

## WATER DELIVERY AND USE AGREEMENT

This Water Delivery and Use Agreement (hereinafter, the "Agreement") is executed as of January 1, 2014 at Santa Maria, California by and between LAGUNA COUNTY SANITATION DISTRICT, a county sanitation district, its employees, agents, and contractors (hereinafter referred to as "DISTRICT"), and the PYCHE 2000 TRUST under Trust Agreement dated April 14, 2000, the RIGHETTI FAMILY TRUST dated December 16, 1998, PAUL T. RIGHETTI, and the PAUL A. RIGHETTI TRUST dated October 1, 1970 as amended and restated November 24, 1976 (hereinafter, collectively, referred to as "USER"), all of whom (hereinafter, the DISTRICT and USER are jointly referred to herein as the "Parties") do hereby make and enter into this Agreement upon the following terms, covenants and conditions, each of which is agreed to:

### RECITALS

A. *WHEREAS*, the DISTRICT is required to secure long term effluent discharge alternatives pursuant to California regulations;

B. *WHEREAS* water reclamation (recycling) is the beneficial use of treated wastewater for planned uses such as irrigation, industrial cooling, recreation, groundwater recharge, environmental enhancement, and other uses permitted under California law;

C. *WHEREAS* the DISTRICT owns and operates a wastewater reclamation plant that produces recycled water, which is domestic wastewater that has been highly treated to meet the most stringent state and local health agencies' criteria and is considered clean, reusable water suitable for non-potable uses meeting the requirements of Article 3, Uses of Recycled Water, of the California Code of Regulations, Title 22, Water Recycling Criteria (Title 22) (hereinafter, "Recycled Water"). For purposes of this Agreement, the term "Recycled Water" shall refer only to "Disinfected Tertiary Recycled Water," which shall mean "the filtered and subsequently disinfected wastewater that meets the following criteria:

(a) The filtered wastewater has been disinfected by either:

(1) A chlorine disinfection process following filtration that provides a CT (the product of total chlorine residual and modal contact time measured at the same point) value of not less than 450 milligram-minutes per liter at all times with a modal contact time of at least 90 minutes, based on peak dry weather design flow; or

(2) A disinfection process that, when combined with the filtration process, has been demonstrated to inactivate and/or remove 99.999 percent of the plaqueforming units of F-specific bacteriophage MS2, or polio virus in the wastewater. A virus that is at least as resistant to disinfection as polio virus may be used for purposes of the demonstration.

(b) The median concentration of total coliform bacteria measured in the disinfected effluent does not exceed an MPN of 2.2 per 100 milliliters utilizing the bacteriological results of the last seven days for which analyses have been completed and the number of total coliform bacteria does not exceed an MPN of

23 per 100 milliliters in more than one sample in any 30 day period. No sample shall exceed an MPN of 240 total coliform bacteria per 100 milliliters.”

D. *WHEREAS* USER owns certain real property in the County of Santa Barbara, known as Assessor’s Parcel No. 101-020-069 and which consists of approximately 1,300 acres, more or less (the “Real Property”);

E. *WHEREAS* USER intends to use the Recycled Water delivered by the DISTRICT on the Real Property for the following purposes; (a) the filling of livestock troughs for livestock consumption (b) the irrigation of livestock pasture, (c) the irrigation of landscaping, (d) dust control, (e) the irrigation of vineyards for the growing of product for subsequent human consumption, and (f) uses incidental to and/or associated with the above uses as provided for in 22 CCR 60304-60307 (hereinafter, collectively, the “Project Uses”), and will not use the Recycled Water for direct human consumption;

F. *WHEREAS* the DISTRICT has determined that, so long as USER abides by the conditions enumerated herein, the Project Uses for said Recycled Water on the Real Property is allowed by local, state and federal law and whereas the DISTRICT represents that all Recycled Water furnished by the DISTRICT to USER’s Real Property shall be of a quality that complies with all statutes and regulations controlling the provision of Recycled Water for the Project Uses; and,

G. *WHEREAS* the USER intends to construct a delivery system (“Delivery System”) for the Recycled Water in the area generally depicted on the attached **Exhibits A-1 and A-2**.

*NOW, THEREFORE*, DISTRICT and USER agree as follows:

### **AGREEMENT**

1. Affirmation of Recitals. All Parties hereto agree that the above Recitals are true and correct and are made part of this Agreement.

2. Term. The term of this Agreement commences on the date first written above and terminates on December 31, 2030, unless terminated earlier under the conditions of Section 15 of this Agreement.

3. Commencement of Delivery of Recycled Water. DISTRICT is in the process of obtaining approval for a recycled water transmission system and pump station (“Recycled Water Transmission System”), part of which is located on or about Graciosa Road in Santa Maria, California, in the area depicted on the attached **Exhibit B**. Upon completion of said Recycled Water Transmission System, DISTRICT agrees to provide to USER a connection and meter (to measure Recycled Water volume), both of which shall be located adjacent to the DISTRICT’s pump station along Graciosa Road at a specific location to be mutually agreed upon by USER and DISTRICT. USER shall

install, at USER's expense, the Delivery System. Upon verification by the DISTRICT that the appropriate backflow prevention devices have been installed and tested as required by Title 17 of the California Code of regulations, DISTRICT shall commence delivery of Recycled Water to USER. Said backflow prevention devices are subject to annual testing at the DISTRICT's sole discretion and expense. USER agrees that DISTRICT shall be permitted to test USER's recycled water system for leaks, at DISTRICT'S sole discretion and expense, prior to initiation of Recycled Water delivery and any such leaks shall be repaired prior to the initial Recycled Water delivery. Thereafter, the DISTRICT will inspect the system quarterly for leaks, at DISTRICT'S sole discretion and expense, and DISTRICT will report any such leaks to USER who shall correct any such leaks in a timely manner.

4. Possible Interruption. USER understands that DISTRICT's other Recycled Water customers may have priority such that full water supply may not be available. In addition, USER understands that there may be times when delivery of Recycled Water is interrupted due to acts by third parties, by order of a governing authority, power outages, natural disasters, malfunctions, and maintenance or repair activities. Whenever the delivery of Recycled Water is interrupted, DISTRICT shall make its best effort to correct the cause of interruption and restore delivery of Recycled Water to USER as soon as possible.

5. Management and Maintenance of Delivery System. It is understood and agreed by all Parties hereto that USER shall be solely responsible for onsite management, operations, and maintenance of USER's Delivery System.

6. Special Recycled Water Use Requirements. DISTRICT has provided and USER has reviewed the *Special Recycled Water Use Requirements* identified in the attached Exhibit C. USER understands said use requirements and agrees to follow said use requirements in using the Recycled Water delivered by DISTRICT. USER further agrees to abide by any subsequently altered or amended use requirement in using the Recycled Water delivered by DISTRICT.

7. Recycled Water Supervisor. USER shall designate and maintain an individual as USER's Recycled Water Supervisor who shall be USER's coordinator and direct contact person between DISTRICT and USER. USER agrees that the Recycled Water Supervisor shall be responsible for (i) the USER's Delivery System's compliance with the *Special Recycled Water Use Requirements* identified in the attached Exhibit C, and (ii) the training of USER's employees and contractors in handling the Recycled Water consistent with the *Special Recycled Water Use Requirements* identified in the attached Exhibit C. DISTRICT shall assist in providing adequate training of USER's Recycled Water Supervisor and provide USER's Recycled Water Supervisor with a reasonable number of operating manuals, guidelines, checklists and instructions to assist USER's Recycled Water Supervisor in complying with the *Special Recycled Water Use Requirements* identified in the attached Exhibit C and in training USER's employees and contractors to do the same. USER shall inform DISTRICT of the name, position, and telephone number of USER's Recycled Water Supervisor prior to DISTRICT's supply of

Recycled Water to USER and, thereafter, shall promptly inform DISTRICT of any change of designated Recycled Water Supervisor or telephone number or other contact information during the term of this Agreement.

8. Price of Recycled Water. USER shall pay DISTRICT for recycled water at a rate of \$185.90 per million gallons (\$60.57 per acre-foot). Price is subject to annual increases based on the consumer price index, but in no event shall it exceed 2% per year.

9. Meter Reading and Billing. DISTRICT shall read the recycled water meter approximately monthly consistent with DISTRICT's normal meter reading schedule for billing purposes and shall bill USER for the total quantity delivered during the billing period in accordance with DISTRICT's standard billing practices. USER may periodically review DISTRICT's meter readings if desired. USER shall pay DISTRICT within 30 days of receipt of DISTRICT's bill.

10. Permission to Enter. Upon no less than two (2) days written notice (or immediate notice in the event of emergency), USER agrees to allow the DISTRICT reasonable access to enter the portions of the Real Property upon which the Delivery System is located for the sole purposes of (i) observing construction or modification of USER's Delivery System, (ii) reading the Recycled Water meter, or (iii) observing and verifying that USER is operating its Delivery System and is using the Recycled Water in accordance with the Recycled Water use requirements enumerated in Exhibit C of this Agreement. When entering USER's premises, DISTRICT shall not interfere with USER's operations and use of the Real Property. This Agreement is made upon the express condition that DISTRICT shall indemnify and save USER harmless from and against any and all loss, cost, damage, claim, liability, or expense, including reasonable attorney fees and costs incurred by DISTRICT, its agents, employees, and contractors, or to the Real Property, in any way arising from DISTRICT's presence on the Real Property. DISTRICT further agrees to use all reasonable efforts to prevent the general public, those not employed by the DISTRICT, and all unauthorized persons from using or accessing any areas of the Real Property to which DISTRICT has access.

11. Indemnification.

11.1. District Indemnification. In addition to any other indemnity enumerated in this Agreement, the DISTRICT shall defend, indemnify, and hold USER, its officers, employees, and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees), or claims for injury or damages arising out of the performance of this Agreement, but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligence, recklessness, or willful misconduct on the part of the DISTRICT, its officers, employees or agents.

Additionally, both Parties acknowledge that there exists or has existed certain litigation entitled "Santa Maria Groundwater Litigation" (Case No. CV770214), appeals thereof, and various court documents arising therefrom, including, but not limited to,

Settlement Agreements, Stipulations, Decisions, and Orders (collectively, "Litigation Results") that may impinge on the purchase and/or transfer of the Recycled Water contemplated herein. By signature below, the DISTRICT agrees to indemnify, and hold USER, its officers, employees, and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees), or claims for injury, damage, or injunctive relief arising in any way out of any Litigation Results that effect (a) the DISTRICT's right to transfer, convey, or sell the Recycled Water, or (b) the USER's right to purchase and/or use the Recycled Water.

11.2. User Indemnification. In addition to any other indemnity enumerated in this Agreement, USER shall defend, indemnify, and hold DISTRICT, its officers, employees, and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees), or claims for injury or damages arising out of the performance of this Agreement, but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligence, recklessness, or willful misconduct on the part of the USER, its officers, employees or agents.

12. Termination. It is understood and agreed between the Parties hereto that this Agreement may be terminated as follows:

12.1. For Breach of Agreement. Should one Party breach any of the terms and conditions in this Agreement, written notice of such breach shall be given to the breaching Party by the other Party. If reasonable steps towards correcting the breaching conditions are not taken within thirty (30) days from such notice, the other Party may, in addition to any remedies provided in this Agreement and by law, terminate this Agreement on sixty (60) days written notice to the breaching Party.

12.2. End of Term. This Agreement terminates at the end of its term unless the parties agree to extend it.

12.3. District Termination. DISTRICT may terminate this Agreement upon written notice to USER if (1) DISTRICT, at its sole determination, is, or will be, unable to deliver properly and adequately treated recycled water to USER for any reason whatsoever for a period greater than ten days, provided the reason for non-delivery is outside the reasonable control of DISTRICT, (2) the Regional Water Quality Control Board changes DISTRICT'S discharge requirements to a more stringent level with which DISTRICT cannot reasonably satisfy, or, (3) DISTRICT is ordered to cease delivery of Recycled Water to USER by a governmental authority having appropriate jurisdiction to do so.

12.4. User Termination. USER may terminate this Agreement upon written notice to DISTRICT if (1) USER determines that the DISTRICT's Recycled Water is causing damage to any portion of its Real Property or any tangible thing thereon, or (2) USER determines that the Recycled Water quality is not maintained to within reasonable

limits of the physical characteristics needed or the quantity is not sufficient in aiding USER in meeting its water use needs.

13. Notices. All notices provided in this Agreement or provided by law may be served personally, or by mail, and, if served by mail, service of such notice shall be deemed complete twenty-four hours after being deposited in a United States Post Office, registered, postage prepaid, return receipt requested, or available express mail carrier, such as Federal Express, Emory, Airborne Express, and the like, with postage or charges fully prepaid, addressed to the other party at the following addresses:

**To All Users at:**

7476 Graciosa Road  
Santa Maria, CA 93455

**To District at:**

Laguna County Sanitation District  
620 West Foster Road  
Santa Maria, CA 93455

Either Party may change their address by serving written notice of such change on the other party in the manner provided above.

14. Miscellaneous.

14.1. Integration. This Agreement constitutes a single, integrated written contract expressing the entire agreement of the Parties hereto relative of the subject matter hereof. No covenants, agreements, representations or warranties of any kind whatsoever have been relied upon by any Party hereto, except as specifically set forth in this Agreement. All prior discussions and negotiations have been and are merged and integrated into this Agreement and are fully superseded hereby. This Agreement may not be altered, amended, modified or extended except by an instruction in writing signed by the parties. The Parties respectively acknowledge and agree that neither has made any representations or warranties to the other not expressly set forth herein.

14.2. Legal Consequences. This Agreement is being entered into in good faith by all Parties and was negotiated through arms-length bargaining. Each of the Parties acknowledges and agrees that this Agreement has important legal consequences, that said Parties understand such consequences and that said Parties have had the opportunity to consult with independent legal counsel concerning this Agreement and the consequences thereof, regardless of whether such Party actually procured such legal representation.

14.3. Governing Law/Venue. This Agreement shall be construed in accordance with and be governed by the laws of the State of California. The Parties

agree that in the event of any litigation between them or arising from or related to this Agreement, the exclusive venue of such litigation shall be in the State of California, Superior Court of the County of Santa Barbara, Santa Maria Branch, Cook Division.

14.4. Counterparts and Facsimiles. This Agreement may be executed in any number of counterparts, any one of which need not contain the signatures of more than one Party, but all such counterparts taken together will constitute one and the same instrument. Each Party acknowledges that its execution of this Agreement will be binding regardless of whether its signature is submitted to the other in original or is transmitted by facsimile.

14.5. Severability. If any provision of this Agreement is determined, by a court of competent jurisdiction, to be illegal or unenforceable, said provision shall be deemed to be severed and deleted and neither such provision, its severance or deletion, shall affect the validity of the remaining provisions of this Agreement.

14.6. No Strict Construction. This Agreement shall not be construed against the Party or representative who drafted this Agreement or any portion thereof.

14.7. Heirs and Successors. This Agreement shall bind and inure to the benefit of the Parties, their employees, heirs, executors, administrators, agents, officers, directors, shareholders, successors-in-interest, and assigns.

14.8. Representation of Authority. Each person executing this Agreement on behalf of an entity, whether a corporation, partnership, joint venture, association or otherwise, represents and warrants that he or she has authority to execute this agreement on behalf of said entity and that entity has entered into the appropriate resolution or authorization for granting such authority.

14.9. No Limitations on Use. It is the parties' intent that USER's agreement to use Recycled Water on the Real Property shall not adversely affect USER's ability to change the use of the Real Property at any time. Further, nothing in this Agreement shall limit or prohibit user from procuring and/or utilizing any other source of water, whether groundwater, state water, or otherwise, that may be available upon termination of this agreement.

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IN WITNESS WHEREOF, DISTRICT and USER have executed this Agreement as of the date and year first written above.

**USERS**

**PYCHE 2000 TRUST**

By: Paula R. Pyche  
Paula R. Pyche, as Trustee of the PYCHE  
2000 TRUST Under Trust Agreement  
dated April 14, 2000

By: Paul Righetti  
Paul Righetti, as Trustee of the PYCHE  
2000 TRUST Under Trust Agreement  
dated April 14, 2000

**RIGHETTI FAMILY TRUST**

By: Paul T. Righetti  
Paul T. Righetti, as Trustee of the  
RIGHETTI FAMILY TRUST  
dated December 16, 1998

By: Susan M. Righetti  
Susan M. Righetti, as Trustee of the  
RIGHETTI FAMILY TRUST  
dated December 16, 1998

**PAUL T. RIGHETTI**

By: Paul T. Righetti  
Paul T. Righetti

**PAUL A. RIGHETTI TRUST**

By: Renee Fowler  
Renee Fowler, Successor Trustee of  
the PAUL A. RIGHETTI TRUST  
dated October 1, 1970, as Amended  
and Restated November 24, 1976

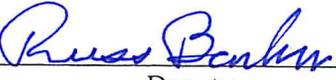
By: Timothy Righetti  
Timothy Righetti, Successor Trustee  
of the PAUL A. RIGHETTI TRUST  
dated October 1, 1970, as Amended  
and Restated November 24, 1976

**DISTRICT**

**LAGUNA COUNTY SANITATION DISTRICT**

By: [Signature]  
Chair, Board of Directors

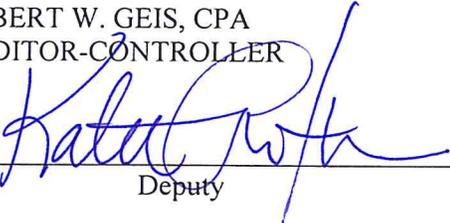
ATTEST:  
MONA MIYASATO  
CLERK OF THE BOARD

By:   
Deputy

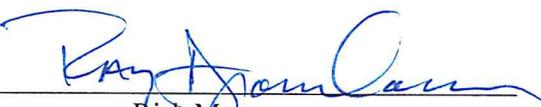
APPROVED AS TO FORM:  
MICHAEL C. GHIZZONI  
COUNTY COUNSEL

By:   
Deputy County Counsel

APPROVED AS TO ACCOUNTING FORM  
ROBERT W. GEIS, CPA  
AUDITOR-CONTROLLER

By:   
Deputy

APPROVED AS TO FORM  
RAY AROMATORIO  
RISK PROGRAM ADMINISTRATOR

By:   
Risk Manager

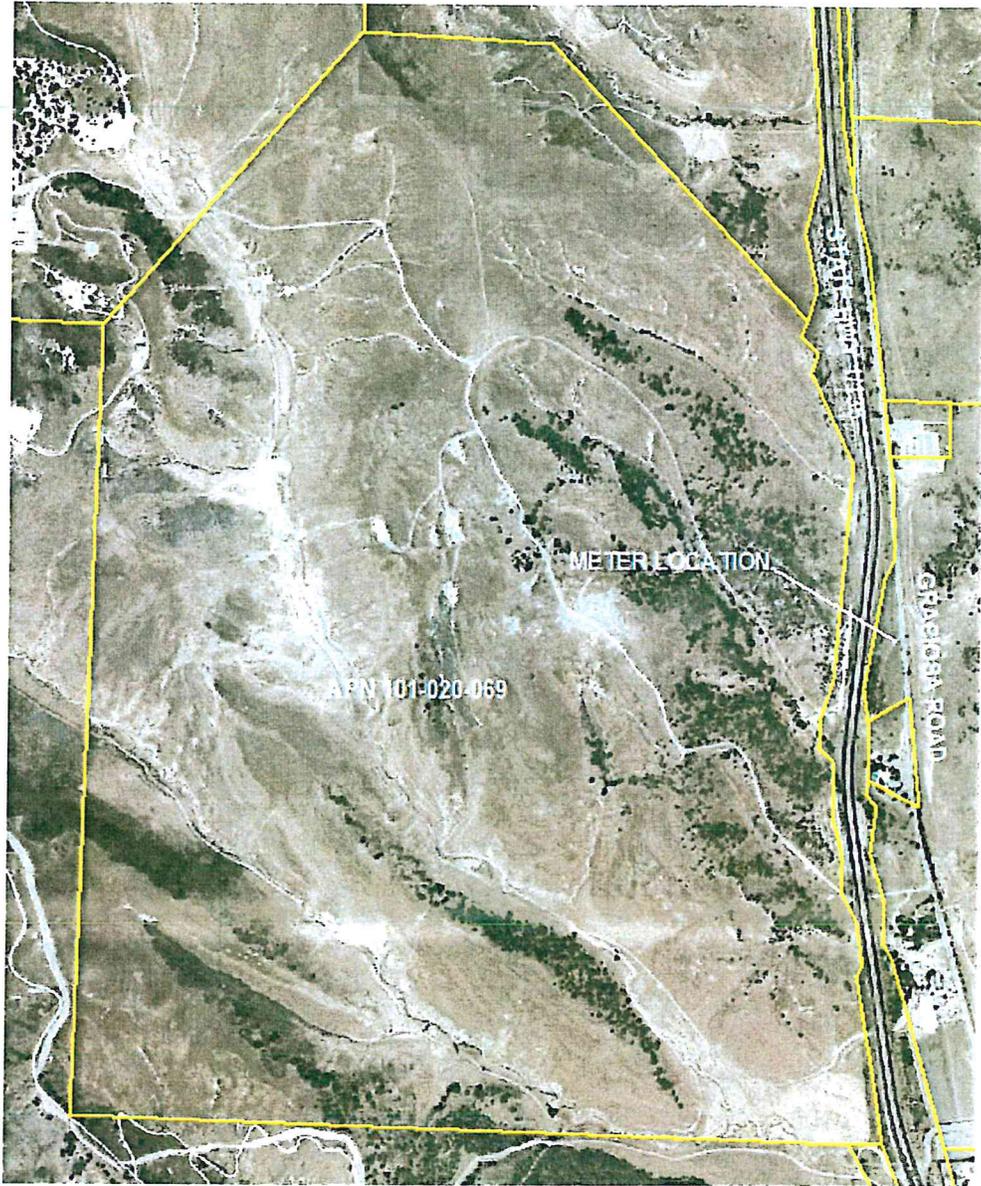
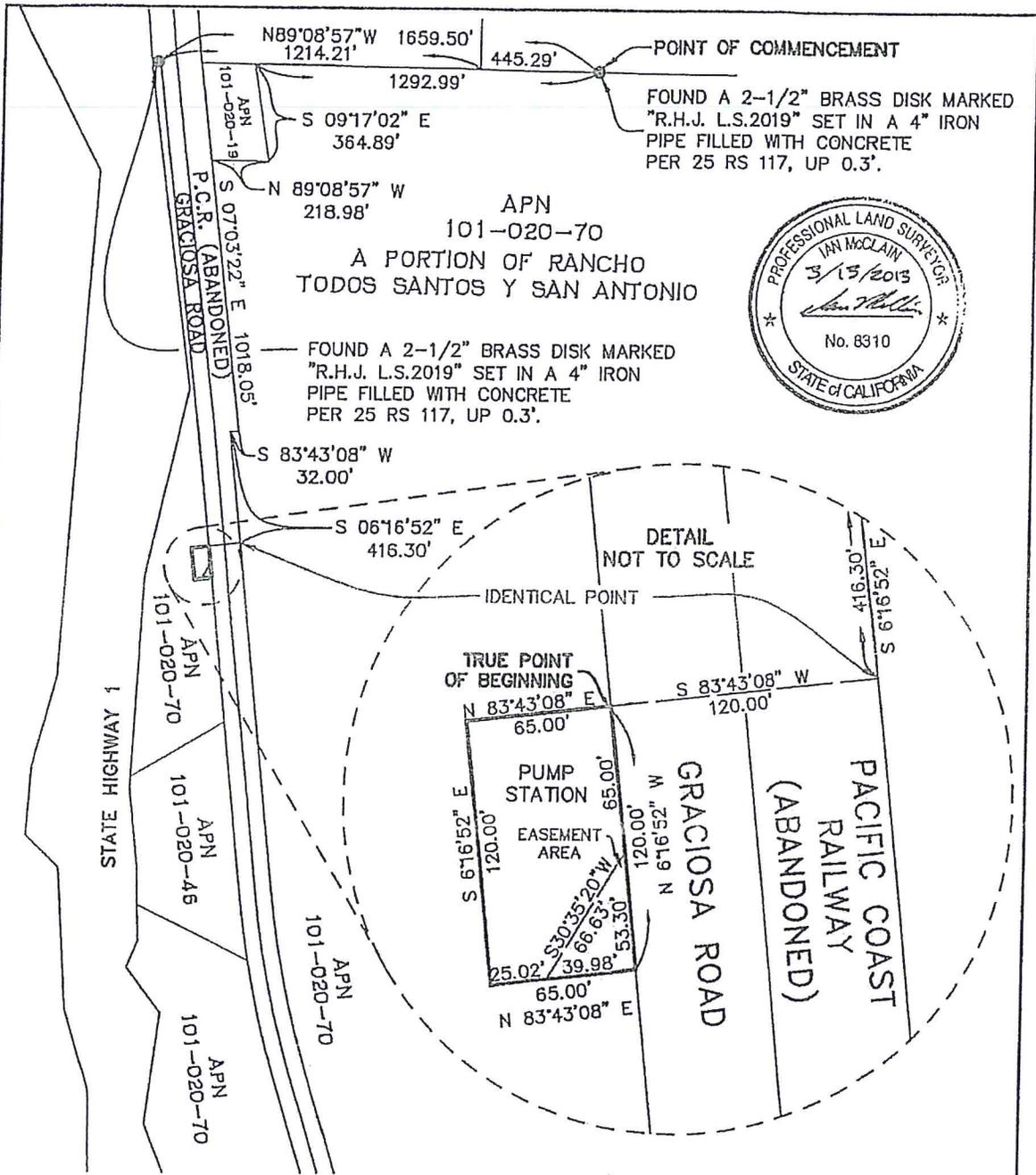


EXHIBIT A-1  
User's Real Property  
North up - Not to scale





**Penfield & Smith**  
 Engineering · Surveying · Planning  
 · Construction Management ·

W.O. 18622.01 18622 Righetti Exh A.dwg



SCALE: 1" = 500'

**EXHIBIT B**  
 RECYCLED WATER  
 PUMP STATION

MARCH 2013

## EXHIBIT C

### SPECIAL RECYCLED WATER USE REQUIREMENTS

1. Recycled water and spray shall be confined to the authorized use area. The discharge of recycled water to surface waters or surface water drainage courses, either by direct discharge or runoff is prohibited.
2. Signs in English and Spanish shall be present informing the public that recycled water is being used.
3. Public contact with recycled water must be minimized.
4. Recycled water piping, controllers, valves, etc., shall be colored purple or appropriately marked to differentiate the recycled water facilities from the alternative water facilities.
5. Recycled water valves, outlets, quick couplers, and sprinklers shall be of a type, or secured in a manner, that permits operation only by USER's authorized personnel.
6. Use or installation of hose bibs on the recycled water system shall not be permitted.
7. For all new construction, there shall be at least a four (4) foot horizontal (ten feet recommended) and one (1) foot vertical separation between all pipelines transporting recycled water and those transporting potable water, with the alternative water pipeline above the recycled water pipeline.
8. An air-gap separation or reduced-pressure-principle device shall be provided at all potable water service connections to recycled water use areas. There shall be no connection between potable water supply and recycled water piping. Supplementing recycled water with any other water source shall not be allowed except through the use of appropriate backflow prevention pursuant to Title 17 of the California Code of Regulations and as approved by the appropriate regulatory agency(ies).
9. Drinking water facilities shall be protected from recycled water spray.
10. There shall be no irrigation within fifty (50) feet and nor shall there be an impoundment within one hundred (100) feet of recycled water from any well used for domestic supply.
11. Adequate measures shall be taken to minimize ponding and runoff and to prevent the breeding of vectors of public health significance.
12. Recycled water shall not be used for irrigation during extended periods of rainfall and/or runoff.
13. Inspection, supervision, and employee training shall be provided by USER to assure safe and proper operation of the recycled water system. Records of inspection and training shall be maintained by USER.