

**CONAWAY RANCH
SETTLEMENT AGREEMENT**

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SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into by and between CONAWAY PRESERVATION GROUP, LLC, a California limited liability company (hereinafter “**CPG**”) and the BOARD OF SUPERVISORS OF THE COUNTY OF YOLO, a political subdivision of the State of California (hereinafter “**County**”) who will collectively be referred to hereinafter as the parties, the 7th day of September, 2006.

RECITALS

A. On or about July 8, 2004, County adopted a Resolution of Necessity with respect to the acquisition, by eminent domain, of all or part of seventeen thousand two hundred forty-four (17,244) acres comprising what is commonly known as and which is hereinafter referred to as the “**Conaway Ranch**.” A legal description of the entire Conaway Ranch is attached hereto as Exhibit A.

B. On or about July 8, 2004, County filed an action, in eminent domain, entitled “The Board of Supervisors of the County of Yolo v. Conaway Conservancy Group et al.,” Case No. ED04-1032, in the Superior Court of Yolo County (hereinafter, the “Action”).

C. On or about November 30, 2005, after a trial on the right to take, the Superior Court determined that the County had the right to take all or part of the Conaway Ranch, pursuant to the Resolution of Necessity for the purposes stated therein.

D. The valuation trial of the Action is currently scheduled to begin on October 31, 2006.

E. The parties have met and conferred in an effort to settle the Action consistent with their respective interests and have agreed to settle the Action on the terms and conditions set forth herein.

NOW, THEREFORE, THE PARTIES HEREBY MUTUALLY AGREE to the terms and conditions set forth in this Settlement Agreement:

1. Use of Water on Conaway Ranch. The water rights appurtenant to the Conaway Ranch shall first be utilized to satisfy any and all uses, including agriculture, recreation, habitat

and other uses, on the Conaway Ranch, as such uses may be determined and changed from time to time by CPG in its Discretion.

2. Groundwater Management.

A. Water Code Sections 10750 et seq. establish a process for adopting and implementing groundwater management plans. Reclamation District 2035 (“**R.D. 2035**”) has adopted a groundwater management plan dated April 25, 1995.

B. The groundwater management plan so adopted must comply with applicable law so that the use of groundwater on the Conaway Ranch will maintain the safe yield of the underlying groundwater basin(s) or aquifer(s), protect water quality and avoid inelastic land subsidence.

C. Groundwater extraction on the Conaway Ranch shall be consistent with the groundwater management plan adopted by R.D. 2035 or other local appropriate agency (as defined in Water Code Section 10753 and limited by Water Code Sections 10750.7 and 10750.8) pursuant to applicable law.

D. CPG and/or R.D. 2035 shall participate in the Water Resources Association of Yolo County

E. R.D. 2035, for the limited purposes of this Paragraph 2, shall execute this Settlement Agreement and will therefore be bound by these covenants.

3. In-County Water Transfer. Subject to Paragraph 1, if CPG desires to transfer water in Yolo County, CPG shall notify County in writing. Upon County’s written request, CPG shall meet and confer at least once with County in order to hear County’s input on the proposed water transfer. CPG may accept or reject County’s input in its Discretion. CPG shall not be under any obligation whatsoever to include or exclude County from its negotiations with third party potential buyers.

4. Out of County Long-Term Water Transfers.

A. Subject to Paragraph 1 above, if CPG desires to transfer water out of Yolo County as a long-term transfer (a “**LT Water Transfer**”), CPG shall so notify the County in writing (the “**LT Water Transfer Notice**”). In the LT Water Transfer Notice, CPG shall specify a period of sixty (60) days (the “**LT Negotiation Period**”) in which the county will have the first right to negotiate for the purchase of such water (the “**LT Water Negotiation Right**”). An “LT

Water Transfer” shall mean a water transfer for more than one (1) year pursuant to Water Code Section 1728.

B. During such negotiations, each party shall have the right to agree or disagree on price and terms in their Discretion. If the parties do not agree on the terms of a purchase and sale of such water within the LT Negotiation Period, the LT Water Negotiation Right shall terminate and no longer be of any further force or effect as to the quantity of water identified for transfer in the LT Water Transfer Notice. Subject to Paragraphs 10 and 11 below, CPG shall thereafter be free to market the amount of water so identified to others outside of Yolo County without any further obligation to negotiate with the County under this Paragraph 4.

C. Without having any further obligation to offer the County an opportunity to purchase the water so identified, CPG shall meet and confer at least once with the County to receive County’s input on the potential impacts, if any, of the proposed LT Water Transfer on agricultural, habitat, groundwater, and similar resources within Yolo County. CPG reserves the right, exercisable in its Discretion, to implement or not implement any of the County’s suggestions.

D. If, on or before ten (10) years after execution hereof, a contract for a long-term, out of Yolo County transfer is executed and is ultimately completed, the County shall be provided, at no cost to the County, an amount of water equal to seven and one-half percent (7.5%) of the water transferred so long as the County can demonstrate that it: (i) has the legal authority; and (ii) will place such water, to a reasonable and beneficial use simultaneously with the completion of the transfer by Company. If the County cannot satisfy these conditions, CPG shall not be obligated to transfer said seven and one-half percent (7.5%) to the County. The parties hereby agree and stipulate that the rights provided in this Paragraph 4.D completely satisfy any claim for mitigation that the County may have for any adverse economic impact arising from the long-term water transfer outside of Yolo County identified in the LT Water Sale Notice as well as any amount which may be due under any “Generally Applicable Water Transfer Fee” (defined below) As a matter of clarification, any and all costs associated with any water transferred to, or on behalf of, the County pursuant to this Paragraph 4.D, shall be paid by County. If CPG transfers water, out of the County, for a fixed period of time, its obligation to transfer an amount equal to seven and one-half percent (7.5%) of the water to the County shall be for a commensurate period of time.

Example: Assume, for example, that CPG enters into an agreement (which is ultimately completed), which provides for an out-of-county transfer of 100 acre feet of water for a period of five (5) years. Assuming that the County can demonstrate that it has the legal authority and will place the water to a reasonable and beneficial use, CPG would be obligated to transfer 7.5 acre feet to the county for a period of five (5) years.

E. County agrees to subordinate the LT Water Negotiation Right to deeds of trust, mortgages or other instruments which act as security for loans to CPG provided the lender agrees to attorn to the LT Water Negotiation Right pursuant to the form of subordination and attornment agreements provided by the lender.

F. The parties agree that the covenants and conditions set forth in this Paragraph 4 shall govern any LT Water Transfer and the covenants and conditions set forth in Paragraph 5 shall not apply to a LT Water Transfer.

5. Short-Term Water Transfer.

A. Subject to Paragraph 1, if CPG desires to transfer water out of Yolo County as a short-term transfer (“**ST Water Transfer**”), CPG shall so notify the County in writing (the “**ST Water Transfer Notice**”). In the ST Water Transfer Notice, CPG shall specify a period of ten (10) business days (the “**ST Negotiation Period**”) in which the County will have the first right to negotiate for the purchase of such water (the “**ST Water Negotiation Right**”). For purposes of this Agreement, the term ST Water Transfer shall mean a transfer for a period of one (1) year or less pursuant to Water Code Section 1728.

B. During such negotiations, each party shall have the right to agree or disagree on price and terms in their Discretion. If the parties do not agree on the terms of a purchase and sale of such water within the ST Negotiation Period, the ST Water Negotiation Right shall terminate and no longer be of any further force or effect as to the quantity of water identified for transfer in the ST Water Transfer Notice. Subject to Paragraphs 10 and 11 below, CPG shall thereafter be free to market the amount of water so identified to others outside of Yolo County without any further obligation to negotiate with the County under this Paragraph 5.

C. Without having any further obligation to offer the County an opportunity to purchase the water so identified, CPG shall meet and confer at least once with the County to receive County’s input on potential impacts, if any, of the proposed ST Water Transfer on agricultural, habitat, groundwater, and similar resources within Yolo County. CPG reserves the

right exercisable in its Discretion to implement or not implement any of the County's suggestions.

D. If a short-term transfer outside of Yolo County is consummated, CPG shall pay to County an amount equal to two percent (2%) of net proceeds derived from the ST Water Transfer (the "**ST Water Transfer Fee**"). CPG shall pay the ST Water Transfer Fee to County as and when CPG receives payment. If the County has adopted a valid ordinance of general applicability which imposes a tax or fee on water transfers (the "**Generally Applicable Water Transfer Fee**"), the parties agree that the two percent (2%) ST Water Transfer Fee shall be a credit against any Generally Applicable Water Transfer Fee that CPG might otherwise be obligated to pay. If the ST Water Transfer Fee exceeds the Generally Applicable Water Transfer Fee, CPG shall pay the Generally Applicable Water Transfer Fee and not the ST Water Transfer Fee.

E. County agrees to subordinate the ST Water Negotiation Right to deeds of trust, mortgages or other instruments which act as security for loans to CPG provided that the lender agrees to attorn to the ST Water Negotiation Right pursuant to the form of subordination and attornment agreements provided by the lender

F. The parties agree that the covenants and conditions set forth in this Paragraph 5 shall govern any ST Water Transfer and the covenants and conditions set forth in Paragraph 4 shall not apply to a ST Water Transfer.

6. Conservation Easements. CPG, in its Discretion, may sell or grant conservation easements on all or part of Conaway Ranch. While Yolo County will not provide a preference to CPG's efforts over other conservation efforts that may be pursued within Yolo County, if requested by CPG, County will cooperate with CPG on the securing of state, federal, or other public or private funds for granting conservation easements.

7. Public Access. CPG shall seek and obtain County's advice and input on documented public access to defined areas of Conaway Ranch; provided, however, that: (i) all public access will be undertaken in a manner that does not interfere with operations on the Conaway Ranch as they may be determined by CPG from time to time in its Discretion; and (ii) nothing in this Paragraph 7 shall be construed as a dedication for public use and therefore any and all public access will be revocable by CPG in its Discretion at any time.

8. First Right of Negotiation on Sale of Ranch.

A. If CPG determines that it wants to sell the entire fee interest, or the fee interest of a part, of Conaway Ranch, it shall provide County with written notice thereof (“**Fee Sale Notice**”). Upon delivery of the Fee Sale Notice, the County will have a first right to negotiate with CPG for the purchase of all or the identified part of the Conaway Ranch (the “**Sale Negotiation Right**”). This Sale Negotiation Right shall be exclusive for a period of sixty (60) days from CPG’s delivery of the Fee Sale Notice to the County (the “**Fee Sale Negotiation Period**”). During the Fee Sale Negotiation Period, CPG shall not advertise the Conaway Ranch for sale.

B. Both the County and CPG agree that each reserves the right to negotiate terms and price in the exercise of their Discretion.

C. If CPG delivers a Fee Sale Notice to County for the entire fee interest in the Conaway Ranch, and if CPG and County fail to enter into an agreement within the Fee Sale Negotiation Period or, after executing an agreement, fail to consummate purchase of the entire fee interest in the Conaway Ranch, the Sale Negotiation Right shall thereupon terminate and CPG shall not thereafter have any further obligation to negotiate with the County in relation to a sale of the entire fee interest, or the fee interest of any part, of the Conaway Ranch under this Paragraph 8.

D. If CPG delivers a Fee Sale Notice to the County for the fee interest in part of the Conaway Ranch and if CPG and the County fail to enter into an agreement within the Fee Sale Negotiation Period or fail to consummate the agreement to purchase the identified fee interest in part of the Conaway Ranch after execution of an agreement, the Sale Negotiation Right shall terminate with respect to the part of the fee interest in Conaway Ranch identified in the Fee Sale Notice and CPG shall not have any further obligation to negotiate with the County for the identified part of the fee interest in Conaway Ranch.

E. Notwithstanding the foregoing, CPG shall not have any obligation to offer to negotiate with the County for any sale of a fee interest in part of the Conaway Ranch which is under two hundred fifty (250) acres so long as the aggregate of all such exempt transfers does not exceed one thousand five hundred (1,500) acres.

F. The Sale Negotiation Right shall only apply to a sale of a fee simple interest in all or part of the Conaway Ranch and shall not apply to any lesser interest in the

Conaway Ranch or part thereof such as an easement, lease (oil and gas, agricultural or other lease), restriction or other interest.

G. County agrees to subordinate the Sale Negotiation Right to deeds of trust, mortgages or other instruments which act as security for loans to CPG without any obligation on behalf of the lender to attorn to the Sale Negotiation Right pursuant to the form of the subordination agreement provided by the lender.

H. During any Fee Sale Negotiation Period, CPG shall not advertise the Conaway Ranch for sale.

9. Fees and Cost of Suit.

A. CPG shall be solely responsible for all of its litigation attorneys' fees, costs and associated expenses that it has incurred in the instant Action.

B. CPG shall reimburse County for its attorneys' fees, costs and expenses incurred in the instant Action in the agreed upon amount of Two Million Four Hundred Thousand Dollars (\$2,400,000) payable over ten (10) years in equal annual installments without interest. Under no circumstances will CPG's obligations to the County exceed Two Million Four Hundred Thousand Dollars (\$2,400,000). CPG's obligation to pay pursuant to this Paragraph 9.B shall be evidenced by a negotiable promissory note (the "**Promissory Note**") in the form attached hereto as Exhibit B. As a material inducement to CPG to enter into this Settlement Agreement, County hereby agrees that CPG shall have a first right of refusal to purchase the Promissory Note in the event that County desires to sell the Promissory Note. If and when County: (i) desires to sell the Promissory Note; and (ii) obtains a written offer to purchase Promissory Note from a bona fide independent third party (the "**PN Offer**"), County shall deliver a copy of the PN Offer to CPG. From the date of delivery of the PN Offer to CPG, CPG shall have the first right and option to purchase the Promissory Note on exactly the same terms and conditions as set forth in the PN Offer for a period of ten (10) business days. If CPG elects to exercise its first right and option to purchase, it shall do so by delivering written notice to that effect to the County. If CPG fails to respond to County within said ten (10) business days, CPG shall be deemed to have waived its first right and option to purchase the Promissory Note. If CPG elects to exercise its first right and option to purchase the Promissory Note, then CPG shall be obligated to buy, and County shall be obligated to sell, the Promissory Note on exactly the same terms and conditions as set forth in the PN Offer. In order to preserve and protect CPG's

first right and option to purchase the Promissory Note, County agrees that it will not negotiate the Promissory Note for anything other than consideration payable in currency of the United States.

C. The parties further agree that if County, or any joint powers authority in which County is a member, institutes an eminent domain action against CPG concerning the Conaway Ranch within five (5) years of the date of this Settlement Agreement: (i) Conaway shall not be obligated to make any more payments under Section 9.B and County will indemnify and hold CPG harmless from any such obligations; and (ii) County shall reimburse CPG any and all funds previously paid pursuant to Paragraph 9.B within thirty (30) days after the filing of such action.

10. Land and Water Use Regulation. Except as provided in Paragraph 4.D, nothing in this Settlement Agreement and Order shall, in any way: (i) limit County's exercise of lawful and valid regulatory control; or (ii) CPG's right to contest the legality or validity of any such exercise.

11. Comply with Laws. County and CPG shall comply with all applicable and valid federal, state and local laws, rules and regulations. Nothing contained herein shall prohibit County or CPG from contesting the validity or applicability of any such federal, state and local laws, rules and regulations.

12. Settlement of Action. Not later than the next business day after the execution of this Settlement Agreement, County shall, pursuant to Code of Civil Procedure Section 1268.510, file a Notice of Abandonment of the Action in conformance with Exhibit C hereto. Simultaneously, the parties shall submit in the form set forth as Exhibit D (the "**Judgment**") attached hereto, for signature and entry. The parties desire to end this matter without further litigation and expressly waive their respective right of appeal.

13. Successors and Assigns.

A. Except as provided herein, the rights, duties and obligations of the parties under Paragraphs 1, 2, 3, 4, 5, 13, 17 and 18 hereof (herein the “**Surviving Obligations**”) run with the Conaway Ranch and benefit and burden the successors and assigns of the parties hereto. Any reference to County or CPG in Paragraphs 1, 2, 3, 4, 5, 13, 17 and 18 shall be construed to include their respective successors and assigns.

B. Except for the Surviving Obligations and except as otherwise provided in this Paragraph 13.B, the rights, duties and privileges set forth herein are personal to CPG and the County (the “**Personal Obligations**”). The Personal Obligations shall not be binding on the respective successors and assigns of the parties and shall not encumber the Conaway Ranch. Notwithstanding the foregoing, if CPG transfers the Conaway Ranch to: (i) an entity which is under common ownership to CPG (i.e., more than 50% common ownership); or (ii) to one or more individuals or entities who presently own more than fifty percent (50%) of CPG, the transferee of the Conaway Ranch will be bound to the terms and conditions hereof just as though such transferee executed this Settlement Agreement.

C. The parties shall execute and record a memorandum against Conaway Ranch evidencing that the Surviving Obligations run with the land in the form of Exhibit E attached hereto and incorporated herein. Neither this Settlement Agreement nor the Judgment shall be recorded.

D. With respect to Surviving Obligations, County agrees to subordinate such obligations to loans secured by Conaway Ranch provided that the lender agrees to attorn to the Surviving Obligations in the event the lender acquires Conaway Ranch through foreclosure pursuant to the form of the subordination and attornment agreement provided by the lender.

E. The parties acknowledge that the uses of Conaway Ranch and other factors may change over time. To the extent that continuation of the Surviving Obligations is no longer appropriate due to changed circumstances, the parties shall cooperatively and in good faith release the Surviving Obligations to the extent appropriate.

For example (not by way of limitation), if part of the Conaway Ranch is: (i) sold (after the Sale Negotiation Right has been extinguished); (ii) connected to municipal and industrial use; and (iii) provided water through an actual water provider and not through appurtenant water rights, then the Surviving Obligations should no longer apply to that part of the Conaway

Ranch and County shall release that part of the Conaway Ranch from the Surviving Obligations without further consideration.

F. The County further agrees to release the Conaway Ranch (or applicable part thereof) from one or more of the Surviving Obligations as and when such obligations are extinguished.

For example (not by way of limitation), if CPG delivers a LT Water Transfer Notice on one thousand (1,000) acre feet of water and the County and CPG do not successfully negotiate an agreement for the acquisition of the one thousand (1,000) acres feet of water by the County, the County will release one thousand (1,000) acre feet of water from the Surviving Obligations specified in Paragraph 4. The Surviving Obligations specified in Paragraphs 1, 2, 3, 5, 13, 17 and 18 would however continue to apply to the 1,000 acres feet of water.

14. Incorporation in Judgment. The terms and conditions of this Settlement Agreement and Order shall be incorporated within a judgment to be entered in the Action.

15. No Third Party Beneficiary Interest. This Settlement Agreement is made solely for the benefit of the parties hereto and does not create expressly, by implication or otherwise, any rights, including enforceable rights, in any third party not a signatory to this Settlement Agreement.

16. Settlement Agreement to be Interpreted as a Contract. This Settlement Agreement shall be interpreted as a contract, pursuant to the provisions of California law.

17. **DISPUTE RESOLUTION PROCESS.** If either party to this Agreement reasonably believes that the other party has, or is about to, materially breach this Agreement, or if either party encounters difficulties in their working relationship which do not amount to a breach and which have not been resolved informally, then the following described dispute resolution process shall apply:

A. The “**Complaining Party**” shall reasonably detail the issues and the suggested cures in writing and deliver same to the other party (the “**Receiving Party**”);

B. The Receiving Party and the Complaining Party shall meet within ten (10) days to try and resolve the issues. If the issues cannot be resolved, then a neutral mediator shall be selected who shall provide consultation and advice;

C. Either the agreed upon resolution or the mediated resolution shall be implemented for thirty (30) days;

D. If at the end of thirty (30) days either party is dissatisfied, then the parties may agree to invoke the arbitration procedure set forth in paragraph 18 below or, if they do not agree, may resort to litigation.

18. **ARBITRATION.** The parties may mutually agree to submit questions and disputes with respect to rights and obligations of the parties arising under this Settlement Agreement to final, conclusive and binding arbitration.

A. If a dispute is unresolved after completing the mediation described in Paragraph 17, a party may demand arbitration by delivering a written demand to the other party.

B. The parties may agree on one (1) arbitrator. If they cannot agree on one (1) arbitrator, there shall be three (3): one (1) named in writing by each of the parties within five (5) days after demand for arbitration is given, and a third chosen by the two (2) appointed. If either party refuses or neglects to join in the appointment of the arbitrator(s) or to furnish the arbitrator(s) with any papers or information demanded, the arbitrator(s) may proceed ex parte. All arbitrators shall be attorneys with at least fifteen (15) years' experience in real estate, water, or business law.

C. A hearing on the matter to be arbitrated shall take place before the arbitrator(s) at a time and place to be selected by the arbitrator(s). The arbitrator(s) shall give each party written notice of the time and place at least sixty (60) days before the date selected. At the hearing, the rules of evidence applicable to judicial proceedings shall govern. All rulings by the arbitrators on the application of the rules of evidence shall be final, binding and conclusive. The arbitrator(s) shall hear and determine the matter and shall execute and acknowledge the award in writing and cause a copy of the writing to be delivered to each of the parties.

D. If there is only one (1) arbitrator, his or her decision shall be binding and conclusive on the parties, and if there are three (3) arbitrators, the decision of any two (2) shall be binding and conclusive. A judgment confirming the award may given by any superior court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provision of the California Arbitration Act.

E. If three (3) arbitrators are selected, but no two (2) of the three (3) are able to reach a consensus regarding the determination of the dispute, then the matter shall be decided by three (3) new arbitrators who shall be appointed and shall proceed in the same manner, and

the process shall be repeated until a decision is agreed on by two (2) of the three (3) arbitrators selected.

F. The procedures of the California Arbitration Act shall govern any arbitration conducted pursuant to this Settlement Agreement

G. The attorney fees' costs of the arbitration and any legal action instituted to enforce or challenge the award shall be borne by the losing party.

CPG

County

19. Definition of Discretion. Whenever the defined word “**Discretion**” is used herein, it shall mean that the party entitled to exercise discretion may do so in its sole, absolute and arbitrary judgment. The parties expressly intend to negate any implied covenants, including without limitation, implied covenants of good faith, fair dealing, or reasonableness. The parties have specifically bargained for these rights and do not intend that this negotiated term “**Discretion**” be redefined in any way by any arbitrator or judge.

20. Notices. All notices to be given under this Settlement Agreement shall be in writing and sent by:

A. Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) days after deposit, postage prepaid in the United States Mail;

B. A nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) day after deposit with that courier;

C. Hand delivery, in which case notice shall be deemed delivered upon receipt; or

D. Facsimile or similar means if a copy of the notice is also sent by United States Certified Mail, in which case notice shall be deemed delivered on transmittal by facsimile or other similar means, provided that a transmission report is generated by reflecting the accurate transmission of such notices. Facsimile signatures shall be treated as originals for all purposes with respect to this Settlement Agreement. “**Hard copy**” of ink signatures shall promptly follow facsimiles by regular mail.

E. Unless otherwise notified in writing, all notices shall be delivered by using the following contact information:

To CPG: Conaway Preservation Group
Steve Gidaro
3415 American River Drive, Suite C
Sacramento, CA 95864
Telephone: (916) 929-2900 ex. 1020
Facsimile: (916) 929-4180

With a Copy to: Belan Wagner
Wagner Kirkman Blaine Klomprens & Youmans LLP
10640 Mather Boulevard, Suite 200
Mather, CA 95655
Telephone: (916) 920-5286
Facsimile: (916) 920-8608

Gary Livaich
1830 15th Street
Sacramento, CA 95814
Telephone: (916) 443-2051
Facsimile: (916) 443-2651

Cliff Schulz
400 Capital Mall, 27th Floor
Sacramento, CA 95814-4417
Telephone: (916) 321-4500

To County: County of Yolo
County Administrator, Sharon Jensen
625 Court Street, Room 201
Woodland, CA 95695
Telephone: (530) 666-8172
Facsimile: (530) 666-8279

With a Copy to: Stuart Somach
813 6th Street, 3rd Floor
Sacramento, CA
Telephone: (916) 446-7979
Facsimile: (916) 446-8199

Robyn Drivon
625 Court Street, Room 201
Woodland, CA 95695
Telephone: (530) 666-8172
Facsimile: (530) 666-8279

21. Entire Agreement. This Settlement Agreement and the Exhibits thereto contains the entire agreement between the parties to this Settlement Agreement with respect to the subject

matters addressed herein. This Settlement Agreement shall not be modified in any manner except by an instrument in writing executed by the parties or their respective successors in interest.

22. Severability. If any term or provision of this Settlement Agreement shall, to any extent, be held invalid or unenforceable, the remainder of this Settlement Agreement shall not be affected.

23. Waivers. A waiver of any covenant or provision of this Settlement Agreement shall not be deemed a waiver of any other covenant or provision in this Settlement Agreement, and no waiver shall be valid unless in writing and executed by the waiving party. An extension of time for performance of any obligation or act shall not be deemed an extension of the time for performance of any other obligation or act.

24. Construction. The section headings and captions of this Settlement Agreement are, and the arrangement of this instrument is, for the sole convenience of the parties to this Settlement Agreement. The section headings, captions and arrangement of this instrument do not in any way affect, limit, amplify or modify the terms and provisions of this Settlement Agreement. The singular form shall include plural and vice versa.

25. Capitalized Terms. All capitalized terms shall have the meanings ascribed to them in this Settlement Agreement and are intended as words of art. The parties agree that the provisions of this Settlement Agreement have been negotiated by experienced legal counsel on behalf of the parties, shall be construed fairly as to all parties, and shall not be construed in favor of or against any party.

26. Counterparts. This Settlement Agreement may be executed in one or more counterparts. Each shall be deemed an original and all, taken together, shall constitute one and the same instrument.

27. Time of the Essence. Time is of the essence in this Settlement Agreement.

28. Governing Law. This Agreement shall be governed and construed in accordance with California law, exclusive of its laws regarding the conflict of laws.

29. Required Actions. To the extent that a party is vested with Discretion over a matter in this Settlement Agreement, nothing in this Paragraph 29 shall be construed as limiting the exercise of that Discretion. Subject to the foregoing, County and CPG agree to execute such instruments and documents and to diligently undertake such actions as may be required in order

to consummate the transactions herein contemplated and shall use their best efforts to accomplish the provisions hereof.

30. Execution. This Settlement Agreement shall not be effective unless and until it is fully executed by all signatories hereto.

CPG:

CONAWAY PRESERVATION GROUP, LLC

Dated: September 7, 2006

By: _____

Its: _____

COUNTY:

BOARD OF SUPERVISORS OF THE COUNTY
OF YOLO

Dated: September 7, 2006

By: _____

Its: _____

RECLAMATION DISTRICT 2035
(As to Paragraph 2 only):

Dated: _____, 2006

By: _____

Its: _____

EXHIBIT A
[Legal Description]

EXHIBIT B

[Promissory Note]

EXHIBIT C

[Notice of Abandonment]

EXHIBIT D

[Judgment]

EXHIBIT E
[Memorandum]