed by KCWA and/or the California Department of Water Resources for conveyance of the Acquired Water beyond Tupman. Further, Newhall shall pay to Nickel that portion of those power charges attributable to the Acquired Water in any year in which Nickel is obligated to pay to KCWA the power charges described in Article 4.5 of the KCWA Agreement (the "Power Charges"), which the parties acknowledge is 16.07 percent of the total power charges payable by Nickel in any year in which such charges are payable under Article 4.5 of the KCWA Agreement. Newhall shall pay Nickel the Power Charges within 30 days of Newhall's receipt of an invoice for the Power Charges from Nickel.

9. KCWA Actions. Nickel and Newhall shall jointly request that KCWA and the Castaic Lake Water Agency ("Castaic") enter into a "point of delivery" agreement with the California Department of Water Resources approving delivery of a portion of KCWA's State Water Project Table A entitlement, used as State Water Project exchange water, to Castaic so that the Acquired Water can be delivered to Castaic for the entire Transfer Term (the "Point of Delivery Agreement"). If the Point of Delivery Agreement is not obtained prior to the expiration of the Option, or if Newhall exercises the Option and the Point of Delivery Agreement is not obtained prior to the commencement of the First Water Year, Newhall may at its election terminate this Agreement without liability to Newhall and receive a refund from Nickel of the First Option Consideration Payment, the Second Option Consideration Payment (if it was paid to Nickel) and any Purchase Price paid to Nickel, without interest, so long as Newhall uses reasonable good faith efforts to obtain the Point of Delivery Agreement.

10. Assignment. Nickel acknowledges that Newhall intends to use the Acquired Water on lands owned by Newhall within the service area of the Castaic and/or the Valencia Water Company ("Valencia"). Newhall may assign this Agreement, in whole or in part, to Castaic and/or Valencia upon notice to Nickel without further consent by Nickel. Any other assignment of this Agreement shall be subject to Nickel's advance written consent, which consent shall not be unreasonably withheld; provided, that in no event may Newhall assign the Option to any party other than Castaic or Valencia. Should Newhall assign this Agreement, or any part, as provided in this Section 10, (i) each assignee shall be required to agree, in writing, to be bound by and timely comply with all terms and provisions of this Agreement and (ii) each assignee shall succeed to the specified rights and obligations of Newhall under this Agreement and shall be recognized by Nickel as possessing all such rights and obligations, and all references to "Newhall" herein shall be deemed to refer to such assignee. Any assignment to Castaic, Valencia or otherwise with Nickel's consent shall relieve Newhall of all further obligations under this Agreement. Newhall may

also sell, on a yearly basis and on terms and conditions acceptable to Newhall, the use of any or all of the Acquired Water Newhall purchases that year to one or more third parties without the consent of Nickel; provided, that Newhall expressly acknowledges that Nickel and KCWA are only obligated to make available any Acquired Water sold by Newhall on a yearly basis to Tupman and only in accordance with this Agreement and the KCWA Agreement.

11. Maintenance of Acquired Water. While this Agreement is in effect, Nickel shall not take or omit to take any action that would render Nickel unable to fully perform its obligations under this Agreement. Without limiting the foregoing, while this Agreement is in effect Nickel shall not (i) amend or revise the KCWA Agreement, or (ii) encumber, commit, transfer or otherwise dispose of the Acquired Water, if any of those actions would render Nickel unable to fully perform its obligations under this Agreement. Further, Nickel shall take all actions necessary to ensure that it can fully perform its obligations under this Agreement. Notwithstanding the above, Nickel shall have the right to annually market the water that will be the Acquired Water prior to the commencement of the Transfer Term so long as the Acquired Water is available to Newhall during the Transfer Term.

12. Representations and Warranties of Nickel. Nickel hereby makes the following covenants, representations and warranties as of the Effective Date:

(a) Nickel has the authority to enter into this Agreement, sell and transfer the use of the Acquired Water to Newhall, and to otherwise perform as set forth herein. Nickel is the sole owner of the Acquired Water and has the unrestricted right and power to transfer the use of it to Newhall under the terms of this Agreement and to make the Acquired Water available at Tupman for the benefit of Newhall pursuant to the KCWA Agreement. The execution and delivery of this Agreement have been validly authorized by all requisite action on the part of Nickel.

(b) Nickel's execution of this Agreement and performance of its obligations hereunder will not violate any agreement, option, covenant, condition, obligation or undertaking of Nickel, nor to the best of Nickel's actual knowledge will it violate any law, ordinance, statute, order, or regulation.

(c) To the best of Nickel's actual knowledge, there are no actions, suits or proceedings of any kind or nature, legal or equitable, pending or threatened, relating to the KCWA Agreement or the Acquired Water, or potentially affecting or arising out of Nickel's ownership, management, or ability to sell the Acquired Water, in any court or before or by any federal, state, county or municipal department, commission, board, bureau, agency, or other governmental instrumentality.

(d) To the best of Nickel's actual knowledge, neither the Acquired Water nor any portion thereof, is subject to or affected by (i) any assessments, whether or not presently constituting a lien thereon, or (ii) any condemnation, eminent domain, or similar proceedings that render Nickel unable to fully perform its obligations under this Agreement.

(e) The Acquired Water is free and clear of any liens, encumbrances, or rights of any other party, that would render Nickel unable to fully perform its obligations under this Agreement, and Nickel shall maintain the Acquired Water free and clear of any such liens, encumbrances, or rights imposed against Nickel that render Nickel unable to fully perform its obligations under this Agreement while this Agreement is in effect.

(f) To the best of Nickel's actual knowledge, except for the KCWA Agreement and Nickel's obligations to KCWA under the KCWA Agreement, there are no contracts, licenses, commitments, agreements or undertakings respecting the Acquired Water by which Nickel would be obligated or liable to any person.

(g) Except as expressly contemplated by this Agreement, no approval is required from KCWA in order for the transactions contemplated by this Agreement to occur, and no approval is required from any other party in order for the Acquired Water to be made available to Newhall by Nickel at Tupman.

(h) No proceedings are pending or threatened in which Nickel may be adjudicated as bankrupt or discharged from any and all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts.

(i) As reasonably requested by Newhall, Nickel shall cooperate with Newhall in obtaining the necessary approvals for the transfer of the Acquired Water for use by Newhall at any time while this Agreement is in effect; provided, that no such assignment or transfer shall extend beyond the Transfer Term. Newhall shall reimburse Nickel for Nickel's reasonable out-of-pocket expenses incurred in connection with any such cooperation requested by Newhall. Notwithstanding the foregoing, Nickel's obligation to cooperate with Newhall shall be subject to the availability of appropriate representatives of Nickel. In no event shall the cooperation required of Nickel impose a material burden on Nickel.

(j) To the best of Nickel's actual knowledge, there is no action, suit, claim, cause of action, or proceeding at law or in equity (or by or before any governmental agency, official or authority of any local, State or Federal government) now pending, wherein an unfavorable decision, ruling or finding would (i) affect the creation, organization, existence or powers of the Nickel or the titles and powers of its Board members and officers to their respective offices; (ii) enjoin or restrain the approval and/or execution of this Agreement, or (iii) in any way question or affect any of the rights, powers.

(k) Nickel is unaware of any fact or circumstance that would prevent Nickel from being able to fully perform its obligations under this Agreement, or that would prevent Newhall from acquiring or using the Acquired Water as contemplated by Newhall.

13. Representations and Warranties of Newhall. Newhall hereby makes the following covenants, representations and warranties as of the Effective Date of this Agreement:

(a) Newhall has the authority to enter into this Agreement, purchase the Acquired Water, and to otherwise perform as set forth herein. The execution and delivery of the Agreement has been validly authorized by all requisite action on the part of Newhall.

(b) Newhall's execution of this Agreement and performance of its obligations hereunder will not violate any agreement, option, covenant, condition, obligation or undertaking of Newhall, nor to the best of Newhall's knowledge will it violate any law, ordinance, statute, order, or regulation.

(c) To the best of Newhall's actual knowledge, there is no action, suit, claim, cause of action, or proceeding at law or in equity (or by or before any governmental agency, official or authority of any local, State or Federal government) now pending, wherein an unfavorable decision, ruling or finding would (i) affect the creation, organization, existence or powers of the Newhall or the titles and powers of its Board members and officers to their respective offices; (ii) enjoin or restrain the approval and/or execution of this Agreement, or (iii) in any way question or affect any of the rights, powers, duties or obligations of the Newhall with respect to implementation of this Agreement.

(d) No proceedings are pending or threatened in which Newhall may be adjudicated as bankrupt or discharged from any and all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts.

(e) Newhall has received any and all information from Nickel, KCWA and any other source which it desires or expects in connection with the transactions contemplated by this Agreement. Except as set forth in this Agreement, Newhall is not relying upon Nickel to disclose (or to evaluate any other person's disclosure of) any such matters, and Newhall excuses and releases Nickel from any duty whatsoever to make such disclosures.

14. Condition Precedent to Nickel's Obligations to Perform. If Newhall exercises the Option, Nickel's obligation to transfer the Acquired Water in any year of the Transfer Term is hereby expressly conditioned on satisfaction or waiver by Nickel of the following condition precedent:

(a) Newhall shall have timely performed each of the acts to be performed by it hereunder including, without limitation, payment of the annual Purchase Price.

15. Conditions Precedent to Newhall's Obligation to Perform. If Newhall exercises the Option, Newhall's obligation to purchase the Acquired Water in any year of the Transfer Term is hereby expressly conditioned on satisfaction or waiver by Newhall of each and every one of the following conditions precedent:

(a) Nickel shall have timely performed each of the acts to be performed by it hereunder.

(b) Newhall shall have received any necessary governmental or other consents for the receipt of the Acquired Water at Tupman in that year. Newhall shall diligently pursue such necessary governmental or other consents for this condition precedent to apply.

(c) The Acquired Water is available and can be made available at Tupman in accordance with the terms of this Agreement.

(d) The Point of Delivery Agreement is in effect.

Should any of the foregoing conditions precedent not be satisfied in any year, and as a result thereof Nickel cannot make the Acquired Water available to Newhall at Tupman that year in accordance with the terms of this Agreement, and/or the Point of Delivery Agreement is not in effect, Newhall shall provide written notice thereof to Nickel in accordance with Section 18 of this Agreement. If such condition exists 15 days after Nickel's receipt of such written notice, Newhall shall be under no obligation to purchase the Acquired Water in that year (although Newhall may nevertheless waive such condition). However, this Agreement shall remain in effect during the entire Transfer Term. If Newhall does not purchase the Acquired Water in any year pursuant to this Section, Nickel shall have the right to use, or sell the use of the Acquired Water in that year, so long as the Acquired Water is available to Newhall during the remainder of the Transfer Term.

16. Costs and Expenses. Except as otherwise provided herein, Newhall shall pay all costs and fees associated with the transfer of the Acquired Water under this Agreement, including without limitation any transfer taxes associated with the Acquired Water. Each party shall be responsible for their own attorneys' and other professional fees and internal administrative costs associated with the preparation of this Agreement and the transfer of the Acquired Water.

17. Brokerage Commissions. Newhall and Nickel each represents and warrants to the other that it has not engaged the services of any broker, agent or finder, nor done any other act nor made any statement, promise or undertaking which would result in the imposition of liability for the payment of any brokerage commission, finder's fee or otherwise in connection with the transaction described in this Agreement. In the event that any person or entity perfects a claim for a brokerage commission, finder's fee or otherwise, based upon any agreement, statement or act, the party through whom such person or entity makes such claim shall be responsible therefor and shall indemnify, defend and hold the other party and the Acquired Water harmless from and against such claim and all loss, cost and expense associated therewith, including attorneys' fees.

18. Notices. All notices under this Agreement shall be effective upon personal delivery or confirmed facsimile transmission to Nickel or Newhall, as the case may be, or three business days after deposit in the United States mail, registered or certified, postage fully prepaid and addressed to the respective parties as follows:

To Nickel: James L. Nickel
President
Nickel Family, LLC
P.O. Box 60679
Bakersfield, CA 93386-0679
Facsimile: 661-872-7141

To Newhall: Steven Zimmer
Vice President
The Newhall Land and Farming Company
23823 Valencia Boulevard
Valencia, CA 91355
Facsimile: 661-288-1052

or such other address as the parties may from time to time designate in writing.

19. No Third Party Beneficiaries. Except for assignees receiving valid assignments made pursuant to Section 10 of this Agreement, Nickel and Newhall hereto agree that it is not their intent to create any rights or benefits in any third parties and that no third party beneficiaries shall be created or shall be deemed created by this Agreement.

20. Attorneys' Fees. In the event of any action between Newhall and Nickel seeking enforcement of any of the terms and conditions of this Agreement or in connection with the Acquired Water, the prevailing party in such action shall be awarded its reasonable costs and expenses, including but not limited to taxable costs, and its reasonable attorneys' fees.

21. Remedies. The parties understand and agree that use of the Acquired Water is unique, may not be replaceable in the event it is not transferred to Newhall in accordance with this Agreement, and will be relied upon by Newhall through the Transfer Term, including any extension thereof, in connection with its development activities in Los Angeles County. Therefore, in addition to a claim for damages for a breach or default, and in addition and without prejudice to any other right or remedy available at law or in equity Newhall may have in the event of a threatened or actual breach of this Agreement by Nickel, Newhall shall be entitled to injunctive relief, specific performance and other equitable remedies. Nickel acknowledges that in the event of a threatened or actual breach of this Agreement by Nickel, Newhall will be irreparably damaged in the event that this Agreement is not specifically enforced and that equitable relief would be appropriate. If Newhall breaches, or defaults in the performance of its obligations under this Nickel may pursue any remedies available to it at law or in equity for such default or breach. Notwithstanding the foregoing, if one party threatens to breach, breaches or defaults in the performance of its obligations under this Agreement (the "defaulting party"), no remedy at law or equity will be sought until written notice is provided to the defaulting party in accordance with Section 18 and the threat of breach, breach or default exists 15 days after the defaulting party's receipt of written notice of such default.

22. Entire Agreement. This Agreement and items incorporated herein contain all of the agreements of the parties hereto with respect to the matters contained herein, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provisions hereof may be amended or modified in any manner whatsoever except by an agreement in writing signed by duly authorized representatives of each of the parties.

23. Successors. The terms, covenants and conditions hereof shall be binding upon and shall inure to the benefit of the heirs, executors, administrators and assignees of the respective parties hereto.

24. Further Action. The parties agree to perform all further acts, and to execute, acknowledge, and deliver any documents that may be reasonably necessary, appropriate or desirable to carry out the purposes of this Agreement. Without limiting the foregoing, at the request of Newhall, Nickel shall assist Newhall in obtaining any and all consents or assistance from the KCWA necessary or desirable in connection with the transfer of the use of the Acquired Water to Newhall including, without limitation, any requests for assistance pursuant to Article 4.9 of the KCWA Agreement.

25. Waiver. A waiver of any breach of this Agreement by any party shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or any other provision of this Agreement.

26. Choice of Laws. This Agreement shall be governed by the laws of the State of California and any question arising hereunder shall be construed or determined according to such law.

27. Headings. Headings at the beginning of each numbered Section of this Agreement are solely for the convenience of the parties and are not a part of this Agreement.

28. Time. Time is of the essence, it being understood that each date set forth herein and the obligations of the parties to be satisfied by such dates have been the subject of specific negotiations by the parties.

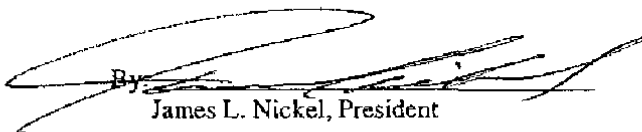
29. Counterparts. This Agreement may be signed by the parties in different counterparts and the signature pages combined to create a document binding on all parties.

27. Force Majeure. If the performance by any party to this Agreement of any of its obligations or undertakings under this Agreement is interrupted or delayed by any occurrence not occasioned by the conduct of a party to this Agreement, whether that occurrence is an act of God or public enemy, or whether that occurrence is caused by war, riot, storm, earthquake, or other natural forces, or by the acts of anyone not a party to this Agreement, then that party shall be excused from any further performance for whatever period of time after the occurrence is reasonably necessary to remedy the effects of that occurrence. The Transfer Term shall be extended by the period of time such performance is so excused.

28. Quitclaim. Upon the expiration of this Agreement for any reason, including the failure to timely exercise the Option in the manner provided herein, Newhall shall properly execute, acknowledge, and deliver to Nickel a quitclaim in a form suitable to establish the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first hereinabove written.

NICKEL FAMILY, LLC

By: 
James L. Nickel, President

THE NEWHALL LAND AND FARMING COMPANY
(a California Limited Partnership)

By: NEWHALL MANAGEMENT LIMITED
PARTNERSHIP, Managing General Partner

By: NEWHALL MANAGEMENT CORPORATION,
Managing General Partner

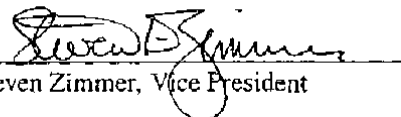
By: 
Steven Zimmer, Vice President

EXHIBIT A

"The KCWA Agreement"