



September 17, 2018

**SITES PROJECT AUTHORITY
SITES RESERVOIR PROJECT
CREDIT FACILITY
REQUEST FOR PROPOSALS**

To Interested Firms:

The Sites Project Joint Powers Authority is requesting proposals from financial institutions interested in providing a revolving line of credit for the Authority's planned Sites Reservoir Project. Interested firms should submit an electronic proposal by email to the Authority **by 4:00 p.m.** (Pacific Daylight Time) on **October 10, 2018 to:**

Joe Trapasso
Email Address: jtrapasso@sitesproject.org
Subject: SPA Credit Facility Proposal

with an email copy to Doug Montague of Montague DeRose and Associates at montague@montaguederose.com.

Proposals should respond to the attached request. Please direct any questions regarding this proposal to Joe Trapasso at (530) 387-1102 or Doug Montague at (805) 496-2211 or via the email addresses above. Thank you for your interest in the Authority's project and financing program.

Sincerely,

A handwritten signature in blue ink that reads "Joe Trapasso".

Joe Trapasso, Program Operations Manager
Sites Project Authority

Enclosures

I. INTRODUCTION

The Sites Project Authority (Authority or SPA) is requesting proposals from financial institutions interested in providing a revolving line of credit (Line of Credit) for the Authority's planned Sites Reservoir Project (Project). The bank facility will provide funding for the planning and permitting of the Project. Additionally, the Authority is also interested in receiving proposals that offer alternative short-term funding products that function like commercial paper.

II. BACKGROUND

Sites Project Authority and Reservoir Committee - The Authority is a joint exercise of powers authority formed on August 26, 2010 pursuant to Government Code Section 6500 et seq and is currently governed by a 12-voting member Board of Directors (14 agencies) that includes several local water agencies and counties, all of whom have executed a Joint Exercise of Powers Agreement (refer to **Exhibit 1**). Further, the Authority is the lead agency working with 18 other local and regional stakeholders and statewide water agencies to advance the construction of the Project. Of these 32 entities (refer to **Exhibit 2**), 25 executed participation agreements (Phase 1 Agreements) to fund the activities needed to develop a project that was eligible for both California Proposition 1 and Federal Water Infrastructure Investment and Finance (WIIN) Act funding and could be permitted by state and federal resource agencies. The Phase 1 Agreements provided for a Reservoir Committee consisting of one representative of each entity signing the participation agreement. The current Phase 1 costs have been apportioned to each of the entities based on a requested annualized acre-foot of water the Project could divert into storage for beneficial uses. For Phase 2, 22 of the 25 entities are planning to continue to advance the Sites Reservoir Project (Project) and have agreed to also use their respective annualized acre-foot of participation as the basis for apportioning their respective share of the Phase 2 costs (refer to **Exhibit 3**), which will include financing, and which is the basis for this RFP.

Together, the Authority and Reservoir Committee are working with both the U.S. Bureau of Reclamation (Reclamation) and the California Department of Water Resources to improve the operation of the state's interdependent water system for both consumptive and environmental beneficial uses. The addition of the Sites Reservoir will increase surface storage within the Sacramento Valley watershed by approximately 15 percent; which will be operated to provide increased water supplies during drier years and periods of drought.

Sites Reservoir Project - The proposed Project will consist of the construction of a new 1.8 million acre-foot (AF) reservoir off-stream of the Sacramento River, new ancillary facilities, and integration with the existing Reclamation-owned Tehama-Colusa Canal and Glen-Colusa Irrigation District's Main Canal (Refer to Figure 1). The Project is also expected to be capable of providing electrical power through both conventional and pumped-storage hydropower that can integrate with renewable energy sources and to improve the use and efficiency of water through transfers.

In keeping its commitment to move the Project forward on behalf of the region, the Authority has spent the last six years working towards this goal by engaging the public, various stakeholders, state and federal agencies and landowners, initiating the required environmental planning process, and conducting feasibility studies, among other efforts. The Authority is working in close coordination with other stakeholders in the region interested in eventual construction of the Project. Participants in the Project through its Authority voting members and Reservoir Committee members represent 39 of California's 53 congressional districts.

The Authority and Reclamation released both a draft Feasibility Report and joint public draft Environmental

Impact Report/Environmental Impact Statement (EIR/EIS) in August 2017 coincident with the Authority's submission of its application for Proposition 1 funding to the California Water Commission. In addition to needing to complete the final EIR/EIS and related decision documents per the California Environmental Quality Act (CEQA), California Endangered Species Act (CESA), National Environmental Policy Act (NEPA), the Endangered Species Act (ESA), several other permits/licenses and authorizations will be required prior to the Water Commission encumbering funds for final design and construction, which is expected to occur by January 1, 2022 (Refer to Figure 2 for concept schedule). Many of these permit applications require a sufficient level of engineering design, field surveys (some multiple year), public review, and agency input and review which can, in many cases, take multiple years to complete. As such, multiple activities need to be initiated to maintain the Project's schedule including continued engineering design to finalize all facility locations, permit application development and required surveys, and analysis of anticipated impacts and proposed/required minimization and mitigation measures to those impacts.

The Project's direct construction cost is approximately \$5.5 billion in 2018 dollars (\$6.46 in nominal dollars). Funding for the Project is expected to come from local, state, and federal sources using the beneficiary pays principle to allocate the resulting benefits.

Initial State funding occurred on July 24, 2018, when the Authority secured a commitment for \$816 million of funding from the California Water Commission (CWC) under its Water Storage Investment Program funded by Proposition 1 which was approved by California voters in November 2014. The CWC also approved the Authority's use of \$40.8 million of the \$816 million for early funding to support environmental compliance, permitting and other approvals.

Federal funding is also being provided. On behalf of the Authority, Reclamation received \$4.35 million in early funding through FY2018 appropriations and has requested additional funding, commensurate with a potential federal level of participation. Currently, Reclamation is evaluating an increase in the federal participation from approximately 15% to 25% of the Project's costs associated with providing new water storage and consistent with the requirements of Section 4007 of the WIIN Act. In addition, at the request of the U.S. Department of Agriculture, the Authority submitted an application, which is estimated at \$440 million for potential construction refinancing of those facilities that can provide economic benefits to rural communities through improved agricultural productivity associated with improved and more efficient water use.

Phase 2 Agreement - On August 16, 2018 and August 20, 2018 respectively, the Reservoir Committee and the Authority approved the form of a new Phase 2 Reservoir Project Agreement (Phase 2 Agreement) intended to cover the activities related to securing all permits/licenses and approvals required to move the Project forward to final design and construction (Phases 3 and 4). The form of Phase 2 Agreement is included as **Exhibit 4**. By January 11, 2019, the members of the Reservoir Committee will be required to commit to their level of participation in Phase 2 in what is being referred to as a "rebalancing" of interests in the Project. The members of the Reservoir Committee (Project Agreement Members) who plan to continue through Phase 2 will be expected to execute the Phase 2 Agreement prior to the closing of the Line of Credit. **Exhibit 3** contains a list of the prospective Phase 2 participants and their preliminary, non-binding indications of entitlement interest as of September 17, 2018.

Phase 2 will be divided into two timeframes – Phase 2A and 2B. Phase 2A will cover the period from March 1, 2019 through December 31, 2020. Approximately \$150 million of the funds made available from the requested line of credit are expected to be used during Phase 2A. Phase 2B will cover the period from January 1, 2021 through July 1, 2022 and approximately \$200 million will be expended during the Phase 2B time period.

While the executed Phase 2 Agreements will be in effect for the entire Phase 2 period (March 1, 2018 through July 1, 2022), the Agreements will allow participants to reevaluate their participation in the Project and limit their participation and liability to Project costs incurred through the end of Phase 2A or reduce their participation level for Phase 2B. Phase 2 participants who continue to participate in the Project through Phase 2B will have the opportunity to increase their level of participation to absorb the Project entitlements made available by any members exiting the Project at the end of Phase 2A. With the approval of the Authority and the Reservoir Committee, new participants may also join the Project, if there is sufficient Project capacity. If there are changes in the composition of the Project participant pool at the end of Phase 2A, the provider of the line of credit will have the ability to reevaluate the revised pool of participant credits and determine whether or not to continue lending for Phase 2B costs.

The Authority is issuing this Request for Proposals to secure the financing needed to complete these activities and desires to close on the Line of Credit by February 28, 2019.

Amounts drawn under the line of credit are expected to be refinanced with long-term revenue bonds by mid-2022 to allow final engineering, right-of-way acquisition, and construction to begin. In the event the Project does not progress to Phases 3 or 4, the Authority plans to refinance the line of credit with long-term debt secured by the Phase 2 Agreements.

For online information regarding the Authority and the Project, please see <https://www.sitesproject.org>.

III. SECURITY

All Phase 2 Participants will be required to execute Phase 2 Agreements. Payments made to the lender will be payable solely from payments to be made to the Authority by Project Agreement Members pursuant to the Phase 2 Agreements.

The Phase 2 Agreements include provisions and mechanics to address the Line of Credit obligations of the Participants. Key security features include the following:

Unconditional Payment Obligation – The Phase 2 Agreements contain an unconditional “take or pay” pledge to make all payments to the lender required under the Revolving Credit Agreement regardless of the status of Project development (see Phase 2 Agreement Section 6.7(d)).

Step-up Provisions – The Phase 2 Agreements include a commitment of all Participants to “step up” to cover shortfalls in the periodic interest payments that will be due during the term of the Line of Credit in the event of the failure of other Project Participants to make timely interest payments. The Participation Agreements contemplate a 25% step-up obligation, which is to say that each Participant may be asked to pay up to 25% more than its scheduled interest payments. In return for stepping-up, Participants will receive the entitlements in the Project forfeited by the defaulting member (see Phase 2 Agreement Section 6.3).

Debt Service an Operating Expense – To the extent permitted, the Participants will treat the Line of Credit debt service obligations as operating expenses in their priority of payments (see Phase 2 Agreement Section 6.7(a)).

Land-Based Charges - A number of the water districts participating in the Project are contemplating the formation of improvement districts that will allow these entities to impose land-based charges on landowners in their respective service areas that elect to receive water from the Project. Such land-based charges will be fixed charges which will significantly enhance the credit characteristics of the participant pool (see Phase 2

Agreement Section 6.7(a)).

Payments Made in Advance –Participants will be billed by the Authority by November 15th of each year for their share of projected interest in the following calendar year. Payments from the Participants will be due by January 15th of the following year. This advance payment mechanism is expected to provide sufficient timing cushion to allow for the step-up process should there be Participant defaults that go uncured for 30 days after the January 15th payment deadline (see Phase 2 Agreement Section 6.2).

Ratings - The Authority does not plan to apply for credit ratings in connection with the Phase 2 financing.

IV. FINANCING TEAM

The Authority’s Municipal Advisor is Montague DeRose and Associates. For questions regarding the Phase 2 Plan of Finance please contact Doug Montague at (805) 496-2211 or montague@montaguederose.com.

Bond Counsel for the Authority is Stradling Yocca Carlson & Rauth. For questions regarding the Phase 2 Agreements please contact Doug Brown at (949) 500-0855 or dbrown@sycr.com.

V. REQUIRED RESPONSES

Please provide the following in developing a response to this RFP:

1. Firm Experience and Ratings

Please indicate the prior experience your financial institution has in providing bank tax-exempt and taxable revolving lines of credit for projects in excess of \$100 million since 2015. Please be as specific as possible, describing the issuer, program size, and the nature of the project being financed. Provide the long-term and short-term ratings of your firm.

2. Assigned Personnel

Identify the members of your firm who will be assigned to this engagement, and provide the name, address, telephone number and e-mail address of each. Include a brief biography of each person that specifically addresses relevant water financing experience and a listing of the responsibilities that he or she will be assigned for this engagement. Indicate how you will ensure the accessibility of key personnel to the Authority during this engagement.

3. Credit Facility Fees and Expenses

The Authority is evaluating two possible line of credit sizes and terms. Therefore, using the Revolving Line of Credit Pricing Matrix provided as **Form B**, please provide line of credit commitment fee indications for:

1. A \$150 million line of credit effective March 1, 2019 and expiring July 1, 2021; and/or
2. A \$350 million line of credit effective March 1, 2019 and expiring July 1, 2022.

If respondent desires to propose an alternative bank product, please provide a description and information using **Form C**. as part of your proposal.

If it will result in more favorable facility pricing or terms, the Authority is willing to abide by the “no sooner than/no greater than” cumulative draw schedule for the Line of Credit as provided in **Exhibit 5**. Please indicate if your proposal is conditioned on adherence to the draw schedule found in the exhibit.

The Authority would prefer that pricing be proposed on a Utilized/Unutilized basis.

In addition to the ongoing commitment fee indications, please also provide pricing indications for the fees listed in items a-f below.

- a. Draw fees
- b. Bank interest rate (should be quoted on a Prime Rate or Fed Funds basis)
- c. Default rate
- d. Provide your term-out interest rate(s) and repayment terms. For the amortization end date, please specify a minimum of no earlier than five years.
- e. Legal and non-legal fees and expenses (specify nature of expense and whether it is an annual or one-time expense)
- f. Identify two firms that you would propose to serve as bank counsel, along with the attorney for each firm.

4. *Additional Information*

Please provide any proposed changes to the Form of Phase 2 Agreement (**Exhibit 4**) as an attachment to your proposal.

Please provide a detailed list of the documentation (e.g., credit information, legal opinions, etc.) that would be required in order to successfully close the transaction. If available, please provide a sample bank facility document.

5. *Terms and Conditions*

Indicative Terms and Conditions are provided in **Form A**. Please note any terms of your proposal that differ from the indicative Terms and Conditions. It is extremely important that all proposed modifications to the indicative Terms and Conditions be clearly stated. Failure to do so may result in your proposal being considered non-responsive.

6. *Approval Process*

What is your firm’s process for credit approval? What information will be required before final credit approval can be secured? How long will that process take?

VI. SCHEDULE

The expected schedule is outlined below. Each proposer must commit to being able to obtain final credit approval on this schedule:

<u>Date</u>	<u>Event</u>
Sept 17, 2018	RFP issued
Sept 25, 2018 (1:00 pm PDT)	Bidders conference and Project tour, 122 Old Highway 99 W, Maxwell, CA (Authority's Office)
Oct 10, 2018 (4:00 pm PDT)	Lender proposals due
Oct 22, 2018	Selection of lender
Jan 11, 2019	Deadline for execution of Phase 2 Agreements
Feb 28, 2019	Deadline for line of credit closing

Please indicate if your firm is interested in participating in the bidders conference in person and receiving a tour of the proposed project and if so, the number of people from your firm who will be attending.

Banks are requested to keep their credit offers open until April 1, 2019.

VII. DELIVERY INSTRUCTIONS

Submission of proposals in response to this RFP will be accepted by **e-mail only**. Proposals will be accepted until 4:00 p.m. (Pacific Daylight Time) on October 10, 2018 at:

Email Address: jtrapasso@sitesproject.org
Subject: SPA Credit Facility Proposal

with an email copy to Doug Montague at montague@montaguederose.com.

Please call Joe Trapasso at (530) 387-1102 if you do not receive an e-mail confirming that your firm's proposal was received. Firms that do not receive confirmation accept the risk that any proposal not received on a timely basis will not be considered.

VIII. PROPOSAL EVALUATION

Proposals in response to this RFP will be evaluated based on the following criteria (not listed in order of importance):

- Qualifications and experience of firm
- Ability to provide required services
- Scope and materiality of proposed changes to attached term sheet
- Cost and pricing

A proposal will be deemed non-responsive and will not be further evaluated or considered if it does not address the requirements of Section V; including Forms A through C. If respondent does not propose any changes to the Form of Phase 2 Agreement (**Exhibit 4**), it does not need to be included. A proposal that does

not include any revisions to Exhibit 4 it will be deemed by the Authority that the bidder took no exceptions to the Phase 2 Agreement.

IX. RULES AND CONDITIONS

- A. The Authority reserves the right to reject any and all proposals, to waive any irregularities in a proposal, to request clarifications or additional information from any institution and to effect any agreement deemed by the Authority to be in the Authority's best interest.
- B. The Authority will not reimburse institutions for any costs associated with the preparation or submittal of any proposal nor for any travel and/or per diem expenses incurred in any presentations of such proposal.
- C. Nothing in this RFP, the proposal, or the Authority's acceptance of any proposal in whole or in part shall obligate the Authority to complete negotiation with the related institution. The Authority will not provide an engagement letter to any institution. The Authority reserves the right, in its sole discretion, to end negotiation with an institution at any time up to the consummation of the transaction arising from this RFP without any obligation to pay any fees or expenses to the institution or its counsel.
- D. All material submitted in response to this solicitation will become the property of the Authority and will not be returned. Material will be a public record subject to the disclosure provisions of the California Public Records Act (Government Code, Section 6250, et seq.)

Attachments:

- Form A – Revolving Line of Credit Term Sheet
- Form B – Revolving Line of Credit Pricing Matrix
- Form C – Alternative Bank Product Pricing Matrix

- Exhibit 1 – Joint Exercise of Powers Agreement
- Exhibit 2 – Sites Project Authority Board & Reservoir Committee Members (Phase 1)
- Exhibit 3 – Preliminary Phase 2 Reservoir Committee Members
- Exhibit 4 – Form of Phase 2 Agreement
- Exhibit 5 – Sites Project Phase 2 Draw Schedule
- Exhibit 6 – Sites Project Proforma Cashflows

Figure 1: Sites Reservoir Project - Proposed Facilities

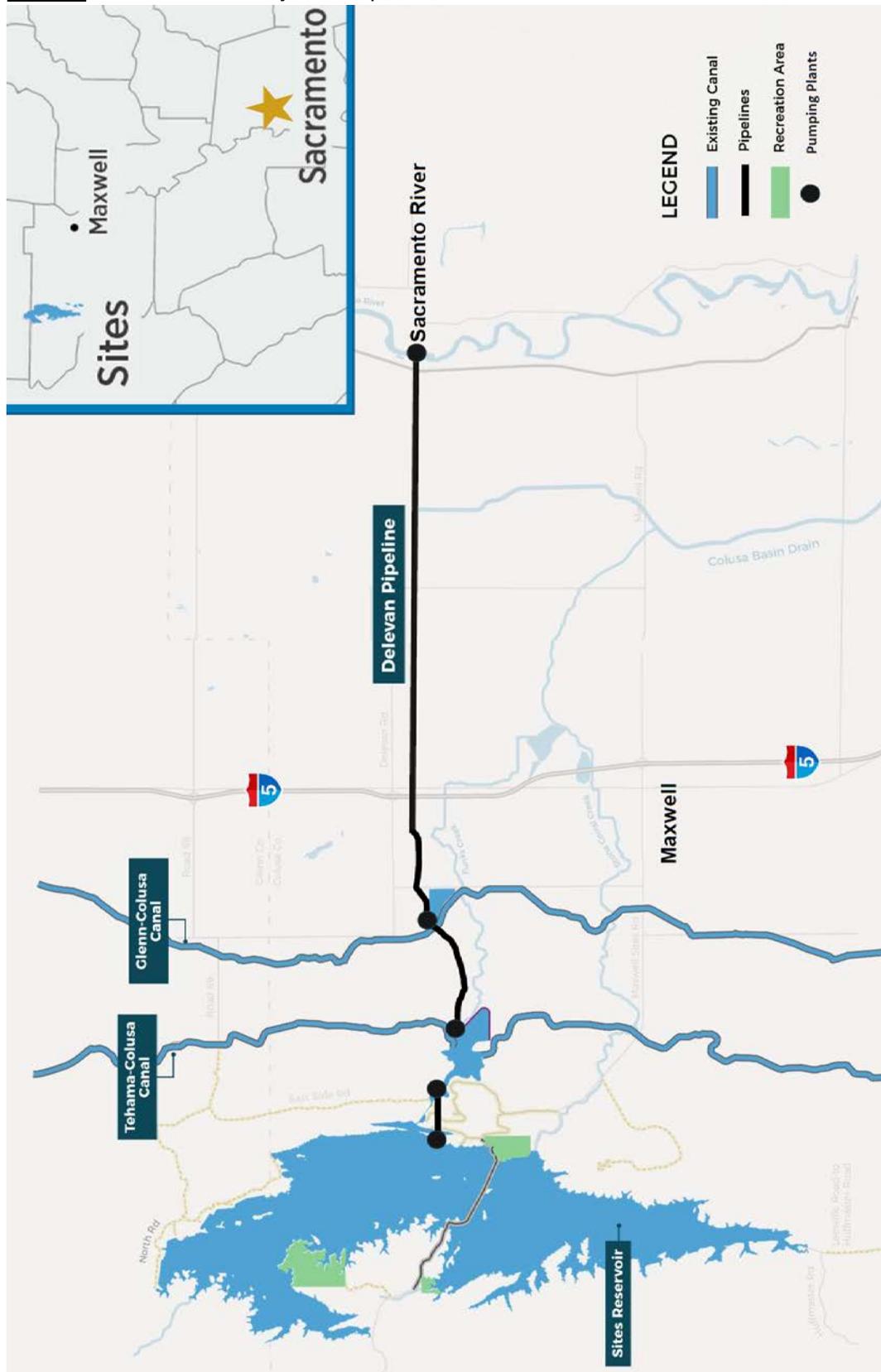
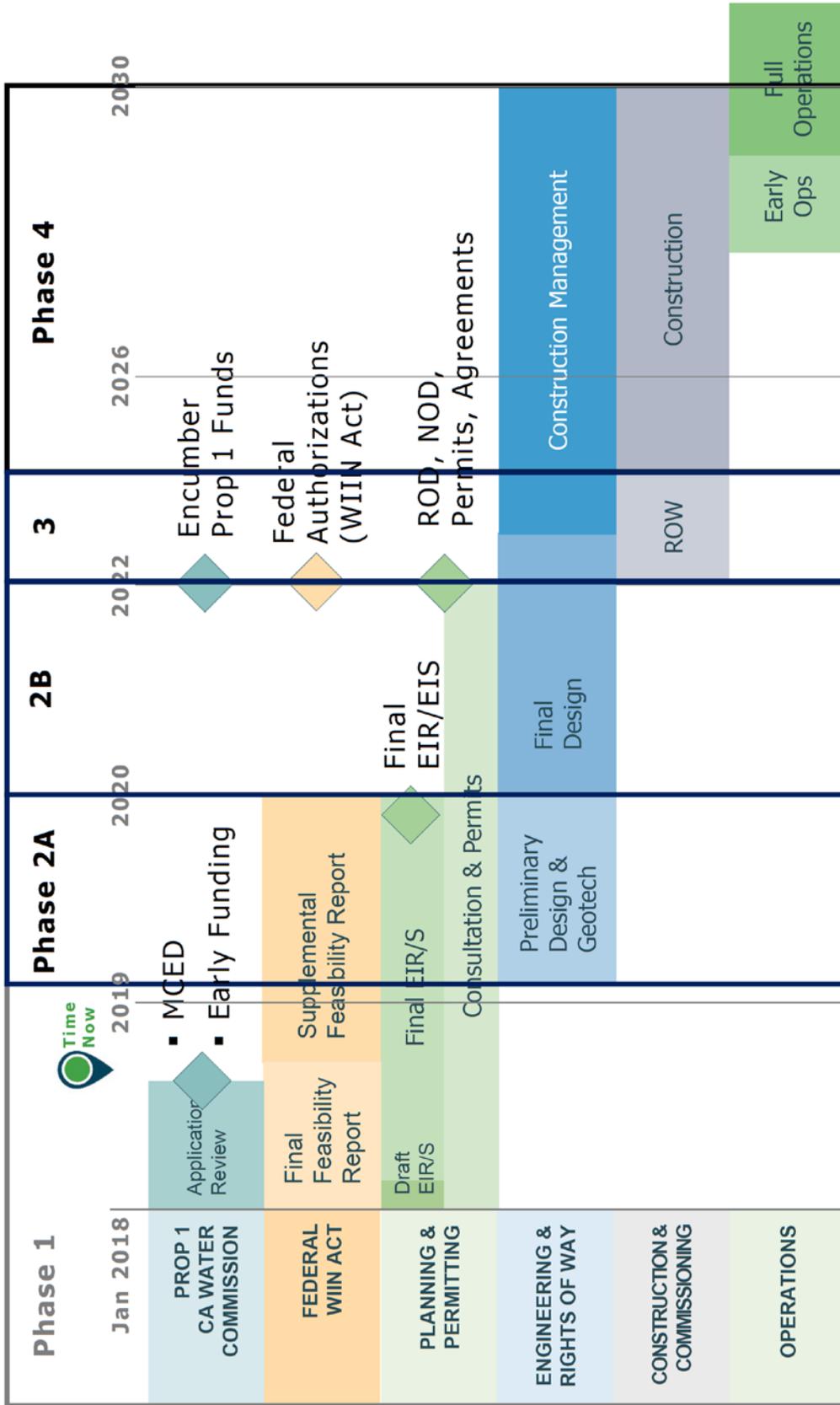


Figure 2: Sites Reservoir Project – Phase 2 Concept Schedule





**REVOLVING LINE OF CREDIT TERM SHEET
REQUEST FOR PROPOSALS
Sites Project Authority
Sites Reservoir Project**

- Obligor:** Sites Project Authority (the Obligor).
- Facility and Purpose:** A revolving purchase facility (Facility) that allows both tax-exempt and taxable draws. The obligation of the Obligor to repay each amount advanced under the Facility will be evidenced by a Note (as defined below) payable to the Bank.
- Facility Amount:** Maximum principal amount of up to \$350,000,000, depending on Maturity Date of Facility.
- Documentation:** The Financing Documents will consist of 1) the Revolving Credit Purchase Agreement (Agreement), which will, subject to the terms and conditions set forth in the Agreement, obligate the Bank to make advances (Advances) by purchasing a Note up to the Facility Amount and 2) a promissory note issued by the Obligor to the Bank in an amount equal to the outstanding amount of the Advance made under the Agreement plus interest thereon (Note). The Agreement will contain standard closing conditions, conditions to making Advances, representations and warranties, covenants, events of defaults and remedies.
- First Interest Payment Date:** February 1, 2020
- Maturity Date:** July 1, 2021 or July 1, 2022
- Tax Treatment:** The Facility should allow for both taxable and tax-exempt draws. For the tax-exempt draws, the Obligor shall take all steps necessary to maintain such tax-exempt status. The Bank shall be provided an opinion of tax counsel satisfactory to the Bank and its counsel which concludes that interest on each tax-exempt Advance is excludable from gross income for federal income tax purposes.
- Security:** First lien on all payments received by the Authority from Project participants executing the Phase 2 Agreement.
- Advance Mechanics:** The Bank shall make Advances pursuant to the Agreement to purchase Notes from the closing to the Maturity Date in an aggregate amount not to exceed the Maximum Facility Amount.
- Advances: Minimum amount of \$10,000,000 (subject to negotiation with the Obligor).
 - Frequency: Up to four advances per calendar month.

- Notice: 5 Business Days

INTEREST RATES AND OTHER KEY PROVISIONS:

Drawn Rate: The Advances shall initially bear interest at a per annum rate of interest equal to the sum of (i) the product of the [Index] and the Applicable Factor and (ii) the Applicable Spread (Drawn Rate).

Draw Type	Applicable Factor and Index	Applicable Spread
Tax-exempt	[]% of [Index]	[] basis points
Taxable	[]% of [Index]	[] basis points

The Advances shall bear interest at the Drawn Rate so long as no Event of Default exists.

Interest on Advances shall be payable on the first Business Day of each calendar month.

The Drawn Rate will be subject to adjustment as described below.

At any time when [Index] is less than 0.0%, [Index] shall be deemed to be 0.0% for purposes of calculating the Index Rate.

Undrawn Fee: The Obligor shall pay to the Bank an Undrawn Fee based upon the Bank's Undrawn Commitment (i.e. the difference between the total Commitment under the Agreement less the outstanding principal amount of Advances made by the Bank) equal to pricing outlined below, calculated on the basis of a 360 day year and the actual days elapsed, which Undrawn Fee shall be paid quarterly in arrears on the first Business day of the following calendar quarter.

Term Out: So long as no default or event of default shall have occurred and is continuing on the scheduled Commitment Termination Date and all representations and warranties are true and correct on such Commitment Termination Date, any outstanding Advances shall automatically be converted to be a fully amortizing term loan, which shall be repaid in full by the [] anniversary of the date of the Commitment Termination Date. The Term Loan shall be amortized quarterly. Interest on the outstanding Advances from the scheduled Commitment Termination Date shall accrue at the Bank Rate (as described below) and is payable monthly in arrears on the first business day of each month.

Ratings: The Authority does not currently carry any public debt and is not expected to have a public rating during the term of this facility. Pricing provided should not assume maintenance of any rating.

Computation Basis: Computations of interest shall be calculated on the basis of a 360-day year and actual days elapsed.

Base Rate: []

Bank Rate: Days 1 – []: Base Rate
Thereafter: Base Rate plus []%

Default Rate: Base Rate plus []%.

OTHER FEES AND EXPENSES:

**Termination/
Reduction Fee:** Obligor will have the right to terminate the facility at any time with 30 days' written notice.

If the Facility is terminated for any reason within the first year following its delivery, on the date of termination, the Obligor will be required to pay (i) all amounts then due and owing to the Bank and (ii) [].

If the Facility is permanently reduced within the first year following its delivery, the Obligor will be required to pay all amounts due the Bank to such date relating to such reduced amount plus [].

PAYMENT OF FEES AND EXPENSES:

Prepayment: Permitted in whole or in part on any interest payment date, with prior notice but without premium or penalty and including accrued and unpaid interest, subject to limitations as to minimum amounts of prepayments.

Maximum Rate: []%.

Repayment: Subject to the above provisions under the caption "Term Out", all amounts not otherwise repaid to the Bank with respect to the Advances shall be due and payable in full on the Maturity Date. Any amounts with respect to the Advances, the Term Loan or other amounts due and owing under the Agreement not repaid when due shall be due and payable on demand and shall bear interest at the Default Rate.

EVENTS OF DEFAULT:

Events of Default: The Facility will include customary events of default including, but not limited to, failure to pay facility fees and other amounts payable under the Agreement; failure to pay any debt of the Obligor payable from or secured by revenues of the Authority on a basis that is senior to or on a parity with the Advances; any material representation or warranty of the Obligor is not true when made; invalidity; debt restructuring, debt adjustment or other comparable restriction imposed on repayment of debt of the Obligor; repudiation or moratorium; breach of covenants; cross-default with respect to senior or parity debt.

Remedies Upon Event of Default:

Remedies upon default shall include the Bank's right to declare all amounts owed under the Facility to be due and payable immediately; exercise any other rights or remedies available at law or in equity or under the Financing Documents.

DOCUMENTATION AND COVENANTS:

General:

Documentation will include the Revolving Purchase Facility Agreement prepared by Bank Counsel. The Credit Agreement will include, but not be limited to, the terms and conditions outlined herein as well as provisions that are customary and standard with respect to conditions precedent, representations and warranties, covenants, events of default and remedies (including acceleration of the Obligor's obligations under the Facility, if applicable).

Conditions Precedent to Closing:

Standard for facilities of this type, including but not limited to, delivery of satisfactory loan documents; delivery of the most recent audited financial statements for the Obligor; receipt of certificate of incumbency authorizing parties to sign the Credit Agreement and delivery of satisfactory opinions of counsel.

Financial Covenants:

The Obligor shall charge and collect amounts under the Phase 2 Agreement sufficient to achieve 1.00 times aggregate debt service and all other obligations of the Authority.

Reporting Requirements:

Usual and customary for a transaction of this nature, including but not limited to; delivery of audited annual financial statements and certificate of no default within 270 days of fiscal year-end, notices of default, material litigation proceedings, and notification of EMMA disclosures.

Other Covenants:

The Financing Documents will include customary affirmative covenants including, without limitation, the delivery of financial statements, reports, accountants' letters, officers' certificates and other information requested by the Bank; payment of other obligations; continuation of business and maintenance of existence and material rights and privileges; compliance with laws (including environmental laws and material contractual obligations); maintenance of property and insurance; maintenance of books and records; right of the Bank to inspect property and books and records; notices of defaults, litigation and other material events; compliance with all covenants of the related transaction documents; incorporation of covenants in related transaction documents by reference; OFAC related provisions; agreement not to assert the defense of sovereign immunity; and compliance with rate covenant.

The Financing Documents will contain customary negative covenants, including, without limitation, restrictions on the following: no amendments to related transaction documents; limitations on liens and encumbrances; limitation on additional indebtedness; [and limitations

on sale, lease and transfer of assets].

Taxability: In the event a determination of taxability shall occur on a tax-exempt draw, all Advances and any Term Loan shall bear interest at the Taxable Rate, and in addition to the amounts required to be paid under the Financing Documents, the Obligor shall be obligated to pay to the Bank an amount equal to a) the positive difference, if any, between the amount of interest that would have been paid during the period of taxability if the Advances of Term Loan, as applicable, had borne interest at the Taxable Rate and the interest actually paid to the Bank and b) any payments, including any taxes, interest, penalties or other charges.

Taxable Rate for Tax-Exempt Draws: The product of (i) the Drawn Rate or Term Loan Rate, as applicable, and (ii) 1.[].

CHOICE OF LAW/JURY TRIAL/VENUE:

Governing Law: This Term Sheet, the Revolving Purchase Facility Agreement, and any other documents to which the Bank shall become a party will be governed by the laws of the State of California.

Jury Trial: The Obligor agrees and to waive a jury trial in any proceeding involving the Bank and in the event such waiver of jury trial is unenforceable, judicial reference as provided in California Code of Civil Procedure Section 638.

Venue: Any litigation involving the Bank shall be brought in the appropriate California state or federal court having jurisdiction over the matter.



Form B

**PRICING MATRIX FOR REVOLVING LINE OF CREDIT
REQUEST FOR PROPOSALS
Sites Project Authority
Sites Reservoir Project**

Name of Bank: _____

Contact Person: _____

Address: _____

Phone: _____

Fax: _____

Email: _____

Expiration Date	7/1/2021	7/1/2022
Maximum Commitment Amount		
Tax-exempt Draw Index		
Tax-exempt Draw Spread (%)		
Taxable Draw Index		
Taxable Draw Spread (%)		
Undrawn Fee (%)		
Term Out (Years)		
Base Rate		
Bank Rate		
Default Rate		
Max Rate		
Additional Terms and Fees		

**PRICING MATRIX FOR ALTERNATIVE BANK PRODUCT
REQUEST FOR PROPOSALS
Sites Project Authority
Sites Reservoir Project**

Name of Bank: _____

Contact Person: _____

Address: _____

Phone: _____

Fax: _____

Email: _____

Maximum Commitment Amount: \$ _____ Million Principal Amount

Expiration Date	Index (SIFMA or LIBOR)	Spread to Index (basis points)	Adjustment to Spread based on Rating Upgrade/Downgrade	Term Out Period	Redemption Provisions	Other Fees and Expenses (specify)	Term Out Rate and/or Default Rate
2 Years							
3 Years							
4 Years							
5 Years							
Other term:							

Description of bank product:

JOINT EXERCISE OF POWERS AGREEMENT

FOURTH AMENDED AND RESTATED
SITES PROJECT AUTHORITY
JOINT EXERCISE OF POWERS AGREEMENT

This Joint Powers Agreement (“Agreement”) is made and entered into by and among Colusa County Water District (CCWD), County of Colusa (Colusa County), County of Glenn (Glenn County), Glenn-Colusa Irrigation District (GCID), Maxwell Irrigation District (MID), Orland-Artois Water District (OAWD), Proberta Water District (PWD), Reclamation District 108 (RD 108), Tehama-Colusa Canal Authority (TCCA), Westside Water District (WWD), and Western Canal Water District (WCWD), jointly, Placer County Water Agency and City of Roseville (PCWA/Roseville), and Reclamation District 2035 (RD 2035) hereinafter “Authority Members” or “Authority Member Agencies”.

RECITALS

The Authority Members are public entities located and operating in the Sacramento Valley, and are formed and operating under the laws of the State of California;

Congress and the State Legislature have declared that the Sacramento-San Joaquin Delta watershed and California’s water infrastructure are in crisis and they have encouraged regional and local public agencies to form joint powers authorities to improve the operation of the state’s water system;

Sites Reservoir (sometimes referred to as North of Delta Offstream Storage) has been identified by the State of California and the federal government as an important component of integrated water management in the Sacramento River watershed that could support the state’s co-equal policy to improve water management and restore the ecological health for beneficial uses of the Sacramento-San Joaquin Delta and the Sacramento River watershed;

The principal purpose of this Agreement is to establish an independent special agency, known as the Sites Project Authority (“Authority”), that will have as its mission, to be a proponent and facilitator to design and potentially acquire, construct, manage, govern, and operate Sites Reservoir and related facilities; to increase and develop water supplies; to improve the operation of the state’s water system; and to provide a net improvement in ecosystem and water quality conditions in the Sacramento River system and the Delta;

Each Authority Member is uniquely situated with respect to Sites Reservoir and the related facilities to help design, acquire, construct, manage, govern, and operate the project to provide local, regional, and statewide public benefits and improve the state’s water system;

Certain Authority Members executed the Memorandum of Understanding Between the Department of Water Resources, the United States Bureau of Reclamation, the Western Area Power Administration, the California Department of Fish and Game, the United States Fish and

Wildlife Service, the Glenn-Colusa Irrigation District, the Tehama-Colusa Canal Authority, and Other CalFed Agencies and Local Interests Pursuant to the Directive with Respect to Sites Reservoir Contained in the CalFed Bay-Delta program Programmatic Record of Decision, August 28, 2000;

In August 2010, Glenn-Colusa Irrigation District, Reclamation District 108, Tehama-Colusa Canal Authority, Maxwell Irrigation District, County of Glenn, County of Colusa, Yolo County Flood and Water Conservation District entered into an Agreement creating a public entity known as the Authority.

By First Amendment to the Agreement in July 2015, Colusa County Water District, Westside Water District, Orland-Artois Water District and Proberta Water District became signatories to the Agreement and became Authority Members. In addition, Yolo County Flood and Water Conservation District has notified the Authority it is withdrawing as an Authority Member and will become an Associate Member, effective January 1, 2016. By this Amendment, Western Canal Water District, a joint participation by Placer County Water Agency and City of Roseville, and Reclamation District 2035 upon executing this Agreement became Authority Members.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Authority Members as follows:

I. DEFINITIONS

As used in this Agreement, the meaning of the terms used hereafter shall be as follows:

1.1. Agreement: This Joint Exercise of Powers Agreement as it currently exists or as it may be amended or revised from time to time.

1.2. Authority: The legal entity defined in this Agreement for the Sites Project Authority as organized by this Agreement.

1.3. Authority Member: The signatories to this Agreement.

1.4. Board of Directors or Board: The governing body of the Authority as established in Article IV of this Agreement.

1.5. Bylaws: Additional requirements to those contained in the Agreement related to the implementation of the Sites Reservoir Project; emphasizing delegations of authority, decision-making and dispute resolution; roles and responsibilities for Board and Project Agreement Committee; membership types; and cost management.

1.6. Member: An Authority Member or another entity that meets the requirements of California Water Code § 79759 (a) or (b), respectively as defined for each membership type

established in the Bylaws. Generally, any Member can either be a signatory to a Project Agreement or participate in the Consultation Committee, but only Authority Members have representation on the Board.

1.7 Non-Member Participating Party: An agency, entity or company, that does not meet the Joint Powers Authority (“JPA”) membership requirements of California Water Code § 79759 (b) regarding for-profit corporations, including certain types of mutual water companies, and is not a Member of the Authority, but is deemed eligible by the Authority to participate by contract in certain elements of the Project. The Bylaws may provide for additional requirements for such non-members.

II. PURPOSES AND POWERS

2.1 Creation: Pursuant to the Joint Exercise of Powers Act (“Act”), California Government Code Section 6500 et seq., a public entity has been created to be known as the Sites Project Authority (“Authority”), which shall be an agency that is separate from its Authority Members.

2.2 Purpose: The purpose of this Agreement is to establish an independent joint powers authority (“JPA”) to exercise powers common to the Authority Members to, among other things, effectively study, promote, develop, design, finance, acquire, construct, manage, and operate Sites Reservoir and related facilities such as recreation and power generation. The purposes of pursuing and developing Sites Reservoir are to: (1) increase surface water storage and supply while enhancing water management flexibility and reliability in the Sacramento River watershed, (2) provide flood control benefits, (3) improve conditions for fish and wildlife in the Sacramento River watershed, including anadromous fish in the Sacramento River, and (4) improve the operation of the state’s water system to provide improvements in ecosystem and water quality conditions in the Bay-Delta while providing a more reliable water supply for the State of California.

2.3. Powers: The Authority shall have the power to pursue the purposes described above and to perform all acts necessary for the exercise of said powers, including, but not limited to, the ability to:

- 2.3.1. make and enter into contracts necessary for the full exercise of its powers;
- 2.3.2. perform studies, environmental review, engineering and design, and if appropriate, permitting, construction of water storage, and related conjunctive management;
- 2.3.3. contract for the services of engineers, attorneys, scientists, planners, financial consultants, and separate and apart therefrom, to employ such persons as it deems necessary;
- 2.3.4. hold or dispose of any property, including acquisition by eminent domain;

- 2.3.5. apply for, accept, and receive permits, licenses, grants, loans, or other funding from any federal, state or local public agency;
- 2.3.6. issue revenue bonds and other forms of indebtedness to the extent, and on the terms, provided by the Act;
- 2.3.7. incur debts, liabilities, and obligations;
- 2.3.8. adopt bylaws, rules, regulations, and procedures, governing the operation of the Authority; and
- 2.3.9. delegate levels of authority to Project Agreement Committees, Consultation Committee, and other advisory groups as the Board deems appropriate and consistent with the requirements specified in the Bylaws.

2.4. Manner of Exercise of Powers: To the extent not specifically provided for in this Agreement or the Act, the Authority shall exercise its powers subject to the restrictions upon the manner of exercising the powers under the laws applicable to Westside Water District.

2.5. GCID and TCCA Operations: The Authority Members anticipate that the Sites Reservoir Project will be within or adjacent to GCID and/or TCCA districts with at least a portion of the conveyance of water into the reservoir to be accomplished by wheeling water through GCID's Main Canal and/or the Tehama-Colusa Canal. The Authority shall not have the power, except with the express written consent of GCID and/or TCCA, depending on which facilities are at issue, to enter into any agreements or otherwise take any action that will, directly or indirectly, decrease, restrict, or in any manner alter, modify or limit water rights, water supplies or contractual entitlements to water of GCID and/or TCCA (and, in the case of TCCA, the water agencies it serves) or the operations of their facilities or any facilities they operate under contract.

2.6. MID Operations: The Authority Members anticipate that the pipeline connecting the reservoir to the Sacramento River will utilize an existing MID easement. The Authority shall not have the power, except with the express written consent of MID to enter into any agreements or otherwise take any action that will, directly or indirectly, decrease, restrict, or in any manner alter, modify or limit water rights, water supplies or contractual entitlements to water of MID or the operation of its facilities or any facilities that MID operates under contract.

2.7. Counties' Powers: Nothing in this Agreement shall be construed as the surrender or relinquishment of the land use authorities as provided by law of the County of Colusa and County of Glenn.

III. AUTHORITY MEMBERSHIP

3.1. Generally: Authority membership is comprised of the public agencies (as defined in Section 6500 of the Act) that are authorized to be Authority Members and are signatories to this Agreement.

3.2. DWR and Bureau of Reclamation: The Authority may enter into a contract or other arrangement with the California Department of Water Resources (“DWR”) and/or the Bureau of Reclamation (USBR) to carry out the purposes of this Agreement. DWR, upon the approval of the Authority Board, may be a non-voting, ex-officio member of the Authority.

3.3. Addition of Members: Entities authorized by law to participate in a JPA located within the Sacramento River watershed may subsequently become Authority Members upon an affirmative vote of at least seventy-five percent (75%) of the total number of the Boards of the Authority Member Agencies and the new Member’s execution of this Agreement, as it may have been amended. An entity requesting to become an Authority Member shall provide certification of compliance with the membership requirements of the Agreement and the Bylaws. The entity requesting to become an Authority Member may represent a group of other entities. Terms and conditions for new Authority Member’s participation in the Authority, if any, shall be set forth in an amendment to this Agreement or in the Bylaws. Such terms and conditions shall be consistent with this Agreement and any contracts, resolutions, or indentures of the Authority then in effect.

3.4. Membership Types: The Board may approve the creation of different types of memberships that may include governmental agencies that meet the provisions of California Water Code Section 79759 (b) as it may be amended, other public agencies, entities, and companies, in funding and/or financing of the different elements of the Sites Reservoir Project. The creation of any additional membership types are defined in the Bylaws. Admission of non-Authority Members shall be upon the affirmative vote of at least seventy-five percent (75%) of the total number of Directors.

3.5. Consultation Committee: A Consultation Committee may be formed to provide a forum for public agencies and private entities to provide input on matters affecting the Authority. The charter for this committee, including the manner in which it conducts itself, will be established by the Board, and described in the Bylaws.

IV. GOVERNANCE AND INTERNAL ORGANIZATION

4.1. Board of Directors: The governing body of the Authority shall be a Board of Directors (Board) that will conduct all business on behalf of the Authority consistent with this Agreement and applicable law. The Board will consist of one representative of each Authority Member. To remain in an active status, each Authority Member having representation on the Board shall be in good standing as defined in the Bylaws.

4.2. Appointment: Each Authority Member Agency shall appoint a Director to the Board. Each Authority Member Agency shall also be entitled to appoint an Alternate Director to the

Authority. The role of the Alternate Director shall be to assume the duties of an Authority Member Agency's Director in case of the absence or unavailability of such Director.

Should a Director who is an officer of the Board not be in attendance, the Authority Member Agency's Alternate Director shall not assume the duties of the officer. Should the Chair be absent, the Vice-Chair shall assume the Chair's responsibilities until the Chair is present, and if both are absent the Board may appoint a temporary Chair.

Directors and Alternates both serve at the pleasure of the governing body of their respective Authority Member Agency. Authority Member Agencies shall communicate their initial Director and Alternate selections, and any subsequent changes thereto, to the Authority in writing. Each Authority Member Agency is only entitled to have one vote, either by its Director or the Alternate, at a meeting of the Board.

4.3. Meetings: The Board shall hold at least one regular meeting per year, and may hold regular or special meetings at more frequent intervals. All meetings of the Board shall be called, held, noticed, and conducted subject to the provisions of the Ralph M. Brown Act (Government Code section 54950, et seq.).

4.4. Quorum: A majority of the total number of Directors shall constitute a quorum.

4.5. Voting:

4.5.1. Routine Matters or Non-Material Change Items Before the Authority: The Board shall take action only upon an affirmative vote of a majority of the total number of Directors.

4.5.2. Material Change Items Before the Authority: Based on the thresholds established in the Bylaws regarding a Material Change, the Board shall take action only upon an affirmative vote of at least seventy-five percent (75%) of the total number of Directors.

4.6. Officers:

4.6.1. The Board shall select, from among the Directors, a Chair, who will be the presiding officer for all Board meetings, and a Vice-Chair, who will preside in the absence of the Chair.

4.6.2 The Board shall also select a Treasurer, who shall be the depository and have custody of all money of the Authority and shall perform the duties specified in Government Code section 6505.5. The Treasurer shall be bonded in accordance with Government Code section 6505.1 and shall pay all demands against the Authority that have been approved by the Board.

4.6.3. The Board shall also select a Secretary, who shall be responsible for keeping the minutes of all meetings of the Board and all other official records of the Authority. The Board may combine the positions of Secretary and Treasurer.

4.6.4. The Bylaws may further address the duties, responsibilities and administrative requirements for the respective offices.

4.7. General Manager. The Board may appoint a General Manager or assign staff of one or more Authority Members to conduct the business of the Authority in accordance with the policies of the Board; provided that no Authority Member's staff will be so assigned without the consent of that Authority Member. The General Manager serves at the pleasure of the Board and may be an employee or a contractor of the Authority.

4.8. Liability of Authority, Officers, and Employees: The Directors, officers, and any employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No Director, officer, employee or agent will be responsible for any act or omission by another board member, officer or employee. The Authority shall indemnify and hold harmless the individual board members, officers, employees, and agents of the Authority for any action taken lawfully and in good faith pursuant to this Agreement. Nothing in this section shall be construed to limit the defenses available under the law, to the Authority Members, the Authority, or its Directors, officers, employees or agent.

V. FINANCIAL PROVISIONS

5.1. Fiscal year: The fiscal year shall run concurrent with the calendar year, unless the Directors decide otherwise and shall also apply to any Project Agreements.

5.2. Depository: All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with the funds of any Member or any other person or entity. Regular reports shall be made as directed by the Board, but at least quarterly, to the Board of all receipts and disbursements. The books and records shall be open to inspection by the Board and individual Directors upon reasonable notice.

5.3. Budgets: A draft budget will be prepared for the Member Agencies to review at least 45 days before the beginning of the Authority's next fiscal year. The Board shall approve the budget no later than 15 days before the beginning of the fiscal year. The budget shall include:

5.3.1. General and administrative costs include the general operation and administration of the Authority. These costs do not include any costs incurred by the Authority directly as a result of a specific Project Agreement as described in Article VI.

5.3.2. Project specific costs shall be fully described and specified in a Project Agreement. The Board shall ensure that all costs incurred by the Authority directly relating to any specific project will be paid only by the parties to the Project Agreement and will not be paid for by the Authority as general and administrative costs. The Bylaws may include additional requirements and criteria for such costs.

5.4 Initial Contributions: Upon formation of the Authority, each Authority Member shall pay an application fee as prescribed in the Bylaws.

5.5. Recovery of General and Administrative Costs:

5.5.1. The Board may assess each Authority Member for the general and administrative costs to operate the Authority. Payments of public funds may be made to defray the costs incurred in carrying out such purposes, and advances of funds may be made for use in doing so, to be repaid as provided in this Agreement. Personnel, equipment or property of one or more of the Authority Members may be used in lieu of other contributions or advances, upon Board approval, and will be treated as a contribution from that Authority Member.

5.5.2. General and administrative costs incurred by the Authority in carrying out its purposes, as described in Section 5.3.1, shall be shared by the Authority Members as determined by the Board.

5.5.3. The Authority shall periodically, as necessary, issue an invoice to each Member reflecting the expenses attributable to that Member in accordance with this Agreement and/or Project Agreement, respectively. The Authority must receive payment within 60 days of the date listed on the invoice. Delinquent sums shall bear interest at a rate per year equal to the Federal Reserve's 11th District cost of funds index on the first business day of then current year plus eight percent (8%) . The Bylaws include additional requirements.

5.5.4. Upon request of any Member, the Authority shall produce and allow the inspection of all documents relating to the computation of expenses attributable to the Members under this Agreement. If a Member does not agree with the amount listed on the invoice, it must make full payment and provide a cover letter accompanying payment to the Authority specifying the amount in dispute and providing a detailed explanation of the basis for the dispute. The Authority shall advise the disputing Member of the Authority's determination within 30 business days.

5.6. Recovery of Project Agreement Costs: Each Project Agreement shall specify the requirements for recovery of costs, which shall be consistent with the requirements of Section 5.5.

5.7. Auditor: An auditor shall be chosen annually by, and serve at the pleasure of, the Board. The auditor shall make an annual audit of the accounts and records of the Authority. A report shall be filed as a public record with the Auditor of the County where the Authority is domiciled, consistent with Section 6505 of the Act, and with each agency that is a Member or an advisory member. Such report shall also be filed with the California Secretary of State or State Controller within twelve months of the end of the fiscal year.

5.8. Bonds: The Board shall, from time to time, designate the officers or other persons who have charge of, handle, or have access to any property of the Authority and shall require such officers or persons to file an official bond, at the Authority's expense, in an amount to be fixed by the Board.

5.9. Authority Members Limited Liability: As provided by Government Code Section 6508.1, the debts, liabilities, and obligations of the Authority shall be the debts, liabilities, and obligations of the Authority only, and not of the constituent Authority Members of the Authority.

VI. PROJECT AGREEMENTS

6.1. General: The Authority intends to carry out the purposes of this Agreement through projects that are consistent with the joint exercise of powers described herein. Funding and participation in any project undertaken by the Authority shall be governed by a Project Agreement. The Authority may undertake all or any portion of each project on its own or it may enter into agreements with the State of California, the United States, or any other public or private entity.

6.2. Parties to Agreement: Prior to undertaking a project, the Members and Non-Member Participating Parties electing to participate in the project shall enter into a Project Agreement. A Project Agreement may involve the Authority or one or more Members and any Non-Member Participating Parties. No Member shall be required to be involved in a Project Agreement.

6.3. Project Agreement: All assets, rights, benefits, and obligations attributable to the project shall be assets, rights, benefits, and obligations of those Members and Non-Member Participating Parties that have entered into the Project Agreement. Any debts, liabilities, obligations or indebtedness incurred by the Authority in regard to a particular project shall be the debts, liabilities, obligations, and indebtedness of the Members and Non-Member Participating Parties who have executed the respective Project Agreement and shall not be the debts, liabilities, obligations or indebtedness of the Members and Non-Member Participating Parties that have not executed the Project Agreement, nor of the Authority. If a project is undertaken by less than all the Members, the Members and Non-Member Participating Parties to a Project Agreement shall appoint a representative to a Project Agreement Committee for that project. The Project Agreement may include entities that are not Authority Members. The Bylaws may provide additional requirements regarding the implementation of each Project Agreement.

VII. TERMINATION, WITHDRAWAL, AND SUSPENSION

7.1. Termination:

7.1.1. Mutual Termination. This Agreement may be terminated by the mutual agreement of at least seventy-five percent (75%) of the total number of the Boards of the Authority Member Agencies in writing.

7.1.2. Termination of an Authority Member by the Authority. This Agreement may be terminated with respect to any Authority Member upon the affirmative vote of all Directors less one. Prior to any vote to terminate this Agreement with respect to an Authority Member, written notice of the proposed termination and the reason(s) for such termination shall be presented at a regular Board meeting with opportunity for discussion. The Authority Member subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote. If an Authority Member is terminated, that Authority Member will be responsible for its share of any costs incurred by the Authority up to the date of termination.

7.2. Member Withdrawal from Authority: Any Authority Member may withdraw from the Authority by giving at least 30 days written notice of its election to do so, which notice shall be given to the Authority and each Member to this Agreement; provided that such withdrawal does not in any way impair any contracts or obligations of the Authority then in effect. Prior to withdrawal or as soon as an accounting can be completed, the withdrawing Authority Member shall pay its share of General and Administrative Costs, described in Section 5.5; provided, however, the withdrawing member shall only be liable for expenses incurred through the date of withdrawal. The withdrawing Authority Member shall also be responsible for any claims, demands, damages, or liability arising from this Agreement through the date of withdrawal. With respect to a particular project, and subject to the terms of the applicable Project Agreement, the withdrawing Authority Member shall be responsible for its share of all costs, expenses, advances, contractual obligations, and other obligations, including bonds, notes or other indebtedness issued by the Authority while such withdrawing entity was a party to a project Agreement. The remaining parties to a Project Agreement shall have the option of discontinuing a project and/or acquiring the interests of the withdrawing party, as may be more particularly described in the Project Agreement. If the remaining Members to a Project Agreement under Article VI decide to terminate the Project Agreement, any remaining funds will be allocated pursuant to the terms of the agreement and the costs will be allocated to all parties as described in the Project Agreement, including the withdrawing party.

7.3. Membership Suspension: Should any Authority Member be deemed by the Board to not be in Good Standing as defined in the Bylaws, an affirmative vote of at least seventy-five percent (75%) of the total number of Directors can suspend the Authority Member's voting rights. Once the Authority Member is deemed by the Board to meet the requirements for being in Good Standing, the Authority Member can petition the Board of Directors to be have its voting privileges and, if applicable, any Board officer status restored by an affirmative vote of the Board of Directors consisting of at least seventy-five percent (75%) of the total number of Directors. During the time the Authority Member has not been in Good Standing, the Authority Member shall remain obligated to comply with all other requirements of this Agreement, the Bylaws and any Project Agreements the Authority Member executed.

7.4. Disposition of Assets Upon Termination: Upon termination of this Agreement, any surplus money or assets in the possession of the Authority for use under this Agreement, after payment of liabilities, costs, expenses and charges incurred under this Agreement, shall be returned to the then-existing Members in proportion to the contributions made by each. Unless otherwise agreed, all other property, works, rights and interests of the Authority shall be allocated to the then-existing Members in the same manner upon termination. Notwithstanding the foregoing, at the time of termination of this Agreement, upon a vote of the Board of Directors consisting of no less than a majority of the voting shares of all then existing members of the Board to sell the property, works, rights and interests of the Authority to a public utility, governmental agency, or other entity or entities for good and adequate consideration, the Authority shall have the power to consummate such a sale and the net proceeds from the sale shall be distributed in the same manner as set forth above.

VIII. MISCELLANEOUS PROVISIONS

8.1. Amendment of Agreement: This Agreement may be amended only by an affirmative vote of at least seventy-five percent (75%) of the Boards of the Authority Member Agencies; provided, however, this Agreement may not be amended to terminate the participation of an Authority Member without the affirmative vote of all Boards of the Authority Member Agencies less one . The Authority shall provide notice to all Members of amendments to this Agreement, including the effective date of such amendments.

8.2. Adoption and Amendment of Bylaws: The Bylaws may be adopted or amended only by an affirmative vote of at least seventy-five percent (75%) of the total number of Directors. The Authority shall provide notice to all Members of amendments to the Bylaws, which includes the effective date of such amendments.

8.3. Assignment: Except as otherwise expressed in this Agreement, the rights and duties of the Authority Members may not be assigned or delegated without the advance written consent of all the other Authority Members, and any attempt to assign or delegate such rights or duties in contravention of this section shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Authority Members. This section does not prohibit an Authority Member from entering into an independent agreement with another agency, person or entity regarding the funding or financing of that Authority Member's contributions to the Authority, or the disposition of the proceeds which that Authority Member receives under this Agreement, so long as the independent agreement does not affect or purport to affect, the rights and duties of the Authority or the Authority Members under this Agreement.

8.4. Severability: If one or more clauses, sentences, paragraphs or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable, it is hereby agreed by the Authority Members that the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provisions shall be deemed reformed so as to be lawful, valid, and enforced to the maximum extent possible.

8.5. Execution by Counterparts: This Agreement may be executed in any number of counterparts and upon execution by all Authority Members, each executed counterpart shall have the same force and effect as an original instrument and as if all Authority Members had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but have attached to it one or more signature pages.

8.6. Authority Members to be Served Notice: Any notice authorized to be given pursuant to this Agreement shall be validly given if served in writing either personally, by facsimile, by electronic mail (e-mail), by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (i) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt; (ii) by mail shall be conclusively deemed given 48 hours after the deposit thereof if the sender returns the

receipt; and (iii) by facsimile, upon receipt by sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety and received at the recipient's facsimile number or email address. All Notices shall be sent to the addresses listed in Exhibit A to this Agreement:

IN WITNESS WHEREOF, the Authority Members hereto, pursuant to resolutions duly and regularly adopted by their respective governing bodies, have caused their names to be affixed by their proper and respective officers on the date shown below:

Dated: _____ COLUSA COUNTY WATER DISTRICT

By: _____

Dated: _____ COUNTY OF COLUSA

By: _____

Dated: _____ COUNTY OF GLENN

By: _____

Dated: _____ GLENN-COLUSA IRRIGATION
DISTRICT

By: _____

Dated: _____ MAXWELL IRRIGATION DISTRICT

By: _____

Dated: _____

ORLAND-ARTOIS WATER DISTRICT

By: _____

Dated: _____

Jointly, PLACER COUNTY WATER AGENCY
& CITY OF ROSEVILLE

By: _____

By: _____

Dated: _____

PROBERTA WATER DISTRICT

By: _____

Dated: _____

RECLAMATION DISTRICT 108

By: _____

Dated: _____

RECLAMATION DISTRICT 2035

By: _____

Dated: _____

TEHAMA-COLUSA CANAL AUTHORITY

By: _____

Dated: _____

WESTERN CANAL WATER DISTRICT

By: _____

Dated: _____

WESTSIDE WATER DISTRICT

By: _____

Exhibit A to the Sites Project Authority Joint Exercise of Powers Agreement:

Effective Date: _____

Colusa County Water District
General Manager
P.O. Box 337
Arbuckle, CA 95912

County of Colusa
Chair of the Board of Supervisors
547 Market Street, Suite 108
Colusa, CA 95932

County of Glenn
Chair of the Board of Supervisors
525 West Sycamore Street
Willows, CA 95988

Glenn-Colusa Irrigation District
General Manager
P.O. Box 150
Willows, CA 95988

Maxwell Irrigation District
General Manager
P.O. Box 217
Maxwell, CA 95955

Orland-Artois Water District
General Manager
P.O. Box 218
Orland, CA 95963

Placer County Water Agency
PO Box 6570
Auburn CA 95604

& City of Roseville
2005 Hilltop Circle
Roseville, CA 95747
Water District
P.O. Box 134
Proberta, CA 96078

Reclamation District 108
General Manager
P.O. Box 50
Grimes, CA 95950

Reclamation District 2035
General Manager
45332 County Road 25
Woodland, CA 95776

Tehama-Colusa Canal Authority
General Manager
P.O. Box 1025
Willows, CA 95988

Western Canal Water District
General Manager
PO Box 190
Richvale, CA 95974

Westside Water District
General Manager
5005 CA-20
Williams, CA 95987

**SITES PROJECT AUTHORITY BOARD &
RESERVOIR COMMITTEE MEMBERS (Phase 1)**

Authority Member Agencies:

1. Colusa County
2. Colusa County Water District
3. Glenn-Colusa Irrigation District
4. Glenn County
5. Orland-Artois Water District
6. Placer County Water Agency &
7. Roseville, City of
8. Reclamation District 108
9. Sacramento Co Water Agency &
10. Sacramento, City of
11. TC-4 (through Davis Water District)
12. Tehama-Colusa Canal Authority
13. Western Canal Water District
14. Westside Water District

**Reservoir Committee Members, Beyond the
Sacramento Valley**

15. Antelope Valley-East Kern Water Agency
16. Coachella Valley Water District
17. Desert Water Agency
18. Metropolitan Water District
19. Pacific Resources Mutual Water Company
20. San Bernardino Valley Muni Water District
21. San Geronio Pass Water Agency
22. Santa Clara Valley Water District
23. Santa Clarita Water Agency
24. Wheeler Ridge-Maricopa Water Storage District
25. Zone 7 Water Agency

Non-Voting Members of the Authority:

- Maxwell Irrigation District (Associate Member)
- Department of Water Resources (Ex Officio)
- US Bureau of Reclamation (Cost-share partner)

Reservoir Committee Members, Sacramento Valley

1. American Canyon, City of
2. Carter Mutual Water Company
3. Colusa County (A)
4. Colusa County Water District (A)
5. Cortina Water District
6. Davis Water District
7. Dunnigan Water District
8. Garden Highway Mutual Water Company
9. Glenn-Colusa Irrigation District (A)
10. LaGrande Water District
11. Orland-Artois Water District (A)
12. Reclamation District 108 (A)
13. Western Canal Water District (A)
14. Westside Water District (A)

“A” Denotes also an Authority Member

PRELIMINARY PHASE 2 RESERVOIR COMMITTEE MEMBERS

Participant	Participation (Acre-Foot/year)	
	Preliminary	Percent
American Canyon, City of	~ 4,000	1.7 %
Antelope Valley-East Kern Water Agency	~ 500	0.2 %
Carter Mutual Water Company	~ 500	0.2 %
Coachella Valley Water District	~ 10,000	4.2 %
Colusa County	~ 10,000	4.2 %
Colusa County Water District	~ 13,100	5.6 %
Desert Water Agency	~ 6,500	2.8 %
Glenn-Colusa Irrigation District	~ 5,000	2.1 %
Metropolitan Water District of S. CA	~ 50,000	21.2 %
Pacific Resources Mutual Water Company	~ 20,000	8.5 %
Reclamation District 108	~ 5,000	2.1 %
San Bernardino Valley Municipal Water District	~ 21,400	9.1 %
San Geronio Pass Water Agency	~ 14,000	5.9 %
Santa Clara Valley Water District	~ 24,000	10.2 %
Santa Clarita Valley Water Agency	~ 5,000	2.1 %
TC-4: Cortina Water District	~ 300	0.1 %
TC-4: Davis Water District	~ 2,000	0.8 %
TC-4: Dunnigan Water District	~ 4,500	1.9 %
TC-4: LaGrande Water District	~ 1,000	0.4 %
Westside Water District	~ 15,000	6.4 %
Wheeler Ridge-Maricopa Water Storage District	~ 14,000	5.9 %
Zone 7 Water Agency	~ 10,000	4.2 %
Potential new participants	TBD	%
Total:	236,000	100.0 %

NOTE: Any annualized amounts listed for Phase 2 are preliminary and are based on best estimates received after participants' respective review of the draft financing plan and draft Phase 2 Reservoir Project Agreement. These amounts do not represent the results of any action having been taken by the participants' respective governing body to formally execute the Phase 2 Reservoir Project Agreements. Final participation amounts will be established after interim financing terms and conditions have been provided and incorporated into the final Phase 2 Reservoir Project Agreement.

‡ Denotes a non-public agency. Refer to California Corporations Code Section 14300 et seq with additional requirements provided in both the Public Utilities Code and Water Code.

FORM OF PHASE 2 PARTICIPATION AGREEMENT

SITES PROJECT AUTHORITY

PHASE 2 RESERVOIR PROJECT AGREEMENT

DATED AS OF DECEMBER 1, 2018

BY AND AMONG

SITES PROJECT AUTHORITY

AND

THE PROJECT AGREEMENT MEMBERS LISTED HEREIN

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THIS PHASE 2 RESERVOIR PROJECT AGREEMENT is made effective as of _____, 2018, by and among (a) the Sites Project Authority (the “**Authority**”) and (b) certain Members and/or Non-Member Participating Parties, listed on the attached **Exhibit A** and is made with reference to the following facts:

RECITALS

A. Various public agencies in the Sacramento River Watershed created the Authority in 2010. Various public agencies in the Sacramento River Watershed, including certain Project Agreement Members, previously entered into the Fourth Amended and Restated Sites Project Authority Joint Exercise of Powers Agreement, dated November 21, 2016, pursuant to which they are developing the Sites Reservoir Project, which is contained in the CalFed Bay-Delta program Programmatic Record of Decision, August 28, 2000. The Joint Powers Agreement provides a mechanism for “Project Agreements” (as defined in the Joint Powers Agreement) to undertake specific work activities for the development of the Sites Reservoir Project. On _____, 2018, the Authority’s Board of Directors also adopted [Bylaws for Phase 2 of the Sites Reservoir Project,] which also address Project Agreements and their management through Reservoir Project Committees.

B. On April 11, 2016, certain Authority Members of the Authority entered into the PHASE 1 RESERVOIR PROJECT AGREEMENT which was amended and restated as of November 21, 2016.

C. The Authority and certain Project Agreement Members have undertaken a process to negotiate a Phase 2 Reservoir Project Agreement to undertake specific work activities to [complete certain permitting and other activities] and to provide for the issuance of bonds, notes or other evidence of indebtedness of the Authority to pay such Phase 2 costs.

D. The Project Agreement Members wish to undertake the Phase 2 Project pursuant to a Work Plan approved by the Authority on _____, 2018 and the Reservoir Project Committee on _____, 2018 and a summary of which is described in **Exhibit B** attached hereto. The Phase 2 Project will be undertaken in the name of the Authority and in accordance with the Authority’s stated Mission as set forth in the fourth Recital of the Joint Powers Agreement. The Project Agreement Members are entering into this Project Agreement to satisfy the requirements of Article VI of the Joint Powers Agreement.

E. All members of the Authority have also been given the opportunity to enter into this Project Agreement. The form of this Project Agreement was determined to be consistent with the Joint Powers Agreement and the Bylaws and approved by the Authority’s Board of Directors on August __, 2018.

F. The Authority and the Project Agreement Members acknowledge that one of the Authority’s goals, in addition to providing environmental benefits, is to develop and make both a water supply and storage capacity available to water purveyors and landowners within the Sacramento River watershed, and in other areas of California, who are willing to purchase either or both a water supply and storage capacity from the Sites Reservoir Project, and that the Project Agreement Members should have a preference to the water supply or storage capacity.

AGREEMENT

THEREFORE, in consideration of the facts recited above and of the covenants, terms and conditions set forth herein, the parties agree as follows:

Section 1 Definitions

“Authority” means the Sites Project Authority, a joint exercise of powers agency created pursuant to the Joint Powers Agreement.

“Authority Members” means the members of the Authority executing the Joint Powers Agreement, as such members may change from time-to-time in accordance with Section 3.3, Section 7.12 and Section 7.2 of the Joint Power Agreement.

“Board” means the Board of Directors of the Authority.

“Bond Trustee” means the entity or entities designated by the Authority pursuant to any Financing Document to administer funds or accounts required by such Financing Document or otherwise.

“Bylaws” means the [Bylaws for Phase 2 of the Sites Reservoir Project] adopted by the Authority on _____, 2018, as such Bylaws may be amended or supplemented from time-to-time in accordance therewith.

“Committee” means the Reservoir Project Committee described in Section 3 of this Project Agreement.

“Event of Default” means an event described in Section 9 hereof as an Event of Default.

“Financing Documents” means any indenture, trust agreement, loan agreement, lease agreement, installment purchase agreement or other financing document entered into by the Authority in connection with any Phase 2 Obligation.

“Fiscal Year” means the fiscal year of the Authority, which currently begins on January 1 of each calendar year and ends on December 31 of each calendar year, or such other twelve month period which may be designated by the Authority as its Fiscal Year.

“Joint Power Agreement” means the Fourth Amended and Restated Sites Project Authority Joint Exercise of Powers Agreement, dated November 21, 2016, as such agreement may be amended or supplemented from time-to-time in accordance therewith.

“Law” means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the California Government Code, as amended or supplemented from time-to-time.

“Lender” means a bank, other financial institution or other lender (including the State of California, the United States of America or any department, bureau or other affiliated entities thereof) making a loan to the Authority which constitutes a Phase 2 Obligation.

“Material Change Item” shall have the meaning ascribed thereto in the Bylaws.

“Participation Percentage” means the Participation Percentages described in Section 7 hereof and as set forth in **Exhibit A** hereto, as such Participation Percentages may be modified in accordance herewith. Participation Percentages may vary by Phase 2 Obligations as approved by the Committee and the Authority as set forth in Section 7 hereof.

“Phase 2” means the activities described in **Exhibit B** hereto as such description may be amended or supplemented from time-to-time.

“Phase 2A” means the activities described in **Exhibit B** hereto as Phase 2A as such description may be amended or supplemented from time-to-time.

“Phase 2B” means the activities described in **Exhibit B** hereto as Phase 2B as such description may be amended or supplemented from time-to-time.

“Phase 2B Costs” means all costs of the Phase 2 Project with respect to Phase 2B, including but not limited to (a) the principal and interest with respect to Phase 2 Obligations allocable to Phase 2B Costs, (b) fees payable to Bond Trustees, Lenders, and others related to the issuance and administration of Phase 2 Obligations allocable to Phase 2B Costs and (c) reserves required in connection with Phase 2 Obligations allocable to Phase 2B Costs, if any.

“Phase 2 Budget” means the Phase 2 Budget approved by the Committee on _____, 2018 and the Authority on _____, 2018, as such Phase 2 Budget may be amended or supplemented from time-to-time in accordance with the Joint Powers Agreement, this Project Agreement and the Bylaws.

“Phase 2 Costs” means all costs of the Phase 2 Project, including but not limited to (a) the principal and interest with respect to Phase 2 Obligations, (b) fees payable to Bond Trustees, Lenders, and others related to the issuance and administration of Phase 2 Obligations and (c) reserves required in connection with Phase 2 Obligations, if any.

“Phase 2 Obligations” means bond, notes or other evidences of indebtedness issued or incurred by the Authority in accordance with the Joint Powers Agreement and this Project Agreement to finance or refinance Phase 2 Costs.

“Project” or “Sites Reservoir Project” means the Sites Reservoir Project as described in **Exhibit B** hereto, as modified from time-to-time in accordance therewith.

“Project Agreement” means this Project Agreement, dated as of December 1, 2018, by and among the Authority and the Project Agreement Members listed on **Exhibit A** from time-to-time, as such Project Agreement may be amended or supplemented from time-to-time in accordance herewith.

“Project Agreement Members” means (a) the Authority Members listed in the attached **Exhibit A**, (b) the Non-Member Participating Parties listed in the attached **Exhibit A** and (c) additional Authority Members or Non-Member Participating Parties who execute this Project Agreement from time-to-time pursuant to Section 13 hereof.

“Step-Up Project Agreement Members” means Project Agreement Members listed in **Exhibit E** hereto as Step-Up Project Agreement Members which have agreed to make payments in accordance with Section 6.3 hereof.

Section 2 **Purpose**

The purpose of this Project Agreement is to permit the Authority and the Project Agreement Members to undertake Phase 2 of the Project in the name of the Authority consistent with the Joint Powers Agreement. The activities undertaken to carry out the purposes of this Project Agreement shall be those, and only those, authorized by the Authority and the Committee in accordance with this Project Agreement, the Joint Powers Agreement and the Bylaws. Without limiting in any way the scope of the activities that may be undertaken under this Project Agreement, such activities shall include funding the Authority’s Phase 2 Costs undertaken to carry out the directions of the Committee. Notwithstanding any other provision of this Project Agreement, no activity undertaken pursuant to this Project Agreement shall conflict with the terms of the Joint Powers Agreement or the Bylaws, nor shall this Project Agreement be construed in any way as creating an entity or combination of entities that is separate and apart from the Authority.

Section 3 **Reservoir Project Committee**

(a) Committee Membership. The business of the Project Agreement Members under this Project Agreement shall be conducted by a Committee consisting of one member appointed by each Project Agreement Member. Appointment of each member of the Committee shall be by action of the governing body of the Project Agreement Member appointing such member, and shall be effective upon the appointment date as communicated in writing to the Authority. Project Agreement Members may also appoint one or more alternate Committee members, which alternate(s) shall assume the duties of the Committee member in case of absence or unavailability of such member. Project Agreement Members may also appoint an alternate Committee member from a different Project Agreement Member for convenience in attending Committee meetings, who may cast votes for such Project Committee Members, provided that no person shall represent more than five other Project Committee Members and more than 20% of the weighted vote as provided in Subsection 3(g) at any given meeting; provided however, that if the appointing Project Committee Member is an officer of the Committee, the appointed alternate Committee member shall not assume the capacity of such officer position. In order to serve as an alternate Committee member, a written evidence of such designation shall be filed with the Committee Secretary. Each member and alternate member shall serve on the Committee from the date of appointment by the governing body of the Project Agreement Member he/she represents and at the pleasure of such governing body.

(b) Officers. The Committee shall select from among its members a Chairperson, who shall annually act as presiding officer, and a Vice Chairperson, to serve in the absence of the Chairperson. There also shall be selected a Secretary, who may, but need not be, a member of the Committee and a Treasurer. All elected officers shall be elected and remain in office at the pleasure of the Committee, upon the affirmative vote of at least a majority of the total weighted vote as provided at Subsection 3(g);

(c) Treasurer. The Authority Treasurer shall serve as the Committee’s Treasurer and shall act as the Committee’s liaison to the Authority’s General Manager and Authority Board on financial matters affecting the Committee. The Treasurer shall prepare and provide regular financial reports to the Committee as determined by the Committee.

(d) General Manager. The Authority's General Manager shall (1) serve as the Project Director responsible for advancing the Sites Reservoir Project, (2) be a non-voting member of the Committee, (3) ensure coordination of outreach and engagement activities between the Authority and Committee, and (4) convene, on an as needed basis, legal representatives from the Project Agreement Members and Authority Members to advise the General Manager on legal matters that will be reported to the Committee and Authority on a timely basis.

(e) Meetings. The Chairperson of the Committee or a majority of a quorum of the members of the Committee are authorized to call meetings of the Committee as necessary and appropriate to conduct its business under this Project Agreement. All such meetings shall be open to the public and subject to the requirements set forth in the Ralph M. Brown Act (Government Code Sections 54950 et seq.).

(f) Quorum. A majority of the Committee members based on the weighted vote provided in Subsection 3(g) shall constitute a quorum of the Committee.

(g) Voting. Notwithstanding any provisions of the Bylaws that might be construed otherwise, for purposes of this Project Agreement, the voting rights of each Project Agreement Member shall be determined as follows:

(i) an equal number of voting shares for each Project Agreement Member as defined at **Exhibit A**, that being for each Project Agreement Member, 1 divided by the total number of Project Agreement Members, multiplied by 50%; plus

(ii) an additional number of voting shares for each Project Agreement Member equal to its respective Participation Percentage described in Section 7 and defined in **Exhibit A**, multiplied by 50%, using the version of **Exhibit A** in effect at the time the Committee votes.

The resulting weighted total of all voting shares shall equal 100. An Example of this weighted voting incorporating the formulas for determining participating percentages is attached at **Exhibit A**.

(h) Decision-making Thresholds. In accordance with Section 5.7 of the Bylaws, for purposes of this Project Agreement, approval by the Committee for material and non-material changes shall be as follows: for actions other than Material Change Items, action of the Committee shall be taken upon the affirmative vote of at least a majority of the total weighted vote as provided in Subsection 3(g); for Material Change Items, action shall be taken upon the affirmative vote of at least 75% of the total weighted vote as provided at Subsection 3(g).

(i) Delegation of Authority/Powers and Limitations Thereon. Subject to the direction of the governing bodies of the Project Agreement Members, the Committee shall undertake all actions necessary for carrying out this Project Agreement, including but not limited to setting policy for the Project Agreement Members acting under this Project Agreement with respect to the Project; recommending actions to be undertaken in the name of the Authority under this Project Agreement; determining the basis for calculation of the Participation Percentages for each Fiscal Year, and the timing required for payments of Phase 2 Obligations hereunder; authorizing expenditure of funds collected under this Project Agreement within the parameters of the Phase 2 Budget; and such other actions as shall be reasonably necessary or convenient to carry out the purposes of this Project Agreement. This Section 3(i) is subject to any and all limitations set forth in

the Joint Powers Agreement and Bylaws, including but not limited to, any action that constitutes a material change as defined at Section 12.3 of the Bylaws requiring the approval of both the Committee and the Authority Board, and actions specified in Section 10 of the Bylaws which remain exclusively with the Authority Board.

Section 4 Funding

(a) Budget. The Committee, in cooperation with the Authority's Board, has previously approved the Phase 2 Budget and the Fiscal Year 2019 Authority budget and shall provide and approve a Fiscal Year operating budget for future Fiscal Years annually or more frequently as needed. In lieu of the Project Agreement Members contributing their respective pro-rata share of the budgeted sums during Phase 2, the Authority shall use its best effort to issue Phase 2 Obligations to finance the cost of Phase 2 as set forth in Section 5 hereof.

(b) Allocation of Phase 2 Obligations. Should the Project Agreement Members acting collectively under this Project Agreement enter into any contract or other voluntary obligation for activities included in **Exhibit B** hereto and contemplated in **Exhibit D** hereto, such contract or obligation shall be in the name of the Authority; provided, that all financial obligations thereunder shall be satisfied solely with funds provided under this Project Agreement and in accordance with Section 6.

(c) Allocation of Project Agreement Expenses. The Project Agreement Members agree that the principal and interest on all Phase 2 Obligations are Phase 2 Costs and that the obligation to pay Phase 2 Costs is solely the responsibility of the Project Agreement Members and is not the responsibility of the Authority or the Members of the Authority that do not execute this Project Agreement provided, however, that this Section shall not preclude the Project Agreement Members from accepting voluntary contributions and/or the Authority Board's pre-approval of in-kind services from other Authority Members, or Project Agreement Members, and applying such contributions to the purposes hereof. Before the Authority's costs of administering this Project Agreement become payable, the Authority will provide its calculation of such costs to the Committee, which will have the right to audit those costs and provide comments on the calculation to the Authority Board. The Authority Board shall consider the Committee's comments, if any, including the results of any such audit, in a public meeting before the Authority Board approves a final invoice for such costs.

Section 5 Authorization to Issue or Incur Phase 2 Obligations

5.1 Issuance or Incurrence of Phase 2 Obligations. The Authority hereby agrees to use its best efforts to issue or cause to be issued Phase 2 Obligations pursuant to Article VI of the Joint Power Agreement to fund all Phase 2 Costs. Such Phase 2 Obligations shall be payable solely from payments to be made by Project Agreement Members pursuant to this Project Agreement.

5.2 Initial Phase 2 Obligations. The initial issuance of Phase 2 Obligations is estimated to be [\$350,000,000] which is currently estimated to be equal to Phase 2 Costs net of projected contributions from the California Water Commission and the United States Bureau of Reclamation. The Phase 2 Obligations shall be issued, in one or more issuances, only upon approval of the Committee and the Authority Board. Attached hereto as **Exhibit C** is a copy of a draft term sheet for the initial Phase 2 Obligations. **Exhibit D** sets forth the anticipated cost allocation of principal and

interest with respect to the initial Phase 2 Obligations. The initial issuance of Phase 2 Obligations shall constitute a Material Change Item.

5.3 Future Phase 2 Obligations. A refinancing of the initial Phase 2 Obligations is anticipated and any Project Agreement Member which does not pay off its share of principal of such initial Phase 2 Obligations 180 days before the maturity date thereof are obligated under this Project Agreement to participate in the refinancing. Any refinancing of the initial Phase 2 Obligations, any additional Phase 2 Obligations and any refinancing of prior Phase 2 Obligations shall be upon approval of the Authority and the Project Agreement Members (which approval shall constitute a Material Change Item); provided, that any Project Agreement Members that is obligated to refinance its share of principal of the initial Phase 2 Obligations pursuant to this Project Agreement is deemed to have approved such refinancing. **Exhibit D** shall be updated by the Authority after the issuance of each Phase 2 Obligations but such updating shall not constitute an amendment of this Project Agreement.

5.4 Phase 2B Costs. Notwithstanding the foregoing provisions of Sections 5.1, 5.2 and 5.3 the Authority shall not incur any Phase 2B Costs or any Phase 2 Obligations to finance Phase 2B Costs, until the rebalancing, if any, scheduled to occur at the end of Phase 2A, described in Section 12(b) hereof, has been completed and there are Project Agreement Members that have Participant Percentage totaling 100% with respect to Phase 2B.

5.5 Limited Obligations. Any Phase 2 Obligations incurred by the Authority pursuant to this authorization shall not be debts, liabilities, obligations or indebtedness of any Member of the Authority other than Project Agreement Members in accordance herewith. No Project Agreement Member shall be obligated for amounts owed by another Project Agreement Member on account of any Phase 2 Obligations authorized by this Section 5, except as provided in Section 6.3 of this Project Agreement.

Section 6 Financing Terms

6.1 Cooperation, Disclosure and Documents. Each Project Agreement Member hereby agrees to cooperate with the Authority for the purpose of expediting the issuance of Phase 2 Obligations to finance the Phase 2 Costs by providing such information and disclosure as may be reasonably required for such purpose, and by delivering all closing documents reasonably required by Authority bond counsel at the closing of each Phase 2 Obligations described in Section 5 of this Project Agreement. Each Project Agreement Member will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to effect the financing and refinancing of the Phase 2 Costs and to allow the Authority to comply with reporting obligations, to assure the Authority of such Project Agreement Member's intention to perform hereunder and for the better assuring and confirming unto the Authority and any Bond Trustee or any Lender the rights and benefits provided to them herein.

6.2 Payments of Phase 2 Costs. Each Project Agreement Member agrees to pay an amount of Phase 2 Costs which shall be calculated by the Authority by multiplying principal of and interest with respect to each Phase 2 Obligation times each Project Agreement Member's Participation Percentage with respect to such Phase 2 Obligations. For the Fiscal Year ending December 31, 2019, the Project Agreement Members shall pay to the Authority, Phase 2 Costs as provided in the Phase 2 budget described in Section 4(a).

The Authority shall furnish each Project Agreement Member with a written statement of the estimated Phase 2 Costs for the next succeeding Fiscal Year, taking into account applicable credits received by the Authority and estimated investment earnings on moneys related to the Project held by the Authority, no later than November 1 of each Fiscal Year commencing November 1, 2019. In addition, if any Project Agreement Member who has executed a State Water Project Contract with the California Department of Water Resources provides a written direction in the form attached hereto as Exhibit I to the Authority, the Authority shall also furnish the California Department of Water Resources with a copy of each written statement no later than [November 1] of the prior Fiscal Year. The Project Agreement Members shall pay, or cause to be paid, to the Authority, on or before the next succeeding January 15 of, 100% of the Phase 2 Costs billed to the Project Authority Members in such written statement.

If a Project Agreement Member questions or disputes the correctness of any billing statement by the Authority, it shall pay the Authority the amount claimed when due and shall, within thirty (30) days of the completion and delivery of the Authority's annual audit, request an explanation from the Authority. If the bill is determined to be incorrect, the Authority will adjust the bill to such Project Agreement Member in the next Authority Fiscal Year, including an adjustment equal to the interest actually earned by the Authority on its general reserves during each period. If the Authority and a Project Agreement Member fail to agree on the correctness of a bill within thirty (30) days after a Project Agreement Member has requested an explanation, the parties shall promptly submit the dispute to arbitration under Section 1280 *et seq.* of the Code of Civil Procedure.

6.3 Step-Up Obligation. Each Project Member identified in **Exhibit E** as a Step-Up Project Agreement Member hereby agrees that upon the failure of any Project Agreement Member to make any payment which failure constitutes an Event of Default, and except as transfers are made pursuant to Subsection 9(b) of this Project Agreement, (i) the Phase 2 Costs of each nondefaulting Project Agreement Member shall be automatically increased for each Fiscal Year of the remaining term of the Project Agreement pro rata with those of the other nondefaulting Step-Up Project Agreement Members and (ii) such defaulting Project Agreement Member's Participation Percentage shall be reduced correspondingly; provided, however, that the sum of such increases for any such nondefaulting Step-Up Project Agreement Member in any Fiscal Year shall not exceed, without written consent of such nondefaulting Step-Up Project Agreement Member, an accumulated maximum of [25%] of the nondefaulting Step-Up Project Agreement Member's Phase 2 Costs in such Fiscal Year determined as nearly as practicable under the circumstances as if the defaulting Project Agreement Member were not in default. Upon payment of such increase, a nondefaulting Step-Up Project Agreement Member shall be entitled to increase its Participation Percentage based on its pro rata share of such defaulting Project Agreement Member's Participation Percentage.

6.4 Future Financings. In the event a Project Agreement Member under Section 6.3 participates in any future borrowing or refinancing authorized by this Project Agreement, such Project Agreement Member agrees to undertake the same obligations as are set forth in Sections 6.1 of this Project Agreement and, if such Project Agreement Member is a Step-Up Project Agreement Member, Section 6.3 of this Project Agreement.

6.5 Interest on Late Payment. Any part of such demand by the Authority which remains unpaid for thirty (30) days after its due date shall bear interest from such thirtieth day at the interest rate of the Local Agency Investment Fund then in effect computed on a monthly basis plus two percent until paid. Interest paid by a Project Agreement Member shall not change the Participation

Percentage of such Project Agreement Member but shall be applied to the Phase 2 Costs of Project Agreement Members other than the Project Agreement Member paying such interest.

6.6 Authority Responsibility re Collected Funds. The Authority shall apply the funds paid by the Project Agreement Members pursuant to Sections 6.2 and 6.3 solely to satisfy Phase 2 Obligations. The Authority agrees to keep amounts collected under this Project Agreement in a designated account, promptly pay when due the amounts collected under the Project Agreement, provide accounting and payment information to the Project Agreement Members, and take such other reasonable actions as may be requested by the Project Agreement Members and agreed to by the Authority; provided, that failure of the Authority or of a Project Agreement Member to make payment required by this Project Agreement shall not relieve and Project Agreement Members of its obligation to pay all amounts owed under Sections 6.2 and 6.3 solely hereof.

6.7 Source of Payments. In order to meet payment obligations of this Project Agreement in accordance with the Joint Powers Agreement and this Project Agreement, each Project Agreement Member agrees as follows:

(a) each Project Agreement Member described as a Wholesale Water Provider in **Exhibit A** hereto shall to the fullest extent permitted by law, fix rates, charges or assessments so that such Project Agreement Member will at all times have sufficient money to meet its obligations hereunder (other than the principal of any Phase 2 Obligation which the Authority and the Project Agreement Members project being refinanced in accordance with Section 5.3 hereof) and confirms that payment of its obligations under this Project Agreement constitutes an operation and maintenance expense of such Project Agreement Member for accounting purposes and that as an operation and maintenance expense there are no liens, charges or encumbrances thereon, or priority of payments with respect thereto, prior to the payment of amounts hereunder; or

(b) each Project Agreement Member described as a Retail Water Provider in **Exhibit A** hereto shall to the fullest extent permitted by law, fix rates, charges or assessments in connection with its water or irrigation system so that such Project Agreement Member will at all times have sufficient money to meet its obligations hereunder (other than the principal of any Phase 2 Obligation which the Authority and the Project Agreement Members project being refinanced in accordance with Section 5.3 hereof) and confirms that payment of its obligations under this Project Agreement constitutes an operation and maintenance expense of such Project Agreement Member's water or irrigation system for accounting purposes and that as an operation and maintenance expense there are no liens, charges or encumbrances thereon, or priority of payments with respect thereto, prior to the payment of amounts hereunder; or

(c) each Project Agreement Member described as a Retail Water Provider (Improvement District) and which has created an improvement district to support the Project in **Exhibit A** hereto shall to the fullest extent permitted by law, fix rates, charges or assessments within such improvement district so that such Project Agreement Member will at all times have sufficient money to meet its obligations hereunder (other than the principal of any Phase 2 Obligation which the Authority and the Project Agreement Members project being refinanced in accordance with Section 5.3 hereof) and confirms that payment of its obligations under this Project Agreement constitutes an operation and maintenance expense of such Project Agreement Member's improvement district for accounting purposes and that as an operation and maintenance expense there are no liens, charges or encumbrances thereon, or priority of payments with respect thereto, prior to the payment of amounts hereunder; or

(d) each Project Agreement Member described as an Other Water Provider on **Exhibit A** hereto shall pay all amounts due hereunder (other than the principal of any Phase 2 Obligation which the Authority and the Project Agreement projects being refinanced in accordance with Section 5.3 hereof) as a general obligation or general fund obligation of such Project Agreement Member.

Nothing herein shall be construed as prohibiting any Project Agreement Member (i) from using any other funds and revenues for purposes of satisfying any provisions of this Project Agreement (including but not limited to funds collected by the California Department of Water Resources and paid to the Authority on behalf of Wholesale Water Providers as described in Section 6.2 hereof or (ii) from incurring obligations payable on a parity with the obligations under this Project Agreement so long as the Project Agreement Member complies with Subsection 6.7(a), (b) or (c), as applicable, hereof.

(d) Obligation Is Not Subject to Reduction. Project Agreement Members shall make payments of Phase 2 Costs under this Project Agreement whether or not the Project is permitted, undertaken, completed, operable, operated or retired and notwithstanding the suspension, interruption, interference, reduction, or curtailment of operation of the Project or of water or storage contracted for in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether offset or otherwise, and are not conditioned upon performance by the Authority or any other Project Agreement Member under this Project Agreement or any other agreement.

(e) Several Obligation. No Project Agreement Member shall be liable under this Project Agreement for the obligations of any other Project Agreement Member except as expressly set forth in Section 6.3 hereof in the case of Step-Up Project Agreement Members. Each Project Agreement Member shall be solely responsible and liable for performance of its obligations under this Project Agreement. The obligation of each Project Agreement Member to make payments under this Project Agreement is a several obligation and not a joint obligation with those of the Project Agreement Members.

6.8 Maintenance of Tax-Exempt Status of Phase 2 Obligations. Notwithstanding any other provision of this Project Agreement, no Project Agreement Member will take any action or omit to take any action, directly or indirectly, in any manner, which would result in any of the Phase 2 Obligations issued as Phase 2 Obligations the interest on which were intended to be excludable from gross income for federal income tax purposes being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1986, as amended by reason of classification of such Phase 2 Obligations as a "Private Activity bond" within the meaning of Section 141 of said Code or for any other reason.

Section 7 **Participation Percentages**

Each Project Agreement Member shall pay that share of Phase 2 Obligation equal to such Project Agreement Member's Participation Percentage with respect to each Phase 2 Obligation. The initial Participation Percentages of the Project Agreement Member's for the initial Phase 2 Obligation are set forth at the attached **Exhibit A**. These initial Participation Percentages are for the purpose of establishing the Project Agreement Members respective responsibilities for amounts contained in the approved Fiscal Year 2019.

In the event that the Committee and the Authority approve Participation Percentages with respect to Phase 2 Obligations that are different than the initial Participation Percentages set forth in Exhibit D, including but not limited to Phase 2 Obligations the interest on which is not excludable from gross income for federal income tax purposes, **Exhibit D** shall be amended to reflect such additional Participation Percentages. Approval of Participation Percentages with respect to Phase 2 Obligations different than the initial Phase 2 Participation Percentages set forth in **Exhibit D** shall constitute a Material Change Item.

The Participation Percentages of each Project Agreement Member will be modified by the Committee from time to time as the result of the admission of a new Project Agreement Member to this Project Agreement or the withdrawal of a Project Agreement Member, and **Exhibit A** shall be amended to reflect all such changes.

All amendments to **Exhibit A** shall, upon approval by the Committee, be attached hereto and upon attachment, shall supersede all prior versions of **Exhibit A** without the requirement of further amendment of this Project Agreement.

Section 8 **Future Development of the Sites Reservoir Project**

(a) The Project Agreement Members acknowledge that the Sites Reservoir Project is still in the conceptual stage and there are no assurances that the Sites Reservoir Project will be constructed or that any water supplies will be developed as a result of this Project Agreement. **Exhibit B** includes a partial list of some of the risks and uncertainties that underlie the lack of assurances. The Project Agreement Members therefore recognize that they are not acquiring any interest in the Sites Reservoir Project other than their interest in the specific permitting, design, engineering and other materials that will be in Phase 2 of the Project as described in **Exhibit B**, and that the Project Agreement Members are not acquiring under this Project Agreement any interest in any future water supply or access to any other services from the Sites Reservoir Project except as provided hereunder.

(b) Without limiting the foregoing, any Project Agreement Member that elects to continue participating in the development, financing, and construction of the Sites Reservoir Project to the time when the Authority offers contracts for a water supply or other services, will be afforded a first right, commensurate with and in proportion to that Member's participation and financial contribution to the Sites Reservoir Project, to contract for a share of any water supply that is developed, and for storage capacity that may be available from, the Sites Reservoir Project. In any successor phase agreements, Project Agreement Members who are parties to this Project Agreement that submitted a proposal to participate before [December 31, 2018], shall be granted rights to contract for a share of any water supply that is developed, and for storage capacity that may be available from the Sites Reservoir Project prior to the rights of those becoming parties to this Project Agreement after that date. The Authority and the Project Agreement Members will cooperate on the drafting of provisions in the water supply contract that will allow a Project Agreement Member or other eligible entity that commits to purchase a Sites Reservoir Project water supply to transfer water that the entity may not need from time to time on terms and conditions acceptable to the such Project Agreement Member.

Section 9 Obligation in the Event of Default

(a) Written Demand. Upon failure of a Project Agreement Member to (i) make any payment in full when due under this Project Agreement or (ii) perform any other obligation hereunder, the Authority shall make written demand upon such Project Agreement Member. If a failure described in clause (i) above is not remedied within thirty (30) days from the date of such demand or, if Phase 2 Obligations are outstanding, for such additional time as is reasonably required, in the sole discretion of the respective Bond Trustee or Lender, to correct the same, such failure shall constitute a default at the expiration of such period. If a failure described in clause (ii) cannot be remedied within thirty (30) days from the date of such demand but such Project Agreement Member commences remedial action within such thirty (30) day period, such failure shall not constitute a default hereunder. Notice of any such demand shall be provided to each other Project Agreement Member by the Authority. Upon failure of the Authority to perform any obligation of the Authority hereunder, a Project Agreement Member shall make written demand upon the Authority, and if such failure is not remedied within thirty (30) days from the date of such demand or, if Phase 2 Obligations are outstanding for such additional time as is reasonably required in the sole discretion of the respective Bond Trustee or Lender, to correct the same, such failure shall constitute an Event of Default at the expiration of such period. Notice of such demand shall be provided to each Project Agreement Member by such Project Agreement Member making such written demand.

In addition to any Event of Default resulting from breach by the Authority or a Project Agreement Member of any agreement, condition, covenant or term hereof, if the Authority or a Project Agreement Member shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the Authority or a Project Agreement Member asks or seeks or prays to be adjudicated a bankrupt, or to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the Authority or a Project Agreement Member shall make a general or any assignment for the benefit of its creditors then in each and every such case, the Authority or a Project Agreement Member, as the case may be, shall be deemed to be an Event of Default hereunder.

(b) Transfer for Defaulting Project Agreement Member's Account. Upon the failure of a Project Agreement Member to make any payment which failure constitutes an Event of Default under this Project Agreement, the Authority shall use its best efforts to transfer for the Project Agreement Member's account all or a portion of the Project Agreement Member's Participation Percentage for all or a portion of the remainder of the term of this Project Agreement. Notwithstanding that all or any portion of a Project Agreement Member's Participation Percentage is so transferred, such Project Agreement Member shall remain liable to the Authority to pay the full amount of its share of costs hereunder as if such sale or transfer has not been made, except that such liability shall be discharged to the extent that the Authority shall receive payment from the transferee thereof. In the event that all of the Project Agreement Members Participation Percentage for the remainder of the term of the Project Agreement is not transferred pursuant to this Section 9(b), the Authority shall implement the provisions of Section 6.3 in a manner to assure, to the fullest extent possible, timely payment of all Phase 2 Obligations by the Step-Up Members.

(c) Termination of Entitlement to Participation Percentage Continuing Obligations. Upon the failure of a Project Agreement Member to make any payment which failure

constitutes an Event of Default under this Project Agreement, (ii) the failure of the defaulting Project Agreement Member to cure the default within the timeframes specified in Section 9(a), and (iii) the Event of Default causing the Authority to be in default under any Financing Document, the Authority may (in addition to the remedy provided by Subsection (b) of this Section 9) give notice of termination of the defaulting Project Agreement Member's Participation Percentages under this Project Agreement, which notice shall be effective 30 days following the sending of the notice unless such termination shall be enjoined, stayed or otherwise delayed by judicial action. Irrespective of such termination, such Project Agreement Member shall remain liable to the Authority to pay the full amount of Phase 2 Costs hereunder.

(d) Enforcement of Remedies. In addition to the remedies set forth in this Section, upon the occurrence of an Event of Default as defined herein, the Authority or a Project Agreement Member, as the case may be, shall be entitled to proceed to protect and enforce the rights vested in such party by this Project Agreement by such appropriate judicial proceeding as such party shall deem most effectual, either by suit in equity or by action of law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such party by this Project Agreement or by law. The provisions of this Project Agreement and the duties of each party hereof, their respective boards, officers or employees shall be enforceable by the other party hereto by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, and the prevailing party shall be entitled to an award of its costs an attorney's fees.

Section 10 Indemnity and Contribution

(a) Each Project Agreement Member, including Authority Members acting in their capacity as Project Agreement Members and notwithstanding [Section 6.7(b) of this Project Agreement,] shall indemnify, defend and hold the Authority, Authority Members and other Project Agreement Members and their directors, trustees, officers, employees, and agents harmless from and against any liability, cause of action or damage (including, without limitation, reasonable attorneys' fees) arising out of the performance of this Project Agreement in excess of the amount of such liability, cause of action or damage multiplied by each Project Agreement Member's Participation Percentage. Notwithstanding the foregoing, to the extent any such liability is caused by the negligent or intentional act or omission of an Authority Member or a Project Agreement Member, such Authority Member or Project Agreement Member shall bear such liability.

(b) Each Project Agreement Members, including Authority Members acting in their capacity as Project Agreement Members shall indemnify, defend and hold the Authority and the members of the Authority that do not execute this Project Agreement and their directors, trustees, officers, employees and agents harmless from and against any liabilities, costs or expenses of any kind (including, without limitation, reasonable attorney's fees) arising as a result of the activities described in or undertaken pursuant to this Project Agreement. All assets, rights, benefits, debts, liabilities and obligations attributable to activities undertaken under this Project Agreement shall be assets, rights, benefits, debts, liabilities and obligations solely of the Project Agreement Members in accordance with the terms hereof, and shall not be the assets, rights, benefits, debts, liabilities and obligations of the Authority or of those members of the Authority that have not executed this Project Agreement. Members of the Authority not electing to participate in the Project Agreement shall have no rights, benefits, debts, liabilities or obligations attributable to the Project Agreement.

Section 11 Term

(a) No provision of this Project Agreement shall take effect until this Project Agreement has been duly executed and delivered by the Authority and by [one] Project Agreement Member and the such Project Agreement Member and the Authority deliver an opinion for each Project Agreement Member of an attorney or firm of attorneys in substantially the form attached hereto as **Exhibit G** and an opinion for the Authority of [Stradling Yocca Carlson & Rauth, a Professional Corporation,] Special Counsel, in substantially the form attached hereto as **Exhibit H**, respectively.

(b) The term of this Project Agreement shall continue until the later of _____, [2025] or the final maturity of the Phase 2 Obligations. The parties hereto agree to negotiate in good faith to amend this Project Agreement on or prior to such date to extend the term hereof and to include terms and conditions as are mutually agreeable to the parties, provided that the price to be paid with respect to the Participation Percentage in such amendment shall reflect the payment of capital costs to such date.

Section 12 Withdrawal From Further Participation

Project Agreement Members may withdraw from this Project Agreement as provided in this Section 12.

(a) Except as otherwise provided in Section 12(b) below, a Project Agreement Member may withdraw from the Project by giving the Authority and all other Project Agreement Members written notice of such withdrawal not less than 180 days prior to the withdrawal date. Notwithstanding the foregoing withdrawal is conditioned upon the withdrawing Project Agreement Member's payment or agreement to pay its share of all Phase 2 Obligations authorized by the Authority and the Reservoir Committee prior to the effective date of such withdrawal. A withdrawing Project Agreement Member shall, not later than 30 days prior to the proposed withdrawal date, pay all such Project Agreement Member's financial obligations incurred prior to such withdrawal date pursuant to the terms of this Project Agreement or enter into an agreement acceptable to the Authority providing for continuing payment of such Phase 2 Obligations until fully paid.

(b) The Authority shall commence a rebalancing process no later than 90 days prior to the estimate date of completion of Phase 2A. Any Project Agreement Member may withdraw from the Project effective on the date of completion of Phase 2A by giving the Authority and all other Project Agreement Members written notice of such withdrawal not less than 60 days prior to the date of completion of Phase 2A. Notwithstanding the foregoing, withdrawal is conditioned upon the withdrawing Project Agreement Member's payment or agreement to pay its share of all Phase 2 Obligations issued to finance the cost of Phase 2A. A withdrawing Project Agreement Member shall, not later than 30 days prior to the estimated date of completion of Phase 2A, pay all such Project Agreement Member's financial obligations incurred with respect to Phase 2A prior to such withdrawal date pursuant to the terms of this Project Agreement or enter into an agreement acceptable to the Authority providing for continuing payment of such Phase 2 Obligations until fully paid.

(c) Withdrawal shall not excuse the withdrawing Project Agreement Member's performance of obligations imposed upon that party by any judgment which has been entered by a

court of competent jurisdiction or regulation to which the Authority or the Project Agreement Members are subject and that arise from or are related to activities of the Project Agreement conducted during the period when the withdrawing Project Agreement Member participated in this Project Agreement. Furthermore, the indemnification obligations and rights to contribution described in Section 10 of this Project Agreement shall survive a Project Agreement Member's withdrawal from this Project Agreement for activities under this Project Agreement conducted during the period when the withdrawing Project Agreement Member participated in this Project Agreement.

Section 13 Admission of New Project Agreement Members

Additional Members of the Authority and Non-Member Participating Parties may become Project Agreement Members upon (a) the affirmative vote of at least 75% of the total weighted vote as provided at Subsection 3(g) of the then-current Project Agreement Members, (b) the affirmative vote of at least 75% of the total number of Directors of the Authority and (c) the written approval of each Bond Trustee or Lender with respect to Phase 2 Obligations, to the extent such Bond Trustee or Lender has an approval right under its respective Financing Document, and upon such conditions as are fixed by such Project Agreement Members.

Section 14 Amendments

This Project Agreement may be amended only by a writing executed by the Authority, at least 75% of the total weighted vote as provided in Subsection 3(g) of the then-current Committee members and, if any Phase 2 Obligations are outstanding, the written approval of each Bond Trustee or Lender, to the extent such Bond Trustee or Lender has an approval right under its respective Financing Document.

Section 15 Assignment; Binding on Successors

Except as otherwise provided in this Project Agreement, the rights and duties of the Project Agreement Members may not be assigned or delegated without the written consent of the other Project Agreement Members and the Authority, which consent shall not be unreasonably withheld. Any attempt to assign or delegate such rights or duties in contravention of this Project Agreement shall be null and void. Project Agreement Members may assign and delegate their rights and duties under this Project Agreement to other Project Agreement Members, and they may assign, sell, trade, or exchange all or a fraction of the potential benefits (e.g. acre-feet of water supply, megawatt-hours of power) they expect to receive through their participation in this Project Agreement. Any approved assignment or delegation shall be consistent with the terms of any contracts, resolutions, indemnities and other obligations of the Authority then in effect. This Project Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Authority and the Project Agreement Members. Notwithstanding the foregoing, no such assignment shall be effective unless approval by each Bond Trustee or Lender with respect to Phase 2 Obligations to the extent such Bond Trustee or Lender has an approval right under its respective Financing Document.

The Authority may pledge and assign to any Bond Trustee or Lender all or any portion of the payments received under this Project Agreement from the Project Agreement Members and the Authority's other rights and interests under this Project Agreement. Such pledge and assignment by the Authority shall be made effective for such time as the Authority shall determine

and provide that the Bond Trustee or Lender shall have the power to enforce this Project Agreement if an Event of Default occurs under the applicable Financing Document.

Section 16 **Third Party Beneficiaries**

Any Bond Trustee or Lender shall have the right as a third party beneficiary to initiate and maintain suit to enforce this Project Agreement to the extent provided in any Financing Document. Any Project Agreement Member shall have the right as a third party beneficiary to initiate and maintain suit to enforce the obligations of other Project Agreement Members hereunder.

Section 17 **Counterparts**

This Project Agreement may be executed by the Authority and each Project Agreement Member in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Facsimile and electronic signatures shall be binding for all purposes.

Section 18 **Merger of Prior Agreements**

This Project Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understanding between the parties relating to the subject matter hereof. This Project Agreement is intended to implement, and should be interpreted consistent with, the Joint Powers Agreement.

Section 19 **Severability**

If one or more clauses, sentences, paragraphs or provisions of this Project Agreement shall be held to be unlawful, invalid or unenforceable, the remainder of the Project Agreement shall not be affected thereby.

Section 20 **Choice of Law**

This Project Agreement shall be governed by the laws of the State of California.

Section 21 **Notices**

Notices authorized or required to be given under this Project Agreement shall be in writing and shall be deemed to have been given when mailed, postage prepaid, or delivered during working hours, to the addresses set forth **Exhibit F** (“**Notifications**”), or to such other address as a Project Agreement Member may provide to the Authority and other Project Agreement Members from time to time.

IN WITNESS WHEREOF, the Authority and Project Agreement Members hereto, pursuant to resolutions duly and regularly adopted by their respective governing bodies, have caused their names to be affixed by their proper and respective officers on the date shown below:

Dated: _____

SITES PROJECT AUTHORITY

By: _____

Name:

Title:

[PROJECT AGREEMENT MEMBER]

Dated: _____

(Authority & Project Agreement Member)

By: _____

Name:

Title:

EXHIBIT A
PROJECT AGREEMENT MEMBERS
[TO COME FROM AUTHORITY]

EXHIBIT B

PHASE 2 PROJECT DESCRIPTION

[TO COME FROM AUTHORITY]

EXHIBIT C

INITIAL PHASE 2 OBLIGATION TERM SHEET

[TO COME FROM MDA]

EXHIBIT D

ALLOCATION OF PRINCIPAL OF INITIAL PHASE 2 OBLIGATIONS

[TO COME FROM MDA]

Project Agreement Member	Participating Percentage	Allocable Principal	Allocable Interest*	Bank and Other Fees**	Total
	%	\$	\$		\$
	100%	[\$350,000,000]	n/a		n/a

* Interest is expected to vary from time-to-time as described in the Term Sheet. Allocable interest shall equal a Project Agreement Member's Participation Percentage times actual interest paid in Phase 2 Obligations.

** Estimated; may vary.

EXHIBIT E

STEP-UP PROJECT AGREEMENT MEMBERS

[WORKING ASSUMPTION IS THAT ALL PROJECT AGREEMENT MEMBERS ARE STEP-UP
PROJECT AGREEMENT MEMBERS]

EXHIBIT F
NOTIFICATIONS
[TO COME FROM AUTHORITY]

EXHIBIT G

FORM OF OPINION OF PROJECT AGREEMENT
MEMBER COUNSEL

[This opinion shall be delivered upon execution of the Phase 2 Reservoir Project Agreement]

_____, 2018

Sites Project Authority
P.O. Box 517
Maxwell, California 95955

Ladies and Gentlemen:

We are acting as general counsel to the _____ (the "Project Agreement Member") under the Phase 2 Reservoir Project Agreement, dated as of _____, 2018 (the "Agreement"), among the Sites Project Authority (the "Authority") and certain other entities including the Project Agreement Member, and have acted as general counsel to the Project Agreement Member in connection with the matters referred to herein. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Project Agreement Member provided to us by the Project Agreement Member, (ii) certifications by officers of the Project Agreement Member, (iii) all necessary documentation of the Project Agreement Member relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Project Agreement Member, we are of the opinion that:

1. The Project Agreement Member is a _____, duly created, organized and existing under the laws of the State of California and duly qualified to furnish water services within its boundaries.

2. The Project Agreement Member has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Project Agreement Member has complied with the provisions of applicable law relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Project Agreement Member, is in full force and effect as to the Project Agreement Member in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the Authority has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such agreement, the Agreement constitutes the valid and binding obligation of the Project Agreement Member.

4. The obligation of the Project Agreement Member to make payments under the Agreement as provided in Section 6 of the Agreement is a valid legal and binding obligation of the Project Agreement Member enforceable in accordance with its terms.

5. No approval, consent or authorization of any governmental or public agency authority or person is required for the execution and delivery by the Project Agreement Member of the Agreement.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Project Agreement Member, any commitment, agreement or other instrument to which the Project Agreement Member is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Project Agreement Member (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Project Agreement Member and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Project Agreement Member or any entity affiliated with the Project Agreement Member or any of its officers in their respective capacities as such, which questions the power of the Project Agreement Member referred to in paragraph 2 above or the validity of the proceedings taken by the Project Agreement Member in connection with the authorization execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraphs 3 and 4 above are qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Site Project Authority. No other person is entitled to rely on this opinion, Nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

EXHIBIT H

FORM OF OPINION OF AUTHORITY SPECIAL COUNSEL

[This opinion shall be delivered upon execution of the Phase 2 Reservoir Project Agreement]

_____, 2018

Sites Project Authority
P.O. Box 517
Maxwell, California 95955

The Project Agreement Members Listed
on Exhibit A attached hereto

Ladies and Gentlemen:

We are special counsel to the Sites Project Authority (the “Authority”) and are familiar with the Phase 2 Reservoir Project Agreement, dated as of _____, 2018 (each, an “Agreement”), among the Authority and each of the entities identified on Exhibit A attached hereto (each a “Project Agreement Member”) in connection with the matters referred to herein. As special counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Authority provided to us by the Authority, (ii) certifications by officers of the Authority, (iii) all necessary documentation of the Authority relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Authority, we are of the opinion that:

1. The Authority is a joint exercise of powers agency duly created, organized, and existing under the laws of the State of California.
2. The Authority has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Authority has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Authority, is in full force and effect as to the Authority in accordance with its terms and subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that each Project Agreement Member has all requisite power and authority, and has taken all necessary action to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Authority

4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Authority of the Agreement.

5. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Authority, any commitment, agreement or other instrument to which the Authority is a party or by which it or its property is bound or affected, or, to the best of our knowledge, any ruling, regulation, ordinance, judgment, order or decree to which the Authority (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Authority and its affairs

6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Authority or any of its officers in their respective capacities as such, which questions the powers of the Authority referred to in paragraph 2 above or the validity of the proceedings taken by the Authority in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Authority and the Project Agreement Member. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Respectfully submitted,

EXHIBIT I

FORM OF PROJECT AGREEMENT MEMBER DIRECTION TO AUTHORITY TO PROVIDE
COPY OF BILLING STATEMENT TO DWR

Sites Project Authority
P.O. Box 517
Maxwell, California 95955

The undersigned, an authorized officer on behalf of [PROJECT AGREEMENT MEMBER] (the "Project Agreement Member"), authorizes and directs the Sites Project Authority (the "Authority") to furnish the California Department of Water Resources ("DWR") with a copy of each written statement of the estimated Phase 2 Costs with respect to the Project Agreement Member in accordance with Section 6.2 of the Phase 2 Reservoir Project Agreement, dated as of _____, 2018 (the "Agreement"), among the Authority and certain other entities including the Project Agreement Member, by mail or E-mail at the following address:

California Department of Water Resources
[P.O. Box 942836
Sacramento, CA 94236-0001]
Attention: _____
Email: _____

The Project Agreement Member acknowledges and agrees that the failure of DWR to make any payment on behalf of the Project Agreement Member does not affect the obligation of the Project Agreement Member in accordance with Section 6.2 of the Agreement, which obligation shall remain absolute.

Dated: _____, 2018

[PROJECT AGREEMENT MEMBER]

By: _____
Name:
Title:

SITES PROJECT PHASE 2 DRAW SCHEDULE

Month	Monthly Draw Amount	Cumulative Draw
	(\$)	(\$)
Mar-19	5,499,637	5,499,637
Apr-19	8,170,728	13,670,365
May-19	7,797,178	21,467,543
Jun-19	-	21,467,543
Jul-19	6,278,015	27,745,557
Aug-19	7,387,980	35,133,537
Sep-19	559,632	35,693,170
Oct-19	11,054,174	46,747,343
Nov-19	11,081,822	57,829,165
Dec-19	-	57,829,165
Jan-20	8,850,198	66,679,363
Feb-20	10,231,822	76,911,185
Mar-20	-	76,911,185
Apr-20	7,161,649	84,072,834
May-20	9,373,086	93,445,920
Jun-20	5,178,816	98,624,736
Jul-20	9,777,197	108,401,933
Aug-20	9,620,043	118,021,976
Sep-20	5,628,400	123,650,376
Oct-20	7,952,525	131,602,900
Nov-20	7,357,584	138,960,484
Dec-20	3,216,086	142,176,570
Jan-21	8,578,944	150,755,515
Feb-21	8,578,944	159,334,459
Mar-21	4,814,276	164,148,735
Apr-21	8,470,704	172,619,439
May-21	8,457,716	181,077,155
Jun-21	4,905,068	185,982,223
Jul-21	8,419,433	194,401,656
Aug-21	8,419,433	202,821,089
Sep-21	4,902,825	207,723,914
Oct-21	15,141,703	222,865,618
Nov-21	16,241,193	239,106,811
Dec-21	15,291,608	254,398,419
Jan-22	15,306,029	269,704,448
Feb-22	16,360,453	286,064,901
Mar-22	16,100,250	302,165,151
Apr-22	16,100,250	318,265,401
May-22	16,389,364	334,654,765
Jun-22	13,389,364	348,044,130



SITES PROJECT PHASE 2 PROFORMA

CASH FLOW REPORT 2019 to 2022 (\$)					
	2019	2020	2021	2022	Totals
Construction Fund Balance	\$ -	\$ 4,482,651	\$ 3,000,000	\$ 3,000,000	
Inflows					
Participant Interest Payments	2,793,281	4,986,486	7,003,566	4,797,935	19,581,268
Sate of California - Prop 1 Draws	12,160,325	15,203,121	12,636,553	-	40,000,000
Federal Government - WIIN Act Draws	21,835,613	8,164,387	-	-	30,000,000
Interim Loan Draws	57,829,165	84,347,405	112,221,849	93,645,710	348,044,130
Total Inflows	\$ 94,618,384	\$ 112,701,400	\$ 131,861,968	\$ 98,443,645	\$ 437,625,398
Expenses					
LOC Expense	2,793,281	4,986,486	7,003,566	4,797,935	19,581,268
Project/Program Administrative	113,565	155,111	176,026	89,333	534,036
Project/Program Management Functions	12,406,281	14,470,509	17,506,090	9,057,917	53,440,797
Ancillary & Support Functions	2,232,260	2,588,938	2,824,601	1,433,485	9,079,285
Engineering and Permits	69,069,825	87,581,569	99,319,004	82,169,466	338,139,864
Risk Mitigation Costs	3,520,521	4,401,437	5,032,680	3,895,508	16,850,147
Total Expenses	\$ 90,135,733	\$ 114,184,051	\$ 131,861,968	\$ 101,443,645	\$ 437,625,398
Net Revenues	\$ 4,482,651	\$ (1,482,651)	\$ -	\$ (3,000,000)	
Ending Balance	\$ 4,482,651	\$ 3,000,000	\$ 3,000,000	\$ (0)	

SITES PROJECT CASH FLOW REPORT 2019 to 2033 (\$millions)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Construction Fund Balance	\$ -	\$ 4	\$ 3	\$ 3	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 1	\$ -	\$ -	\$ -
Operating Fund	-	-	-	-	-	-	-	-	-	-	-	1	10	0	9
Beginning Balance	\$ -	\$ 4	\$ 3	\$ 3	\$ 10	\$ 2	\$ 10	\$ 0	\$ 9						
Revenue															
Interim Loan Costs	3	5	7	5	-	-	-	-	-	-	-	-	-	-	-
Fixed Capacity Charge	-	-	-	23	53	89	106	129	153	178	197	203	203	258	258
Fill & Release Cost Reimbursements	-	-	-	-	-	-	-	-	-	-	11	27	30	31	32
Power Generation Revenue	-	-	-	-	-	-	-	-	-	-	-	-	5	23	24
Total Revenues	\$ 3	\$ 5	\$ 7	\$ 27	\$ 53	\$ 89	\$ 106	\$ 129	\$ 153	\$ 178	\$ 208	\$ 230	\$ 238	\$ 312	\$ 313
Inflows															
Prop 1 Draws	12	15	13	38	99	115	143	101	103	123	108	30	-	-	-
WIIN Act Draws	22	8	-	44	220	225	205	200	204	209	214	64	-	-	-
LOC Draws	58	84	112	94	-	-	-	-	-	-	32	-	-	-	-
Long Term Debt Funds	-	-	-	636	535	531	400	466	476	469	458	3	-	-	-
Funds on Deposit Interest Earnings	-	-	-	-	-	-	-	-	-	-	-	2	5	5	5
Total Inflows	\$ 92	\$ 108	\$ 125	\$ 812	\$ 854	\$ 871	\$ 749	\$ 766	\$ 784	\$ 802	\$ 812	\$ 99	\$ 5	\$ 5	\$ 5
Total Revenues & Inflows	\$ 95	\$ 113	\$ 132	\$ 839	\$ 908	\$ 959	\$ 855	\$ 896	\$ 937	\$ 980	\$ 1,020	\$ 329	\$ 243	\$ 317	\$ 319
Expenses															
LOC Expense	3	5	7	353	-	-	-	-	-	-	-	-	-	-	-
Pre Construction Expenses	84	105	120	93	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	326	788	821	704	721	738	755	773	31	-	-	-
Risk Mitigation Costs	4	4	5	38	66	50	45	45	46	47	47	9	-	-	-
O&M	-	-	-	-	-	-	-	-	-	-	2	9	9	9	9
Fill O&M Cost	-	-	-	-	-	-	-	-	-	-	1	5	5	5	5
Fill Pumping Costs	-	-	-	-	-	-	-	-	-	-	3	18	18	19	19
Fill Wheeling Costs	-	-	-	-	-	-	-	-	-	-	2	12	12	12	13
A&G	-	-	-	-	-	-	-	-	-	-	1	6	6	6	6
Total Expenses	\$ 90	\$ 114	\$ 132	\$ 809	\$ 854	\$ 871	\$ 749	\$ 766	\$ 784	\$ 802	\$ 831	\$ 88	\$ 50	\$ 51	\$ 52
Net Revenues	\$ 4	\$ (1)	\$ -	\$ 30	\$ 53	\$ 89	\$ 106	\$ 129	\$ 153	\$ 178	\$ 189	\$ 241	\$ 193	\$ 266	\$ 266
Debt Service															
Debt Service - Proposed Bonds	-	-	-	23	53	89	106	129	153	178	197	203	203	258	258
Net Debt Service	\$ -	\$ -	\$ -	\$ 23	\$ 53	\$ 89	\$ 106	\$ 129	\$ 153	\$ 178	\$ 197	\$ 203	\$ 203	\$ 258	\$ 258
Net Revenues After Debt Service	\$ 4	\$ (1)	\$ -	\$ 7	\$ 0	\$ -	\$ (8)	\$ 38	\$ (10)	\$ 8	\$ 9				
Return Excess to Participants	-	-	-	-	-	-	-	-	-	-	-	30	-	-	7
Ending Balance	\$ 4	\$ 3	\$ 3	\$ 10	\$ 2	\$ 10	\$ 0	\$ 9	\$ 10						

MODELING ASSUMPTIONS

- A. Interim Financing (LOC) costs
 - a. Average interest rate = 3%
 - b. Unutilized fee = 75 bps

- B. Revenue bond financing
 - a. Interest rate = 5%
 - b. Cost of Issuance for each series projected to be \$750k
 - c. Underwriters discount assumed at \$5,000/bond
 - d. Bonds issued annually as needed to support \$800 million/year construction costs with interest-only payments made until reservoir completion in 2032, then amortized with final payment in 2061
 - e. Semi-annual interest payments in Jun/Dec, principal payments in Dec
 - f. Debt Service Reserve Fund (DSRF) at 50% of Maximum Annual Debt Service
 - g. Funds on deposit in the DSRF assumed to earn at a 4% interest rate

- C. Construction Costs were estimated in 2018\$ at \$5.5 billion, escalating to \$6.5 billion in year of expenditure
 - a. Pre-construction costs escalated at 1.5% (based on index from Bureau of Labor Statistics (BLS))
 - b. Construction costs escalated at 15%/7 yrs (industry standard for projects of this type)
 - c. Risk mitigation analysis conducted to account for possible construction delays and included in costs estimates
 - d. Environmental mitigation costs included in cost estimates
 - e. Funds on deposit awaiting disbursement for construction expenses are assumed to earn at a 2% interest rate

- D. Operational Assumptions
 - a. Midrange Hydrology of Sacramento Valley used based on outputs from CALSIM modeling (CALSIM is a joint project of California Department of Water Resources and the Federal Bureau of Reclamation to estimate water flows on the State Water Project and the Central Valley Project)
 - b. Costs estimated for Administrative and General (A&G) costs, and Operation & Maintenance (O&M) costs to fill the reservoir (Fill O&M, Fill Wheeling) were escalated based on indices from BLS and were approximately 2%/year
 - c. Pumping costs to fill the reservoir and electrical generation revenue when water is released were escalated based on review of New York Mercantile Exchange (NYMEX) forward purchase curves for the Norther California electrical market and were determined conservatively to be 2%/year. Electric generation revenue is based on optimization of the project's use as a pump storage facility.
 - d. Funds on deposit during the operations to maintain cash flows are assumed to earn at a 2% interest rate.