

[Note: The Benefits and Obligations Contract is being provided as a draft, and the terms reflected in this draft remain subject to further revision and negotiation among the parties involved.]

**Draft Sites Reservoir Benefits & Obligations
Contract
Among
Participants, Acquirer and Sites Authority**

Dated as of [____], 2025

[Board Report Draft: April 15, 2025]



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Draft Sites Reservoir Benefits & Obligations Contract Between the Sites Authority, each Participant in Appendix 2 and the Acquirer

This Sites Reservoir Benefits & Obligations Contract (this “**Contract**”), among the Participants listed in Appendix 2, the Acquirer and the Sites Project Authority (“**Sites Authority**”), sets forth the rights and obligations of the Parties with respect to the Project. Unless the context otherwise requires, capitalized acronyms, abbreviations and terms used in this Contract shall have the meanings given in Appendix 1.

RECITALS

A. The Sites Authority is a California Joint Powers Authority operating under and by virtue of Section 6500 et seq., of the California Government Code and formed in accordance with the Sites Authority JPA Agreement. The Sites Authority was established for the purpose of designing, constructing, owning, operating and maintaining the Project. The JPA Agreement together with the Phase 3-4-5 Bylaws are in full force and effect as at or prior to the date of this Contract.

B. The Project Facilities consist of Sites Owned Facilities and Partner Facilities.

C. In compliance with the California Environmental Quality Act (“**CEQA**”) and its implementing guidelines, the Sites Authority released a Final Environmental Impact Report (“**Final EIR**”) for the Project on November 2, 2023. The Sites Authority certified the Final EIR and adopted the Project with Board Resolution 2023-02 at its November 17, 2023 meeting.

D. Subject to compliance with Applicable Law and Governmental Approvals (including CEQA and NEPA), the Sites Authority intends to, (i) design and construct the Sites Owned Facilities and certain other facilities, (ii) own the Project Assets, excluding the Partner Facilities,, (iii) operate and maintain the Sites Owned Facilities; and (iv) contract with certain entities for the use, operations and maintenance of and improvements to and conveyance through existing Partner Facilities, in each case, for the benefit of the Storage Partners and in accordance with this Contract.

E. The Sites Authority will grant each Storage Partner, and each Storage Partner will own a Base Facilities Capacity Interest. Each Participant will receive certain benefits and have certain obligations in accordance with this Contract. Storage Partners who request it, will also be granted a Downstream Facilities Capacity Share in accordance with this Contract.

F. The Sites Authority expects to obtain the Sites Water Right and will provide water service to the Participants in accordance with this Contract and in accordance with the direction of the Participants, consistent with Section 4.12 of this Contract.

G. DWR will acquire Sites Water on behalf of the SWP Participants as the Acquirer and convey Sites Water through the State Water Project Facilities as further described in Section 1.3 of this Contract.

H. The Sites Authority intends to enter into certain agreements and contracts with State and Federal agencies pursuant to which the State and Reclamation will receive certain benefits (including water service) and have certain obligations related to the Project. These include the (i) Reclamation Partnership Agreement (i) State and Federal Operations Agreement; (iii) Public

Benefits Agreements with State Agencies; and (iv) Proposition 1 Water Storage Investment Program Contract with the California Water Commission.

In consideration of the above Recitals and of the mutual promises and agreements contained in this Contract, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

SECTION 1. CONTRACT APPLICABILITY; DEFINITIONS AND INTERPRETATION

1.1 Contract and Relationship with JPA Agreement

1.1.1 This Contract means the contractual relationship among the Parties:

(a) for Self-Funding Participants, constituted by:

(i) this Contract and all Appendices and Exhibits (excluding Section 5.3 and Appendix 7 except to the extent set out in Section 1.1.1(a)(iii));

(ii) Section 5.5 only to the extent that a Participant satisfies all or a portion of its Fixed Project Cost Funding Obligations through Self-Funding Participant Cash Payments, and then only for the term of any payments for Fixed Project Costs using proceeds from such Self-Funding Participant Cash Payments; and

(iii) the applicable payment appendix in Appendix 7A, Appendix 7B or Appendix 7C, identified for each Participant in the Project Specific Information; or

(b) for Financing Participants constituted by:

(i) this Contract and all Appendices and Exhibits (excluding Section 5.5 and Appendix 7 except to the extent set out in Section 1.1.1(a)(iii));

(ii) Section 5.3 only to the extent that it satisfies all or a portion of its Fixed Project Cost Funding Obligations through participation in a Sites Financing. With respect to a Financing Participant, the terms of Section 5.3 are not in effect at such times as there is no outstanding Sites Financing or the Sites Authority is not in the process of entering into a Sites Financing in which such Participant is or will be participating; and

(iii) the applicable payment appendix in Appendix 7A, Appendix 7B or Appendix 7C, identified for each Participant in the Project Specific Information.

1.1.2 Where the Sites Authority or the Sites Authority Board is authorized to take actions with respect to the Project under this Contract, such authorization extends to any committee of the Sites Authority to the extent such responsibility for such actions have been lawfully delegated to such committee by the Sites Authority Bylaws or by an action of the Sites Authority Board.

1.1.3 The Sites Authority Bylaws, the JPA Agreement and this Contract are to be interpreted in a manner that attempts to reconcile each with one another and affords the terms of each the fullest possible effect. In no event shall any such interpretation be predicated upon arbitrary, capricious, or unreasonable opinions or determinations. If there is an ambiguity, discrepancy, inconsistency or conflict between this Contract and the JPA Agreement or the Sites

Authority Bylaws, then subject to Section 1.1.4, the following order of precedence from highest to lowest shall apply:

- (a) this Contract;
- (b) the Sites Authority Bylaws; and
- (c) the JPA Agreement.

1.1.4 The Sites Authority Board, each Participant and the Acquirer shall undertake prompt and good faith efforts to eliminate any ambiguity, discrepancy, inconsistency or conflict that may exist or arise among the documents described in Section 1.1.3 in a manner consistent with the governance structure for the Project described in Section 4.12.

1.2 Interpretation

In this Contract, unless the context otherwise requires:

- 1.2.1 the singular includes the plural and vice versa;
- 1.2.2 references to statutes or regulations include all statutory or regulatory provisions consolidating, amending or replacing the statute or regulation referred to;
- 1.2.3 the words “including,” “includes” and “include” are deemed to be followed by the words “without limitation”;
- 1.2.4 a reference to a Section is a reference to a Section of this Contract;
- 1.2.5 a reference to any entity includes such entity’s successors and permitted substitutes and assigns; and
- 1.2.6 words of any gender used in this Contract shall include each other gender where appropriate.

1.3 Role of State of California in Project

- 1.3.1 By entering into this Contract:
 - (a) DWR agrees to fulfill the role of Acquirer on behalf of the SWP Participants and perform the obligations set out in this Contract provided that DWR’s financial obligations under this Contract are limited to funding provided to it by the SWP Participants;
 - (b) DWR will acquire Sites Water on behalf of the SWP Participants and convey Sites Water through the State Water Project Facilities, under separate agreement(s), for delivery, as required by the SWP Participants and approved by DWR;
 - (c) DWR will be an ex-officio member of the Sites Authority per California Water Code Section 79759;

- (d) DWR will coordinate with Sites Authority and SWP Participants on scheduling and approval of any delivery of Sites Water in accordance with such Participants' respective contracts with DWR; and
- (e) DWR may convey Water through the State Water Project Facilities in accordance with applicable contracts with DWR.

1.3.2 DWR is a State agency within the California Natural Resources Agency responsible for owning, constructing, operating and maintaining the State Water Project Facilities and oversees these storage and conveyance facilities located throughout California. Acting under its State Water Project authorities, DWR may participate in water rights proceedings involving the Project or enter into contracts with the Sites Authority, and this Contract does not affect or limit DWR's ability to engage in these activities.

1.3.3 DWR also has the responsibility under Proposition 1 in California Water Code to enter into Public Benefit Agreements, including with the Sites Authority, provided certain requirements are satisfied. The responsibilities to enter into Public Benefits Agreements are separate from DWR's role as an ex-officio member of the Sites Authority, and this Contract neither constitutes a Public Benefit Agreement nor affects DWR's ability to enter into such agreements.

1.3.4 DWR has other responsibilities under State law for water management in the State, including relating to flood management and dam safety, that may relate to the Project, and this Contract does not affect or limit DWR's responsibilities under these laws.

1.3.5 Except where the Acquirer has a right, obligation or liability expressly stated in this Contract, DWR shall have no rights, obligations or liabilities under this Contract.

1.4 Colusa County / Sites Authority MOU

This Contract incorporates in the Colusa County / Sites Authority MOU in its entirety by reference.

SECTION 2. TERM; PRIOR AGREEMENTS; RESERVOIR MANAGEMENT BOARD; PAYMENT APPENDICES

2.1 Term

2.1.1 This Contract shall take effect upon:

(a) due execution of:

(i) the Contract by each of the Participants and the Acquirer; and

(ii) State and Federal Contracts by the Sites Authority, Reclamation and the

State,

collectively representing Capacity Interests equal to 100% of the Capacity Interest in Base Facilities and 100% of the Capacity Interest in Downstream Facilities;

(b) delivery to the Sites Authority by each Participant and the Acquirer of (i) an opinion from an attorney or firm of attorneys in substantially the applicable form attached as Appendix 5-1 or Appendix 5-2 and authorization as required by Section 15.13;

and (ii) an executed version of the Payment Appendix applicable to such Participant in substantially the form attached as Appendix 7A, Appendix 7B or Appendix 7C (as applicable); and

- (c) due execution by the Sites Authority of this Contract and delivery to such Participants of an opinion for the Sites Authority of special counsel and general counsel to the Sites Authority, in substantially the form of Appendix 6.

2.1.2 This Contract shall:

- (a) be dated and commence as of the signature and delivery date of the last executing and delivering Participant under Section 2.1.1 (the “**Effective Date**”); and
- (b) as to each Participant and the Acquirer, and subject to the terms and conditions of the Sites Authority Bylaws and this Contract, continue for so long as each of that Participant and the Sites Authority continue to have their obligations under this Contract.

2.1.3 Section 1, Section 2, Section 3.4, Section Error! Reference source not found., REF Ref167437017 \w \h * MERGEFORMAT Section 4, Section 5, Section 6, Section 7, Section 8, Section 9, Section 10, Section 11, Section 12, Section 13, Section 14 and Section 15 of this Contract shall be perpetual unless terminated in accordance with this Contract. Section 3.1, Section 3.2, and Section 3.3 shall be in effect until Completion.

2.2 Notwithstanding the Effective Date of this Contract being fixed on the date that all Participants, the Acquirer, the Sites Authority, Reclamation and the State (in their capacities as signatories to the State and Federal Contracts), have complied with Section 2.1.2, it is agreed by each Participant that in consideration for the Sites Authority's signature to this Contract, and for its commitment to use its best efforts to obtain the commitment of all Participants, the State and Reclamation (in their capacities as signatories to the State and Federal Contracts), to the Project, each Participant upon its execution and delivery of this Contract to the Sites Authority along with the required authorization and opinion described in Section 15.13 and any required evidence of compliance as required by Section 2.1.1 shall be immediately bound not to withdraw its respective offer made to enter into this Contract as executed and/or supplemented or to decrease or terminate its Capacity Interest and Share for a period of 180 days from the date of the execution of this Contract by such Participant.

2.3 Prior Agreements

2.3.1 All Interim Agreements are terminated and of no further force and effect upon the Effective Date and all obligations identified in the Interim Agreements have been fulfilled. Such Interim Agreements shall have no force or effect on this Contract or the construction, and operation of the Project, including its governance.

2.3.2 Any unexpended funds made available to the Sites Authority in accordance with such Interim Agreements shall be transferred into the Revenue Fund and credited by the Sites Authority to amounts payable by applicable Storage Partners under this Contract for their respective Fixed Project Costs.

2.4 Reservoir Management Board

By executing this Contract, each Participant shall (i) become a member of the Reservoir Management Board, and (ii) actively participate in the Reservoir Management Board, or shall appoint a representative to participate in the Reservoir Management Board on behalf of such Participant, each in accordance with the JPA Agreement and the Sites Authority Bylaws.

2.5 Payment Appendices

2.5.1 Subject to Section 2.5.2, if at any time a Participant elects to change its source of payment for Fixed Project Costs which election shall be subject to the Sites Authority's approval, in its reasonable discretion, such Participant shall provide to the Sites Authority an executed version of the applicable Payment Appendix reflecting such change.

2.5.2 If any Project Obligation under a Financing Agreement is outstanding (but only to the extent required under such Financing Agreement), a Participant's election to change its source of payment for Fixed Project Costs shall be subject to the terms of such Financing Agreement, including the right of the applicable Lender to consent to such change, if any.

SECTION 3. PROVISIONS APPLICABLE TO DEVELOPMENT, CONSTRUCTION AND OWNERSHIP

3.1 Obligation of the Sites Authority to Construct and Complete the Project

3.1.1 Subject to compliance with all Applicable Law and Governmental Approvals, the Sites Authority agrees to use commercially reasonable efforts to construct and complete the Project in accordance with the Approved Design Documents, provided that (i) each Participant provides its share of all required funding under this Contract; (ii) the Sites Authority is not prohibited by Applicable Law from proceeding; and (iii) the Sites Authority and the Reservoir Management Board have not mutually determined the Project to be infeasible and impractical in accordance with Section 4.12.

3.1.2 By this Contract taking effect and the Sites Authority accepting payments from Participants and the Acquirer, the Sites Authority does not warrant that it will construct and achieve Completion.

3.2 Conditions Precedent to Construction

[Note to Participants: The list of conditions precedent may be revised closer to execution of the Contract.]

3.2.1 Subject to Section 3.2.2, the Sites Authority shall commence construction, through execution of a Construction Contract of all or a portion of the Project, upon satisfaction of the following conditions:

- (a) the Sites Authority Board's execution of the Construction Contract, provided such action is permitted under Applicable Law, Governmental Approvals [and any necessary Partner Agreements]; and
- (b) receipt by the Sites Authority of (i) a certified resolution of the Reservoir Management Board confirming commencement of all or a portion of construction under that Construction Contract; and (ii) Governmental Approvals [and any

necessary Partner Agreements] required to commence all or a portion of construction by the Sites Authority.

3.2.2 Where the total cost of construction authorized by the Board under one or any combination of construction contracts will exceed \$500,000,000, the Reservoir Management Board shall provide a one time certified resolution authorizing further construction of the Project in accordance with the Sites Authority Bylaws before further construction may proceed.

3.2.3 The conditions precedent to construction in Section 3.2.1 are solely for the benefit of the Sites Authority. Such conditions precedent to construction may be waived (a) in whole or in part by action taken by each of the Sites Authority Board and the Reservoir Management Board, and (b) with or without conditions by the Sites Authority Board and Reservoir Management Board, and (c) without any action of the governing body of any individual Participant.

3.3 Construction Progress Reports

The Sites Authority will provide Participants and the Acquirer with construction progress reports in a form and substance approved by the Reservoir Management Board.

3.4 Ownership of Project Assets

Subject to Section **Error! Reference source not found.**, the Sites Authority shall own all Project Assets (excluding the Partner Facilities).

3.5 Base Facilities Capacity Interest

The Sites Authority hereby grants to each Participant, and each Participant shall own, a Base Facilities Capacity Interest in the amounts described in the Project Specific Information and otherwise in accordance with this Contract.

3.6 Downstream Facilities Capacity Share

The Sites Authority shall allocate to each Participant who requests to participate in the funding and use of Downstream Facilities, a Downstream Facilities Capacity Share in the amounts described in the Project Specific Information and otherwise in accordance with this Contract.

3.7 Updates to Project Specific Information and Sites Operations Plan

3.7.1 The Parties agree that the Project Specific Information and the Sites Operations Plan may be updated from time to time to reflect changes or issues impacting the Project without amending the terms of this Contract.

3.7.2 No less frequently than annually, the Sites Authority will update:

- (a) the Project Specific Information to reflect (i) any changes in each Storage Partner's Capacity Interest and Share percentage as a result of sale or acquisition of Base Facilities Capacity Interest and change, if any, in Downstream Capacity Share resulting from such sale or acquisition in accordance with Section 8, any acquisition or disposition of Base Facilities Capacity Interest in accordance with

Section 10, or any other changes in Capacity Interest and Share in accordance with this Contract; and (ii) other changes to the Project Specific Information to reflect changes or issues impacting the Project; and

- (b) Appendix 8 to reflect changes, if any, to the Sites Operations Plan made in the prior year.

SECTION 4. PROVISIONS APPLICABLE TO OPERATIONS AND MAINTENANCE

4.1 Obligation of the Sites Authority to Operate and Maintain the Project

4.1.1 Subject to compliance with all Applicable Law and Governmental Approvals, the Sites Authority agrees to diligently operate and maintain the Project Facilities in accordance with the Sites Operations Plan and Good Industry Practice, provided that (i) the Participants and the Acquirer provide all funding required under this Contract for operations and maintenance; and (ii) the Sites Authority and the Reservoir Management Board have not mutually determined the continued operation of the Project is infeasible and impractical.

4.1.2 The Sites Authority shall protect the Sites Water Right and manage, control and protect Sites Water in accordance with Good Industry Practice. The Parties agree that maximizing diversions and beneficial use under the Sites Water Right is in the best interest of all Parties. Subject to compliance with all Applicable Law, Governmental Approvals, Good Industry Practice and Section 8, the Sites Authority and the Participants agree to take reasonable steps to optimize the diversion and beneficial use of Sites Water.

4.2 Sites Operations Plan

4.2.1 Each Participant and the Acquirer acknowledges and understands that the storage and conveyance of Water through the Project Facilities consistent with each Storage Partner's Capacity Interest and Share will be implemented in accordance with the Sites Operations Plan.

4.2.2 The initial form of the Sites Operations Plan approved by the Reservoir Management Board and the Sites Authority (as applicable) in accordance with the Sites Authority Bylaws is included as Appendix 8. Following a change to the Sites Operations Plan in accordance with Section 4.2.4, the updated Sites Operations Plan will be attached to this Contract in accordance with Section 3.6.

4.2.3 The Sites Operations Plan is intended to implement and provide detail to the terms of this Contract and shall not modify or amend this Contract in a manner that results in a material adverse effect on a Participant's rights under this Contract or the State or Federal Contracts (as applicable) to control its respective Base Facilities Capacity Interests, or its ability to have Sites Water diverted into, stored in, or released through the Project Facilities on a pro-rata and substantially similar basis with other Storage Partners taking into account each Storage Partner's Base Facilities Capacity Interest. In the event of any inconsistency between the Sites Operations Plan and this Contract, the terms of this Contract shall prevail.

4.2.4 Subject to the Sites Authority Bylaws and the JPA Agreement, changes to the Sites Operations Plan are subject to approval by the Reservoir Management Board and the Sites Authority (as applicable) as described in the Sites Authority Bylaws. Prior to any such approval, the prior version of the Sites Operations Plan shall remain in full force and effect.

4.3 Use of Capacity Interest and Share

Each Participant acknowledges and agrees:

4.3.1 that its Capacity Interest and Share shall only be used for the storage and conveyance of Sites Water, or storage and conveyance of Other Water which may be stored in and conveyed through the Project Facilities in accordance with Applicable Law, Governmental Approvals and the Sites Operations Plan;

4.3.2 that except as set out in Section 8, it may not use another Storage Partner's Capacity Interest and Share for the storage and conveyance of Sites Water or Other Water, provided that Storage Partners with unused conveyance capacity shall permit other Storage Partners to use such unused conveyance capacity in accordance with Applicable Law, Governmental Approvals and the Sites Operations Plan;

4.3.3 that it shall utilize Sites Water in accordance with Applicable Law and Governmental Approvals and shall timely provide any information the Sites Authority may need to comply with Applicable Law and Governmental Approvals as described in the Sites Operations Plan; a

4.3.4 that it shall make reasonable efforts to optimize diversion and beneficial use of Sites Water during the Sites Water Right Development Period and shall not interfere with the Sites Authority's efforts to optimize diversion and beneficial use of Sites Water during the Sites Water Right Development Period;

4.3.5 Storage Partners who hold a Downstream Facilities Capacity Share have first priority to use the Downstream Facilities as described in the Operations Plan; and

4.3.6 Storage Partners who do not hold a Downstream Facilities Capacity Share shall have second priority to use of the Downstream Facilities as described in the Operations Plan.

4.4 Storage and Release of Sites Water

4.4.1 Subject to Applicable Laws and Governmental Approvals, the diversion of Sites Water to storage will take priority over the release of Water. Sites Water diverted by the Sites Authority will be allocated to Storage Partners in Sites Reservoir based on each Storage Partner's Base Facilities Capacity Interest up to the Storage Partner's Storage Allocation, including any Storage Allocation leased, or acquired by such Storage Partner in accordance with Section 8 of this Contract. If a Storage Partner's Storage Allocation is not available or is full, then diverted Sites Water will be allocated to the remaining Storage Partners who have available Storage Allocation in proportion to their Storage Allocation. Notwithstanding the foregoing, Sites Water originating from Funks Creek and its tributaries, Stone Corral Creek and its tributaries, and the watershed of Sites Reservoir shall be allocated consistent with the Colusa County/Sites Authority MOU.

4.4.2 In accordance with the timing and process described in the Sites Operations Plan and Section 4.3, each Participant shall provide the Sites Authority with (i) a projected request for Sites Water the Participant seeks to have stored in the Project ("**Storage Opportunity Request Form**"), which, when added to such Participant's Stored Water, shall not exceed the sum of (a) that Participant's Storage Allocation; and (b) any other Storage Allocation shared, leased or

acquired by such Participant in accordance with Section 8 of this Contract; and (ii) a projected schedule for releases of such Participant's Stored Water ("**Release Request Form**").

4.4.3 Upon receipt of each Participant's Storage Opportunity Request Form, Release Request Form, and any other forms required in the Sites Operations Plan, the Sites Authority will review each Participant's proposed schedules and make necessary modifications in the manner provided in the Sites Operations Plan to ensure that the amounts, times, and rates of delivery of Sites Water to the Participant will be consistent with the Participant's Capacity Interest and Share, Storage Partner's Stored Water, Storage Allocation and the Sites Authority's overall delivery ability, considering the then current delivery schedules of all Storage Partners. The Sites Authority will not unreasonably withhold any decisions made pursuant to this subsection and will not make a decision that results in a material adverse effect on a Storage Partner's rights under this Contract or the State and Federal Contracts (as applicable) to control its Capacity Interest and Share, or its ability to have Water diverted into, stored in, or released through the Project Facilities in accordance with its Capacity Interest and Share on a pro-rata and substantially similar basis with other Storage Partners.

4.4.4 All Storage Partners shall bear the risk of loss of Sites Water and any shortfall or reduction in Sites Water as set out in the Sites Operations Plan.

4.4.5 The Project provides water supply and water supply related environmental benefits, including water quality benefits, as well as flood control, recreation, and power generation benefits. The Project will be operated so as to maximize the water supply and water supply related environmental benefits while continuing to provide the flood control and recreational benefits.

4.5 Other Water

4.5.1 Subject to Applicable Law and Governmental Approvals, all Storage Partners may store Other Water in, or convey Other Water by use of the Storage Partner's respective Capacity Interest and Share in the Project Facilities as described in the Sites Authority Bylaws. The use of Project Facilities for Other Water must not negatively impact other Storage Partners' rights as set forth in this Contract or the State and Federal Contracts (as applicable), and shall be subject to the approvals as described in the Sites Authority Bylaws, and such approval shall not be unreasonably withheld. Any costs to the Sites Authority associated with Other Water shall follow Beneficiary Pays Principles, including if the Sites Authority is required to take actions to comply with Applicable Law or obtain or modify any new or existing Governmental Approvals.

4.5.2 The diversion and conveyance of Sites Water into Sites Reservoir will be prioritized over the diversion and conveyance of Other Water into Sites Reservoir.

4.5.3 Other Water shall accrue losses in a substantially similar manner as Sites Water and the Storage Partner seeking to store or convey Other Water shall bear the risk of loss of the Other Water and any shortfall or reduction in Other Water.

4.6 Release of Water

4.6.1 The Delivery Point for Water shall be either Funks Reservoir or the Terminal Regulating Reservoir. The Sites Authority's obligations and responsibilities for Water terminate at the Delivery Point.

4.6.2 The Sites Authority will convey released Water through Project Facilities in accordance with the Sites Operations Plan. Storage Partners will specify a Secondary Delivery Point(s) in their respective Release Request Form as described in the Sites Operations Plan. The Sites Authority may take actions reasonably practicable to assist Participants in conveying their Water to a Secondary Delivery Point(s). Such actions taken by the Sites Authority are subject to Applicable Law, Governmental Approvals and Partner Agreements and Section 4.1.1(i). Participants shall bear all costs (monetary or otherwise), the risk of loss and any shortfall or reduction in Water between the Delivery Point and the Secondary Delivery Point(s). Any costs borne by the Sites Authority associated with delivering Water to the Secondary Delivery Point shall follow Beneficiary Pays Principles.

4.6.3 In the event that requests by Storage Partners for the conveyance of Water to, or release of Water from, the Project exceed available conveyance capacity at any Project Facilities, such request will be considered and determined by the Sites Authority in accordance with the Sites Operations Plan; provided that Storage Partners have a right to use facilities necessary to convey Water to the Delivery Point in proportion to their Base Facility Capacity Interest; and to Downstream Facilities in proportion to their Downstream Facilities Capacity Share.

4.6.4 The Sites Authority may temporarily discontinue or reduce the conveyance of Water to, and release of Water from, the Project Facilities as described in the Sites Operations Plan.

4.6.5 The Participant shall indemnify the Sites Authority, its directors, officers, employees, agents, and assigns on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising in connection with the control, carriage, handling, use, disposal, or distribution of Water beyond the Delivery Point, except for any damage or claim arising in connection with (i) acts or omissions of the Sites Authority or any of its directors, officers, employees, agents, and assigns with the intent of creating the situation resulting in any damage or claim; (ii) willful misconduct of the Sites Authority or any of its directors, officers, employees, agents, and assigns; (iii) negligence of the Sites Authority or directors, officers, employees, agents, and assigns; (iv) damage or claims resulting from a malfunction of Project Asset.

4.7 Power Generation

To the extent power, energy or other services are generated by Project Facilities, sales of such power, energy and all other services will be managed by the Sites Authority. Any revenues received by the Sites Authority for the sale or other disposition of power, energy or other services shall be used to offset Variable O&M Costs, and to the extent that such revenues exceed Variable O&M Costs in a Fiscal Year, any remaining revenues will be used to offset Fixed O&M Costs. Any such revenues will be allocated by the Sites Authority to Storage Partners in proportion to the amount of Water released on behalf of the Storage Partners during the Fiscal Year.

The Parties acknowledge and agree that the release of Water has a higher priority than the generation of power by Project Facilities and power generation is not guaranteed to Storage Partners with the release of Water.

4.8 Entry and Inspection

The Sites Authority and the Participants each agree that Participants shall be allowed, at reasonable times and upon reasonable prior notice, and at the Participant's expense, to enter onto the Sites Owned Facilities for reasonable purposes (including dam safety), in accordance with the Sites Authority's reasonable safety regulations and policies and subject to Applicable Law and Governmental Approvals.

4.9 Measurement of Water

The Sites Authority shall measure, or cause to be measured, Water and shall keep and maintain accurate and complete records of diversions, storage and release of Water in accordance with the Sites Operations Plan.

4.10 Excused Performance

4.10.1 Upon the occurrence of an event of Force Majeure, (a) the Sites Authority shall be excused from its obligations under this Contract for the period during which it is unable to comply with such obligations as a result of such event of Force Majeure, and (b) the Participants and the Acquirer shall be excused from their obligations under this Contract for the period during which they are unable to comply with such obligations as a result of the event of Force Majeure, other than the payment of Project Costs described in Section 6 of this Contract, which obligations are not subject to reduction or abatement.

4.10.2 Any excuse of obligations in accordance with this Section 4.10 is subject to the proviso that, upon obtaining knowledge of an event of Force Majeure, such Party: (a) promptly notifies the Sites Authority and/or the other Party or Parties of the event of Force Majeure; (b) provides reasonable details and updates relating to such event of Force Majeure; and (c) implements mitigation measures to the extent commercially reasonable.

4.11 Shortages and Water Quality

4.11.1 If for any reason other than those described in Section 4.10 there is a reduction in the Sites Water diversions or releases or other circumstances, which, notwithstanding preventive or remedial measures that the Sites Authority may or may not take in its sole discretion, threatens a permanent shortage in the supply of Sites Water to be made available to the Storage Partners, the Sites Authority will adjust the storage, diversion and release of Sites Water in accordance with the relevant Capacity Interest and Share.

4.11.2 Neither the Sites Authority nor any of its directors, officers, agents, or employees shall be liable for any damage, direct or indirect, arising from the shortages in the amount of Water to be made available to the Participants under this Contract caused by non-availability of Water to the Sites Authority under the Sites Water Right (as applicable to Sites Water), Applicable Law, Governmental Approval or caused by drought, or any other cause beyond the Sites Authority's control.

4.11.3 The Sites Authority makes no representation, warranty or guarantee of the quality of Water delivered under this Contract.

4.12 Governance

4.12.1 The Parties agree that:

- (a) the Sites Authority Board has reserved certain powers, as described in the JPA Agreement;
- (b) the Reservoir Management Board has been delegated exclusive decision-making authority for specified activities, as described in the Sites Authority Bylaws, which shall not be amended without approval of the Reservoir Management Board;
- (c) the Sites Authority and the Reservoir Management Board have shared decision-making authority for specified activities, as described in the Sites Authority Bylaws;
- (d) the Sites Authority Bylaws and the JPA Agreement set out voting procedures for amendment thereof that shall be complied with by all Parties; and
- (e) any Participant shall have the option to serve as an Associate Member of the Sites Authority Board, subject to the rights and limitations set forth in the Sites Authority Bylaws.

4.13 Compliance with Partner Agreements

In performing its obligations under this Contract, the Sites Authority shall comply with the terms of the Partner Agreements.

4.14 Capital Improvement Plan

4.14.1 Every year starting at the Completion, the Sites Authority shall generate a five year forecast for all capital improvements including capital cost estimates for each improvement, any operating cost changes associated with the capital expenditure, and project funding prioritization for the Project Facilities subject to approval by the Reservoir Management Board and the Sites Authority (as applicable) as described in the Sites Authority Bylaws (“**Capital Improvement Plan**”). The approved Capital Improvement Plan shall be reflected in the annual budget. The Sites Authority shall make good faith efforts to include any activities that the Sites Authority reasonably anticipates would require amendment to the adopted annual budget for Project Costs for each Fiscal Year.

4.14.2 The Parties agree that additional activities, work or services may be required that were not contemplated in the Capital Improvement Plan. The Parties therefore agree to use best efforts and take reasonable actions to address and resolve any such increased or additional activities, work or services, and associated expenses.

SECTION 5. FINANCING OF THE PROJECT

5.1 The Sites Authority Financing of the Project

The Sites Authority:

5.1.1 agrees to provide Sites Financing for Fixed Project Costs, provided that each Financing Participant and the Acquirer (as applicable) shall pay Sites Financing Costs relating to such Sites Financing allocable to the Participant in accordance with Section 6.4;

5.1.2 may incur Project Obligations from time to time for the purpose of financing or refinancing the Fixed Project Costs on an interim or permanent basis; and

5.1.3 in incurring Project Obligations, will use commercially reasonable efforts to obtain cost effective financing for the Fixed Project Costs on reasonable terms and conditions consistent with this Contract and with the approval of the Reservoir Management Board.

5.2 Notice of Expected Incurrence of Sites Financing

5.2.1 The Sites Authority will provide written notice to the Participants [and the Acquirer (as applicable)] substantially in the form of Appendix 4 of the expected incurrence of any Sites Financing at least 150, but not more than 180 days prior to (i) the expected date of the incurrence of such Sites Financing, or (ii) if the Project Obligations are expected to be sold in the public capital markets, the Business Day prior to the scheduled date on which the offering document (which may be a preliminary offering document) relating to such Sites Financing is anticipated to be made available to potential investors, that includes:

- (a) the anticipated date of the incurrence by the Sites Authority of such Sites Financing (a **“Proposed Sites Financing Incurrence Date”**);
- (b) a description of the proposed financing structure, expected method of sale, expected term, pro-forma cash flows and each Participant’s estimated share of the Fixed Project Costs to be financed or refinanced from the proceeds of such proposed Sites Financing;
- (c) each Participant’s estimated annual Sites Financing Costs relating to the proposed Sites Financing; and
- (d) the amount that the Participant would be required to deposit with the Sites Authority if the Participant elects to self-fund such costs in accordance with Sections 5.4 and 5.5,

(each such notice constituting a **“Sites Financing Incurrence Notice”**).

5.3 Provisions Applicable to Financing Participants

5.3.1 This Section 5.3 shall be applicable to each Financing Participant participating in a Sites Financing.

5.3.2 No later than 30 days following a request by the Sites Authority, each Financing Participant and the Acquirer, as applicable, shall:

- (a) provide to the Sites Authority such information and disclosure as may be reasonably required by the Sites Authority in connection with the incurrence of a Sites Financing;
- (b) provide to the Sites Authority such information regarding that Participant as the Sites Authority may reasonably require in order to comply with (i) any reporting obligations under any Sites Financing; or (ii) the obligations of the Sites Authority under any continuing disclosure undertaking entered into in connection with the incurrence of a Sites Financing;

- (c) deliver to the Sites Authority all certificates and Participant and Acquirer counsel opinions reasonably required by the Sites Authority or bond counsel to the Sites Authority in connection with the sale and closing of such Sites Financing; and
- (d) execute and deliver to the Sites Authority such additional documents, including, any necessary further assurances in relation to the incurrence of any Sites Financing as the Sites Authority may reasonably request, provided that all such documents will be provided in accordance with Applicable Law.

5.4 Participant Self-Funding Election

5.4.1 Each Participant may elect to self-fund all or a portion of the Participant's share of Fixed Project Costs proposed by the Sites Authority to be financed or refinanced in accordance with a Sites Financing Incurrence Notice.

5.4.2 Such election shall be made by delivering written notice to the Sites Authority, substantially in the form attached as Appendix 3 (each, a "**Self-Funding Notice**"), on or before the 90th day prior to (i) the anticipated date of the applicable Sites Financing Incurrence Date or (ii) if the Project Obligations are expected to be sold in the public capital markets, the Business Day prior to the scheduled date on which the offering document relating to such Sites Financing is anticipated to be made available to potential investors, as applicable (a "**Self-Funding Election Date**"), setting forth the amount of Fixed Project Costs that the Participant proposes to finance or refinance from the proposed Sites Financing and any share of Fixed Project Costs that the Participant proposes to self-fund.

5.4.3 A Participant making an election in a Self-Funding Notice to self-fund only a portion of the applicable Fixed Project Costs assignable to that Participant with respect to Sites Financing shall be treated both as a Financing Participant and a Self-Funding Participant under this Contract with respect to such Sites Financing.

5.4.4 A Participant shall not be permitted to withdraw, change or otherwise terminate a Self-Funding Notice with respect to such self-funded portion of a Sites Financing after the applicable Self-Funding Election Date; provided that a Participant may increase its self-funded portion of a Sites Financing after the Self-Funding Election Date if the financing structure, terms, or conditions set forth in the good faith estimates accompanying the resolution of the Sites Authority authorizing such financing deviate materially from those provided in the Financing Incurrence Notice; provided further that an election of a Participant to increase its self-funded portion pursuant to this Section 5.4.4 must be made within 10 days after the consideration of the resolution of the Sites Authority authorizing such financing.

5.4.5 The execution of a master agreement by the Sites Authority in connection with the United States Environmental Protection Agency's Water Infrastructure Finance and Innovation Act loan program, any other State, federal or other public agency loan or any agreement relating to short-term or interim borrowing, including revolving credit agreements, lines of credit and commercial paper notes, shall constitute a Sites Financing for purposes of this Section 5, regardless of when funds are drawn thereunder.

5.5 Provisions Applicable to Self-Funding Participants

5.5.1 This Section 5.5 shall apply to each Self-Funding Participant to the extent such Participant complies with such Participant's obligation to pay the Fixed Project Costs identified in

the respective Participant's Self-Funding Notice through Self-Funding Participant Cash Payments.

5.5.2 Each Self-Funding Participant shall deposit cash with the Sites Authority in the amount specified in the Self-Funding Notice provided by the Self-Funding Participant to the Sites Authority under Section 5.4.2 (each, a "**Self-Funding Participant Cash Payment**"), by the date that is 60 days prior to (i) the applicable Sites Financing Incurrence Date, or (ii) if the Project Obligations are to be sold in the public capital markets, the Business Day prior to the scheduled date on which the offering document (which may be a preliminary offering document) relating to such Sites Financing is anticipated to be made available to potential investors (the "**Self-Funding Participant Cash Payment Date**"); provided that if the Self-Funding Cash Payment is not received by the Self-Funding Participant Cash Payment Date, the Participant will be provided with a grace period of 30 days after the Self-Funding Participant Cash Payment Date for the Participant to make such Self-Funding Participant Cash Payment. If payment of the Self-Funding Participant Cash Payment is made within such grace period, such Participant will be treated as a Self-Funding Participant.

5.5.3 The Sites Authority will deposit each Self-Funding Participant Cash Payment in an individual account or accounts for each Self-Funding Participant established and held by the Sites Authority separate and apart from the Sites Authority's other funds and accounts, and shall apply such amount, including the investment earnings thereon, to pay such Self-Funding Participant's share of the cost of the applicable Fixed Project Costs in accordance with Section 6.5 or to pay costs of any refinancing, as applicable. Such accounts and any investments shall be held in compliance with Applicable Law.

5.5.4 In the event that the Self-Funding Participant Cash Payment is not received prior to the expiration of the grace period described in Section 5.5.2, such Participant shall constitute a Financing Participant with respect to such Sites Financing and be obligated to pay Sites Financing Costs relating to such Sites Financing.

5.5.5 To the extent a Self-Funding Participant meets its obligation under this Contract to pay Fixed Project Costs through Self-Funding Participant Cash Payments, such Participant hereby represents, warrants, and covenants that such Self-Funding Participant Cash Payments shall and will be delivered to the Sites Authority free and clear of any prior lien.

5.5.6 At the time of disbursement of any proceeds of Project Obligations there will be a disbursement of proceeds from the accounts holding the Self-Funding Participant Cash Payments made by Self-Funding Participants, and in each instance, the disbursement of proceeds of Project Obligations and the disbursement of proceeds from the accounts holding the Self-Funding Participant Cash Payments made by the Self-Funding Participants shall be made proportionately based on each such Participant's Capacity Interest and Share. In the event that a Participant is both a Financing Participant and a Self-Funding Participant, the allocation of the proceeds of Project Obligations and the disbursement from the account holding such Participant's Self-Funding Participant Cash Payment to the payment of such Participant's share of Fixed Project Costs, will be made in proportion to such Participant's Self-Funding Participant Cash Payment and the Participant Fixed Project Costs to be financed from the proposed Sites Financing identified in such Participant's Self-Funding Notice relative to the Total Participant Obligation set forth in such Participant's Self-Funding Notice; provided that if a Participant that is both a Financing Participant and a Self-Funding Participant elects to increase its self-funded portion of Fixed Project Costs after the Self-Funding Election Date pursuant to Section 5.4.4, the amounts used to determine the allocation between the proceeds of Project Obligations and disbursements

from the account holding such Participant's Self-Funding Participant Cash Payment will be adjusted to take into account the increase to such Participant's self-funded portion of Fixed Project Costs.

5.5.7 If, following (i) Completion or (ii) to the extent a Participant elects to self-fund its share of Fixed Project Costs of additional Project Facilities following Completion, the completion of the additional Project Facilities funded, in part, with a Sites Financing that such Participant elected not to participate in, there is any portion of any Self-Funding Participant Cash Payments (and investment earnings thereon) remaining unspent by the Sites Authority, then such unspent Self-Funding Participant Cash Payments (including investment earnings thereon) shall be returned by the Sites Authority to the applicable Self-Funding Participants, or, at the written direction of each such Self-Funding Participant shall be paid to the Sites Authority and credited to future Fixed Project Costs of the applicable Self-Funding Participant under this Contract.

SECTION 6. PAYMENT OF PROJECT COSTS

6.1 Overview of Project Costs

6.1.1 Subject to Section 6.1.2, each Participant shall be required to pay Project Costs as follows:

- (a) Financing Obligations as set out in Section 6.4 for Financing Participants;
- (b) Fixed Project Costs, calculated in accordance with Section 6.5;
- (c) Fixed O&M Costs, calculated in accordance with Section 6.6; and
- (d) Variable O&M Costs, calculated in accordance with Section 6.7.

6.1.2 The Acquirer shall be required to pay all Project Costs to the Sites Authority under this Section 6 on behalf of the SWP Participants provided that the Acquirer's financial obligations under this Contract are limited to funding provided to it by the SWP Participants.

6.1.3 Notwithstanding Section 6.1.2, to the extent any amounts paid to the Sites Authority by the Acquirer are insufficient to cover the Project Costs required to be paid by the SWP Participants, the SWP Participants shall pay to the Sites Authority all remaining Project Costs as described in this Contract.

6.2 Estimated Charges

6.2.1 On or before March 1 of each Fiscal Year or such other date agreed in the Sites Authority Policies, the Sites Authority shall provide (i) each Participant, and (ii) the Acquirer and the SWP Participants, in the case of the SWP Participants ((i) and (ii) together, to be referred to as the "**Billing Party(ies)**") with an estimated statement of anticipated Project Costs required to be paid by each Participant or the Acquirer (as applicable) in (i) the following Fiscal Year and (ii) under this Contract, which statement may be used by Participants and the Acquirer for budgeting purposes.

6.2.2 In accordance with the timing required by the JPA Agreement, the Reservoir Management Board shall prepare and recommend, and the Sites Authority Board will adopt a

budget for Project Costs for the following Fiscal Year. Such budget shall include any costs associated with the Capital Improvement Plan.

6.3 Billing Statements

6.3.1 Within 30 days after the Effective Date and thereafter, on or before [January][1] and [July][1] of each Fiscal Year or such other dates as may be provided in the Sites Authority Policies, the Sites Authority will provide each Billing Party with a billing statement (“**Billing Statement**”) setting forth:

- (a) from the Effective Date until the termination of this Contract, for Financing Participants, for the Participant’s share of the Participant’s Financing Obligations due for the applicable six-month period, calculated in accordance with Section 6.4;
- (b) from the Effective Date until the termination of this Contract, for Self-Funding Participants, for the Participant’s share of Fixed Project Costs due for the applicable six-month period, calculated in accordance with Section 6.5; provided, to the extent all or a portion of such costs have been self-funded with a Self-Funding Cash Payment, then such amounts shall be deducted from the applicable account established for the respective Self-Funding Participants in accordance with Section 6.8.1(b);
- (c) from twelve months prior to completion of construction of the Project until the termination of this Contract, for all Participants, the Participant’s share of Fixed O&M Costs, due for the applicable six-month period calculated in accordance with Section 6.6; and
- (d) from six months prior to completion of construction of the Project until the termination of this Contract, for all Participants, the Participant’s share of Variable O&M Costs due for the applicable six-month period calculated in accordance with Section 6.7.

6.3.2 Project Costs billed to each Billing Party and included on any Billing Statement shall be billed as follows:

- (a) Fixed O&M Costs, Financing Obligations and Fixed Project Costs shall be billed one-year in advance; and
- (b) Variable O&M Costs shall be billed for the applicable six-month period commencing on the succeeding [January][1] or [July][1].

6.3.3 Each Billing Statement shall:

- (a) be consistent with the approved Sites Authority budget;
- (b) be based upon Project Costs incurred by the Sites Authority during the current Fiscal Year and planned Project Costs for the upcoming Fiscal Year;
- (c) take into account applicable credits received by the Sites Authority and estimated investment earnings on moneys related to the Project held by the Sites Authority, provided that amounts paid to the Sites Authority for Fixed Project Costs shall not

be invested at a yield or in any manner which would result in interest on any Project Obligations being includable in gross income for federal income tax purposes; and

- (d) be accompanied by reasonable supporting documentation showing the basis of the Project Costs shown on the Billing Statement.

6.4 Financing Obligations

Each Financing Participant's Financing Obligations shall be determined in accordance with the following formula:

$$FO = [BFO \times BFPP] + [DFO \times DFPP]$$

Where:

FO = Financing Obligations

BFO = Financing Obligations allocable to Base Facilities

BFPP = Base Facility Financing Participation Percentage

DFO = Financing Obligations allocable to Downstream Facilities

DFPP = Downstream Facility Financing Participation Percentage

6.5 Fixed Project Costs

Each Participant's Fixed Project Costs, shall be determined in accordance with the following formula:

$$FPC = [BFC \times BCI] + [DFC \times DCS]$$

Where:

FPC = Participant Fixed Project Costs

BFC = Fixed Project Costs allocable to Base Facilities

BCI = Each Participant's Base Facilities Capacity Interest

DFC = Fixed Project Costs allocable to Downstream Facilities

DCS = Each Participant's Downstream Facilities Capacity Share,

in any case to the extent that such Fixed Project Costs are not also included in such Participant's Financing Obligations.

6.6 Fixed O&M Costs

Each Participant's Fixed O&M Costs shall be determined in accordance with the following formula:

$$FOMC = [BFOMC \times BCI] + [DFOMC \times DCS]$$

Where:

FOMC = Fixed O&M Costs

BFOMC = Fixed O&M Costs allocable to Base Facilities

BCI = Each Participant’s Base Facilities Capacity Interest

DFOMC = Fixed O&M Costs allocable to Downstream Facilities

DCS = Each Participant’s Downstream Facilities Capacity Share

6.7 Variable O&M Costs

Each Participant’s Variable O&M Costs shall be determined in accordance with the following formula:

$$VOMC = [(PWP / TWP) \times BPVMOC] + [(PWR / TWR) \times BRVMOC] + [(PWRD/TWRD) \times DVOMC]$$

Where:

VOMC = Variable O&M Costs

PWP = Water conveyed into Sites Owned Base Facilities attributable to a Participant

TWP = Total Water conveyed into Sites Owned Base Facilities

BPVOMC = Variable O&M Costs allocable to Water conveyed into Base Facilities

PWR = Water released from Sites Owned Base Facilities attributable to a Participant

TWR = Total Water released from Sites Owned Base Facilities

BRVOMC = Variable O&M Costs allocable to Water released from Base Facilities

PWRD = Water released from Sites Owned Base Facilities that flows into Downstream Facilities attributable to a Participant

TWRD = Total Water released from Sites Owned Base Facilities that flows into Downstream Facilities

DVOMC = Variable O&M Costs allocable to Downstream Facilities

6.8 Due Date and Method of Payments by Participants

6.8.1 Within 30 days after receipt of each Billing Statement:

- (a) each Financing Participant, and the Acquirer in the case of the SWP Participants, shall pay the charges for Project Costs shown on the Billing Statement; and
- (b) each Self-Funding Participant, and the Acquirer in the case of the SWP Participants, shall pay the charges for Project Costs shown on the Billing Statement (which shall reflect such Self-Funding Participant's Self-Funding Participant Cash Payments). The Sites Authority shall withdraw from Self-Funding Participant Cash Payments on deposit in the account established for such Self-Funding Participant the Fixed Project Costs that such Self-Funding Participant has elected to self-fund in accordance with the applicable Self-Funding Election.

6.8.2 Each Participant, and the Acquirer in the case of the SWP Participants, shall make payments under this Contract whether or not the Project is completed or operable and notwithstanding the suspension, interruption, interference, reduction or curtailment of operation of the Project or of water service in whole or in part for any reason.

6.8.3 Payments under this Contract by each Participant, and the Acquirer in the case of the SWP Participants, or withdrawals from any account established for a Self-Funding Participant are not subject to any reduction, whether offset or otherwise, and are not conditioned upon performance by the Sites Authority or any other Participant under this Contract or any other agreement.

6.8.4 The obligation of each Participant, and the Acquirer on behalf of the SWP Participants (but only from funds received from the respective SWP Participants), to make payments under this Contract (including Financing Obligations with respect to each Financing Participant) is absolute, irrevocable and unconditional irrespective of: (i) any change in the time, manner or place of payment of its obligations under this Contract (including the terms in Section 6.8.1 of this Contract) or any other amendment or waiver of or any consent to departure from any of the terms of this Contract or the Project Obligations; (ii) any release or amendment or waiver of, or consent to departure from, any State and Federal Contract, (iii) any taking, exchange, sale or release of any collateral, for any Project Obligation or any manner of application of collateral, or proceeds thereof, to any Project Obligation; (iv) any change, restructuring or termination of the existence of the Sites Authority or any Participant; (v) any present or future law, regulation or order of any jurisdiction or of any agency thereof purporting to increase, reduce, amend, restructure or otherwise affect any term of this Contract or the Project Obligations; and (vi) any other setoff, defense or counterclaim whatsoever with respect to this Contract, the Project Obligations or the transactions contemplated thereby which may constitute a legal or equitable defense available to, or discharge of, the Sites Authority or any Participant.

6.8.5 Subject to Section 10.3.6, each Participant and the Acquirer shall:

- (a) not be liable under this Contract for the obligations of any other Participant; and
- (b) be solely responsible and liable for performance of its obligations under this Contract.

6.8.6 The obligation of each Participant, and the Acquirer in the case of the SWP Participants, to make payments under this Contract is a several obligation and not a joint obligation with those of the other Participants; provided that the Acquirer's obligation to make payments on behalf of the SWP Participants is only to the extent the Acquirer has received funds from the SWP Participants.

6.9 Interest on Late Payments

6.9.1 Any amount of the Project Costs billed in a Fiscal Year by the Sites Authority under this Section 6, which remains unpaid 30 days after the due date in Section 6.8.1, as applicable, shall bear interest from such day at the per annum interest rate equal to the then-current rate on the LAIF until paid.

6.9.2 Interest paid under Section 6.9.1 by a Financing Participant shall not change the Financing Participation Percentage of such Financing Participant, but shall be applied to the payment of Sites Financing Costs of all Financing Participants other than the Financing Participant paying such interest in accordance with the applicable Financing Agreement.

6.10 Annual True-Up

6.10.1 No later than 180 days after the end of each Fiscal Year, the Sites Authority will evaluate the Project Costs paid by or deducted from the deposit made by each Participant, or the Acquirer in the case of the SWP Participants, under this Contract against the actual Project Costs for the Fiscal Year and will credit any overpayment by any Participant, and the Acquirer in the case of the SWP Participants, to such Participant's or the Acquirer's payment for the following Fiscal Year; provided, however, that to the extent any Project Costs have not been finally determined within 180 days after the end of a Fiscal Year, following the final determination of such Project Costs, the Sites Authority will promptly, and in no case later than 60 days after finalization of Project Costs, credit any overpayment by any Participant, and the Acquirer in the case of the SWP Participants, to such Participant's and the Acquirer's payment for the following Fiscal Year.

6.11 Supplemental Billing

6.11.1 Billing Statements sent to each Billing Party will be based on the factors identified in Section 6.3. In the event that the amounts paid by the Participants, and the Acquirer in the case of the SWP Participants, are insufficient to pay the actual Project Costs, as applicable, for the applicable Fiscal Year, the Sites Authority may issue supplemental Billing Statements to the Billing Parties apportioned in accordance with the terms in this Section 6, and such amounts will be due and payable by the Participants, or the Acquirer in the case of the SWP Participants, within 90 days after receipt of such Billing Statement; provided, however, that the Sites Authority shall not issue supplemental Billing Statements for any charges 3 years or more after the underlying costs for such supplemental Billing Statements were incurred by the Sites Authority, unless the Sites Authority did not know, and would not have known through exercise of reasonable care, that such underlying costs would require supplemental Billing Statements during such 3 year period.

6.11.2 If the Sites Authority becomes aware of circumstances which may result in the need to issue supplemental Billing Statements to the Billing Parties, the Sites Authority will notify the Billing Parties of such circumstances as promptly as reasonably possible.

6.12 Contest of Accuracy of Charges

If a Participant or the Acquirer questions or disputes the correctness of any Billing Statement by the Sites Authority, such Participant and the Acquirer on behalf of the SWP Participants shall pay the Sites Authority the amount claimed when due and shall within 30 days after receipt of such Billing Statement request an explanation from the Sites Authority. If the bill is determined to be incorrect, the Sites Authority will adjust the bill to such Participant or the Acquirer, as applicable, in the next applicable Billing Statement. If the Sites Authority and the Participant or the Acquirer,

as applicable, fail to agree on the correctness of a bill within 30 days after the Participant or the Acquirer, as applicable, has requested an explanation, the Sites Authority and such Participant or the Acquirer shall use the dispute resolution process in accordance with Section 12.

SECTION 7. SITES AUTHORITY FINANCIAL COVENANTS

7.1.1 The Sites Authority will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Project, which records shall be available for inspection by each Participant and the Acquirer, upon at least 2 Business Days written notice, at reasonable hours and under reasonable conditions.

7.1.2 The Sites Authority will prepare within 270 days after the close of each Fiscal Year (commencing with the Fiscal Year ending [December 31, 2025]) financial statements of the Sites Authority for the preceding Fiscal Year prepared by a recognized independent auditor in accordance with Generally Accepted Accounting Principles, together with an accountant's report on such financial statements. The Sites Authority will promptly furnish a copy of such accountant's report to each Participant and the Acquirer. If requested by Participants holding at least [_%] of the Base Facilities Capacity Interest, the independent auditor will also audit annual invoices for that fiscal year.

7.1.3 The Sites Authority will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Resolution required to be observed and performed by the Sites Authority and shall apply amounts received from the Participants and the Acquirer on behalf of the SWP Participants in accordance with this Contract in accordance with the Master Resolution.

7.1.4 The Sites Authority shall maintain all records related to the Project for a minimum period of 10 years after Completion, or, in the case of records related to any Project Obligations, for a period as required by the terms of such Project Obligations.

SECTION 8. LEASING OR SALE OF CAPACITY INTEREST AND SHARE AND SALES OF WATER

[Note: It is expected that similar provisions will be included in the State and Federal Contracts as it relates to the State and Federal parties obligations to sell, lease or exchange]

8.1 Lease or Sale of Capacity Interest and Share by Participants

8.1.1 Participants may: (i) lease Capacity Interest and Share; or (ii) sell all or a portion of their Base Facilities Capacity Interest, with other Storage Partners and with other entities subject to the following conditions:

(a) each Participant may negotiate in its discretion the commercial terms of the lease or sale of its Capacity Interest and Share ("**Negotiated Terms**") provided that:

(i) the Negotiated Terms must not negatively impact other Participants' rights to store or convey Water in accordance with this Contract, or the rights of Storage Partners to store or convey Water in accordance with the State and Federal Contracts (as applicable);

(ii) any (i) lease of Capacity Interest and Share; or (ii) sale of Base Facilities Capacity Interest, must be consistent with the Sites Water Right, Governmental Approvals and Applicable Law;

(iii) subject to Sections 8.1.2 and 8.1.3, a (i) lease of Capacity Interest and Share; or (ii) sale of the Base Facilities Capacity Interest shall not impact or limit a Participant's rights or obligations to the Sites Authority under this Contract and each Participant shall remain responsible for all of its obligations to the Sites Authority under this Contract;

(iv) no (i) lease of Capacity Interest and Share; or (ii) sale of a Participant's Base Facilities Capacity Interest can cause or be construed to cause a reduction in any Project Obligation bond credit rating or put the tax exempt borrowing status of the Sites Authority in violation of the Internal Revenue Code of 1986, as amended, as reasonably determined by the Sites Authority;

(v) no agreement for a lease of a Participant's Capacity Interest and Share shall be for a term of longer than 10 years, nor shall it provide for any renewal of a term in a manner that would result in a lease having an effective term in excess of 10 years; provided, however, that this limitation shall not apply to Colusa County's lease of storage for "creek water", as that term is described and used in the Colusa County / Sites Authority MOU, nor shall any such lease be subject to the terms and conditions of Section (vii) below; and provided further that if an agreement for a lease of a Participant's Base Facilities Capacity Interest is for a term of longer than 10 years, such agreement shall be subject to the same terms and conditions of this Section 8.1 as are applicable to the sale of Base Facilities Capacity Interest provided that any lease of a Downstream Facilities Capacity Share longer than 10 years shall not be permitted. If any lease of Base Facilities Capacity Interest is to a Participant with a Downstream Facilities Capacity Share, the Sites Water may be conveyed on a first priority basis up to the Downstream Facilities Capacity Share. Should the Participant wish to convey more Sites Water] than its Downstream Facilities Capacity Share allows, this would be on a second priority basis and would incur wheeling costs [on a per Acre-foot basis] as described in the Operations Plan. Leases to non-Participants would be provided access to Downstream Facilities on a second priority basis and incur a wheeling costs [on a per Acre-foot basis] as described in the Operations Plan. **[Note: The 10 year restriction on leases above shall also not apply to leases by Reclamation. This will be reflected in the Reclamation Partnership Agreement];**

(vi) subject to Section 8.1.4, prior to any (i) sale by a Participant of Base Facilities Capacity Interest; or (ii) lease by a Participant of Base Facilities Capacity Interest and Downstream Facilities Capacity Share, the selling or leasing Participant shall provide to the Sites Authority such information and documents as reasonably requested by the Sites Authority, except for any commercial terms which may be held confidential in accordance with Applicable Law; and

(vii) any sale must be approved by the Reservoir Management Board and the Sites Authority (as applicable) consistent with this Section 8.1.1(a) and the Sites Authority Bylaws, such approval not to be unreasonably withheld or delayed by the Sites Authority;

(b) any lease or sale of Base Facilities Capacity Interest and Downstream Facilities Capacity Share (as applicable) shall be confirmed with staff of the Sites Authority verifying that Project operations and Water accounting may be maintained and any lease or sale of Capacity Interest by or to any SWP Participants shall also be coordinated with the Acquirer;

- (c) any sale or lease agreement for Capacity Interest and Share must acknowledge that conveyance constraints will limit withdrawals from the Project Facilities from time to time, and must specify how Project Facilities losses will be accounted for; and such provisions shall be consistent with the Sites Operations Plan and any other requirements established by the Reservoir Management Board and the Sites Authority;
- (d) as a condition of any Participant selling or leasing all or a portion of its Capacity Interest and Share, and in the case of a sale, of the Sites Authority signing the Contract with the purchaser of the Capacity Interest and Share, the Participant must first pay any amounts due to the Sites Authority under this Contract; and
- (e) where a Participant proposes to (i) sell Base Facilities Capacity Interest; or (ii) lease Base Facilities Capacity Interest and Downstream Facilities Capacity Share to a non-Storage Partner, and receives a bona fide offer for the same, the selling Participant must first provide written notice of such offer (“**Offer Notice**”) to the other non-selling Storage Partners holding a Capacity Interest and Share in the same Project Facilities (the Base Facilities or the Downstream Facilities, as applicable) including a term sheet with all material terms of the proposed sale or lease, including, for a proposed lease, the duration of the lease. The Storage Partners shall have a “right of first refusal” with respect to the sale or lease of such Capacity Interest and Share on the terms provided in the Offer Notice. Each Storage Partner shall respond to such terms in writing within 60 days of receipt of the Offer Letter or such longer time proposed by the selling Participant, and a failure to so respond shall be deemed a waiver of such Storage Partner’s right to first refusal with regard to the transaction set forth in the Offer Notice. If the terms presented to the Storage Partners in the Offer Notice are changed in any material way following provision of the Offer Notice to the non-selling Storage Partners, the selling Participant will provide a revised Offer Notice and the non-selling Storage Partners shall again have a “right of first refusal” on the new terms in the revised Offer Notice. In the event that more than one non-selling Storage Partners timely notifies the Selling Participant of such non-selling Storage Partner’s interest in purchasing or leasing the Capacity Interest and Share upon the terms set forth in the Offer Notice, the Capacity Interest and Share shall be apportioned *pro rata* based on the non-selling Storage Partner’s applicable Capacity Interest and Share in each of the Base Facilities and Downstream Facilities unless the non-selling Storage Partners agree otherwise. While the Sites Authority may act in an administrative role with respect to such sales or leases, the Sites Authority will not have any authority to set prices or terms except as set forth in Section 8.1.1(a).
- (f) Should a Participant without a Downstream Facilities Capacity Share wish to sell some or all of its Base Facilities Capacity Interest to another Storage Partner that will need to utilize Downstream Facilities to receive their Sites Water, the amount of first priority use for all Downstream Facility users will be adjusted by recalculating the Downstream Facilities Capacity Share in accordance with the formula set out in the Operations Plan. Prior to such sale, Sites Authority may assess a “buy-in” fee on the buyer that would be distributed to the Storage Partners with Downstream Facilities Capacity Share before the sale and subsequent reallocation. The “buy-in” fee would be based on the capital costs of the Downstream Facilities prior to the sale and, if assessed, is intended to compensate those Participants that funded the construction of the Downstream Facilities.,

8.1.2 In the event that a Participant leases its Base Facilities Capacity Interest and Downstream Facilities Capacity Share as described in Section 8.1.1(a), such leasing Participant shall remain signatory to its Contract with the Authority and shall continue to be liable and responsible for all of its obligations under this Contract, and shall not be relieved of any such obligations as a result of such lease or sharing.

8.1.3 In the event that a Participant sells all or a portion of its Base Facilities Capacity Interest as described in Section 8.1.1(a), such selling Participant shall remain liable and responsible for all of its obligations under this Contract related to such Base Facilities Capacity Interest until such time as the purchaser of such Base Facilities Capacity Interest has entered into this Contract.

8.1.4 If any Project Obligation under a Financing Agreement is outstanding (but only to the extent required under such Financing Agreement), any sale by a Participant of all or a portion of its Base Facilities Capacity Interest shall be subject to the terms of such Financing Agreement, including the right of the applicable Lender to consent to such sale, if any.

8.1.5 The Participant: (i) leasing Capacity Interest and Share; or (ii) selling Base Facilities Capacity Interest shall receive Sites Authority and Reservoir Management Board approvals, as necessary, prior to executing any agreements for sale or lease of Capacity Interest requiring such approvals under this Contract. The provisions for lease or sale specified in this Section 8.1 constitute all provisions necessary for the Sites Authority Board and Reservoir Management Board approving a sale or lease, and such approvals shall not be unreasonably withheld, conditioned or delayed.

8.2 Sites Water Sales or Exchanges

8.2.1 Participants may sell or exchange their Sites Water component of their Base Facilities Capacity Interest to other Storage Partners or other entities. The terms of sales or exchanges of Sites Water are at the sole discretion of the Participant, provided that:

- (a) terms must not negatively impact other Participants' rights as described in this Contract, the Sites Water Right or the rights of other Storage Partners as set out in their respective contracts;
- (b) notice of any sale or exchange shall be provided to the staff of the Sites Authority so that Project operations and Water accounting may be maintained;
- (c) any costs to the Sites Authority associated with any sale or exchange shall follow Beneficiary Pays Principles;
- (d) any sale by an SWP Participant shall be coordinated with the Acquirer; and
- (e) a Participant may not transfer or assign its Capacity Interest and Share or any other rights or obligations under this Contract as part of any sale or exchange, except as set forth in Section 8.1.

8.3 Maintenance of Tax-Exempt Status of Project Obligations

Notwithstanding any other provision of this Contract, no Participant shall sell any portion of its Capacity Interest and Share, directly or indirectly, or effect a change in the ownership

of its Capacity Interest and Share in any other manner, or take or permit to be taken any other action or actions, which would result in any of Project Obligations 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 Project Obligations as a "private activity bond" within the meaning of Section 141 of said Code or for any other reason; provided, however, that in the event a Sites Financing is accomplished under terms that make the Interest thereon subject to federal income taxation, the foregoing restrictions will be inapplicable to the portion of the Project so financed.

SECTION 9. MODIFICATIONS FOR CAPITAL IMPROVEMENTS

- 9.1 Subject to Section 9.2, the Sites Authority or any Participant may request capital improvements to provide an added benefit to the Project. Such capital improvements shall be subject to approval by the Sites Authority and the Participants in accordance with Section 4.12. The Sites Authority will prepare and distribute a document detailing the anticipated Project Costs and benefits of the proposed capital improvements.
- 9.2 Participants may not opt out of necessary capital improvements required to maintain initial Project functions and that provide benefits initially contemplated for the Project.
- 9.3 In the event that such proposed capital improvements are not approved in accordance with Section 4.12, a subset of Participants may elect to continue with the capital improvements. Those Project Costs and benefits associated with such capital improvements shall be allocated only to the subset of Participants electing to proceed with the capital improvements in accordance with an agreement among the Sites Authority and such Participants.

SECTION 10. DEFAULT

10.1 Written Demand

10.1.1 If a Participant or the Acquirer fails to (i) make any payment in full when due under this Contract or (ii) perform any other obligation under this Contract, the Sites Authority shall make written demand upon such Participant or the Acquirer. If a failure described in this Section 10.1.1 is not remedied within 30 days from the date of such demand, such failure shall constitute a default at the expiration of such period; provided that (x) if a failure of the Acquirer to make a payment as described in Section 10.1.1(i) was caused by a failure of an SWP Participant to make a required payment to the Acquirer, such failure of the Acquirer may only be cured by payment from the applicable SWP Participant, and such failure shall not be a liability of the Acquirer; or (y) if a failure described in Section 10.1.1(ii) cannot be remedied within 30 days from the date of such demand but (A) the defaulting Participant commences remedial action within such 30-day period and diligently pursues the remedy of such default until the remedy is complete and (B) such failure is remedied within 90 days from the date of the initial demand, such failure shall not constitute a default under this Contract. Notice of any such demand shall be provided to each other Participant and the Acquirer by the Sites Authority.

10.1.2 Upon failure of the Sites Authority to perform any obligation of the Sites Authority under this Contract, a Participant may make written demand upon the Sites Authority. If such failure is not remedied within 30 days from the date of such demand, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to all other Participants and the Acquirer by the Participant making such written demand.

10.1.3 In addition to any default resulting from breach by the Sites Authority or a Participant of any agreement, condition, covenant or term of this Contract, if the Sites Authority or a Participant files any petition or institutes any proceedings under any law, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such law, either as a bankrupt, as an insolvent, as a debtor or in any similar capacity, wherein and whereby the Sites Authority or a Participant asks or seeks or prays to be adjudicated as bankrupt, or is 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 Sites Authority or a Participant shall make a general or any assignment for the benefit of its creditors, then, in each and every such case, the Sites Authority or such Participant, as applicable, shall be deemed to be in default under this Contract.

10.2 Suspension or Termination of Rights; Continuing Obligations

10.2.1 Upon the occurrence and continuance of a default as provided in Section 10.1.1 or in Section 10.1.3, Reservoir Management Board or the Sites Authority Board (as applicable), may give notice of suspension or termination of the defaulting Participant's:

- (a) right to participate or vote as a member of the Reservoir Management Board;
- (b) Capacity Interest and Share, such Participant's interest in Water and such Participant's right to convey Water; and / or
- (c) right to the services obligated to be provided by the Sites Authority relating to the operation of the Sites Project, as provided in the Sites Operations Plan,

which notice shall be effective within 30 days after receipt unless such termination or suspension shall be enjoined, stayed or otherwise delayed by judicial action. The Sites Authority Board shall make determinations under this Section 10.2 pertaining to the Sites Authority Board and the Reservoir Management Board, and the Reservoir Management Board shall make determinations under this Section 10.2 pertaining to the Reservoir Management Board. In the event of a suspension under this Section 10.2.1, the suspension shall remain in effect until the default has been cured to the reasonable satisfaction of the Sites Authority Board or the Reservoir Management Board, as applicable, and notice of such cure and termination of the suspension has been provided to the Participant.

10.2.2 Irrespective of such suspension or termination, the defaulting Participant shall remain liable to the Sites Authority to pay the full amount of Project Costs allocated to such Participant in accordance with Section 6; provided that the Sites Authority shall act reasonably and in good faith to mitigate any damages caused by such Participant's default.

10.3 Disposition of Defaulting Participant's Capacity Interest and Share, Interest in Water and Right to Convey Water

10.3.1 Upon a default and the termination of such Participant's Capacity Interest and Share in accordance with Section 10.2.1(b), the Sites Authority shall use its best efforts to facilitate a sale, for such Participant's account, of all or a portion of the Participant's Capacity Interest and Share, interest in Water and right to convey Water (the "**Defaulted Interests**") for all or a portion of the remainder of the term of this Contract.

10.3.2 The other non-defaulting Storage Partners holding a Capacity Interest and Share in the same Project Facilities (the Base Facilities and/or the Downstream Facilities, as applicable) shall have a “right of first offer” to assume all or a portion of the defaulting Participant’s Defaulted Interests and that Participant’s related obligations under this Contract, at a price mutually agreed between the defaulting Participant and the Storage Partner purchasing all or a portion of the defaulting Participant’s Defaulted Interests. In the event that more than one non-defaulting Storage Partners wish to acquire the Defaulted Interests on the same terms, the Defaulted Interests shall be apportioned *pro rata* based on the non-defaulting Storage Partner’s applicable Capacity Interest and Share in each of the Base Facilities and/or Downstream Facilities unless the non-defaulting Storage Partners agree otherwise.

10.3.3 Subject to Section 10.3.4, in the event that the Sites Authority is unable to facilitate a sale of all of the defaulting Participant’s Capacity Interest and Share, interest in Water and right to convey Water to other non-defaulting Storage Partners in accordance with Section 10.3.2, the Sites Authority may make such Defaulted Interests available to entities other than the non-defaulting Participants, and may enter into an agreement with such entities for the purchase of all or a portion of the defaulting Participant’s Defaulted Interests and the assumption of the related obligations under this Contract.

10.3.4 If any Project Obligation under a Financing Agreement is outstanding (but only to the extent required under such Financing Agreement), any sale of a defaulting Participant’s Capacity Interest and Share to entities other than the non-defaulting Storage Partners shall be subject to the terms of such Financing Agreement, including the right of the applicable Lender to consent to such sale, if any.

10.3.5 Notwithstanding any other provisions of this Contract, and to the extent applicable, the Sites Authority shall not facilitate a sale of any portion of a defaulting Participant’s Defaulted Interests, directly or indirectly, in any manner that would adversely affect the exclusion from gross income of interest on any Sites Financing for federal income tax purposes.

10.3.6 In the event that the Sites Authority is unable to enter into an agreement with entities for the purchase of all or a portion of the defaulting Participant’s Defaulted Interest and the assumption of the related obligations under this Contract under Section 10.3.3, the Defaulted Interests shall be apportioned *pro rata* based on the remaining non-defaulting Participants’ applicable Base Facilities Capacity Interest and/or the Downstream Facilities Capacity Share unless the non-defaulting Participants agree to an alternative apportionment of such Defaulted Interests. Notwithstanding the relevant apportionment agreed among the non-defaulting Participants, the foregoing re-allocation will result in a proportional increase in each Participant’s Capacity Interest and Share and the related rights and obligations, but in no event shall such re-allocation result in less than 100% of the total Capacity Interest and Shares and related rights and obligations (including the defaulting Participant’s Defaulted Interest) being allocated among (i) non-defaulting Participants and (ii) such other entities to which the Sites Authority has successfully transferred such Capacity Interest and Share.

10.3.7 Notwithstanding that all or any portion of the defaulting Participant’s Capacity Interest and Share, interest in Water and right to convey Water is so sold, such Participant shall remain liable to the Sites Authority to pay the full amount of its share of costs under this Contract as if such sale has not been made, except that such liability shall be discharged to the extent that the Sites Authority shall receive payment from the buyer thereof for that share of costs.

10.4 Enforcement of Remedies

10.4.1 In addition to the other remedies set forth in this Section 10, upon the occurrence of an event of default in accordance with this Contract, any Party shall be entitled to proceed to protect and enforce the rights vested in such Party by this Contract by such appropriate judicial proceeding as such Party shall deem most effectual, either by suit in equity or by action at 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 Contract or by law. The provisions of this Contract and the duties of each Party, their respective boards, officers or employees shall be enforceable by the other Parties by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, with the losing Party paying all costs and attorney fees of the prevailing Party.

10.4.2 Without limiting the generality of the foregoing, the Sites Authority or the Participants, as applicable, shall have the right to bring the following actions:

- (a) Accounting. By action or suit in equity to require the Sites Authority Board or the Participants, its officers and employees and its assignee to account as the trustee of an express trust.
- (b) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Sites Authority or a Participant, as applicable.
- (c) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce its rights against the other Party hereto (and its board, officers and employees) and to compel the other Party hereto to perform and carry out its duties and obligations under the law and its covenants and agreements as provided herein.

10.5 Waiver

10.5.1 The waiver by any Party of any breach by any other Party of any agreement, condition, covenant or term under this Contract shall not operate as a waiver as to any subsequent breach of the same or any other agreement, condition, covenant or term under this Contract.”

SECTION 11. TERMINATION

11.1 Termination Prior to Completion

11.1.1 In the event that any of the conditions precedent to construction in Section 3.2 are not satisfied on or before ____, 202__, the Sites Authority may terminate this Contract. This Section 11.1.1 shall have no further force or effect if such conditions precedent are finalized on or before such date.

11.1.2 Without limiting Section 11.1.1, this Contract may be terminated before Completion in the following manner:

- (a) If the Sites Authority and the Reservoir Management Board determine, in accordance with Section 4.12 (including as provided in Section 3.1), that the Project will be terminated before Completion because of infeasibility, impracticality, inability, failure of the Participants to fund the Project as provided in Section 6, or failure of the Sites Authority to construct the Project as provided in Section 3, the

Sites Authority shall adopt a resolution to wind-up the Project (a “**Wind-Up Resolution**”).

- (b) Upon adoption of a Wind-Up Resolution by the Sites Authority, the Sites Authority shall first offer to sell the Project Assets to the Storage Partners (excluding the Partner Facilities), at a fair market value as determined by a majority of a panel of 3 licensed appraisers, including (i) any partially constructed or completed physical works or assets that divert Sites Water into or release Sites Water from the Sites Owned Facilities and (ii) any other non-physical rights, interests, or obligations related to the Project. If any Storage Partners accept such offer for any or all of the offered interests, then the Sites Authority and such purchasing Storage Partners shall work in good faith to close upon the sale of such interests within 180 days after the appraiser panel’s determination of fair market value.
- (c) Upon adoption of a Wind-Up Resolution by the Sites Authority, the Sites Authority shall appoint a winding-up agent (the “**Winding-Up Agent**”). The Winding-Up Agent shall, upon expiration of the time for the Storage Partners to accept the offer described in Section 11.1.2(b), prepare a plan for disposition of the Project Assets, which shall include plans for mitigating or remediating any hazardous or unsafe conditions located on the Project site that are a direct result of the construction of the Project, and upon approval of the Sites Authority, implement the disposition of the Project Assets in accordance with the plan for disposition, including the disposition of unexpended and unobligated funds of the Sites Authority and the Storage Partners. Non-cash assets shall be liquidated by the Winding-Up Agent in a commercially reasonable manner. Proceeds from the disposition of Project Assets and any other cash or cash equivalents then held by the Sites Authority shall first be used, based on the Capacity Interest and Share, to pay the following amounts in the following order of priority (i) repay debts of the Sites Authority incurred for funding the Project; provided, however, that any moneys contributed by a Self-Funding Participant and held at the time of a winding-up shall not be used to repay debts of the Sites Authority incurred for funding the Project, (ii) pay the costs of mitigating or remediating hazardous or unsafe conditions located on the Project site pursuant to the plan for disposition of the Project Assets, and (iii) distribute cash to the Participants that had satisfied their capital funding obligations in accordance with Section 6. Any remaining funds shall then be distributed to the Storage Partners based on their proportional respective Capacity Interest and Shares. Subject to the Sites Authority Records Management Policy, Storage Partners shall be entitled to copies of any work products developed by the Sites Authority or its consultants on behalf of the Storage Partners, and the Sites Authority shall convey to the Storage Partners, as tenants in common with all other Storage Partners who are not in default of this Contract, a pro rata interest based on the Capacity Interest and Shares in all real and personal property remaining after implementation of the plan for disposition of the Project Assets in accordance with this Section 11.1.
- (d) Upon completion of the winding-up process described in this Section 11.1, the Sites Authority shall adopt a resolution of termination of the Project. Upon the adoption of such resolution, all Capacity Interest and Shares shall be terminated.

11.1.3 Notwithstanding any other provision of this Contract, so long as any Project Obligation under a Financing Agreement is outstanding (but only to the extent required under

such Financing Agreement), the termination of this Contract (including under Section 11.1.1 or Section 11.1.2) shall be subject to the terms of such Financing Agreement, including the right of the applicable Lender to consent to such termination, if any.

SECTION 12. DISPUTE RESOLUTION

12.1 Informal Dispute Resolution before Mediation

12.1.1 The Participants, the Sites Authority and the Acquirer (as applicable to their rights, obligations and liabilities under this Contract) agree to undertake good faith efforts to resolve any dispute arising in connection with this Contract within 60 days after the date that notice of such dispute is provided in writing prior to resorting to formal means of dispute resolution, including disputes related to the Sites Operations Plan.

12.1.2 If any dispute is not capable of resolution by and among the representatives of the Participants, Sites Authority and the Acquirer authorized to administer this Contract, the authorized representative of the applicable Participants, the authorized representative of the Acquirer, as applicable, and the Sites Authority's Board Chair or his/her authorized representative (who shall be the Executive Director of the Sites Authority or a member of the Sites Authority Board) shall meet and confer in an effort to resolve any such dispute.

12.1.3 If such efforts between the applicable Participants' principals, the Sites Authority's designee and the Acquirer's designee do not resolve the dispute within 30 days after their commencement, the applicable Participants, the Sites Authority and the Acquirer shall have such other remedies available to them as are provided for in this Contract or as otherwise exist at law or in equity.

12.1.4 No other means of dispute resolution, including mediation, arbitration and litigation, shall be available to the Participants, the Sites Authority and the Acquirer unless they have exhausted the process provided for in this Section 12.1.

12.2 Mediation

12.2.1 If a dispute arises among one or more Participant, the Sites Authority and the Acquirer relating to or arising from a Party's obligations under this Contract that cannot be resolved through informal discussions and meetings as described in Section 12.1, the Parties involved in the dispute shall be required to first endeavor to settle the dispute in an amicable manner, using mandatory non-binding mediation under the rules of JAMS, AAA, or any other neutral organization agreed upon by the Parties before having recourse in a court of law. Mediation shall be commenced by sending a notice of demand for mediation to the other Parties involved in the dispute.

12.2.2 A single mediator that is acceptable to all Parties involved in the dispute shall be used to mediate the dispute. The mediator will be knowledgeable in the subject matter of this Contract, if possible, and chosen from lists furnished by JAMS, AAA, or any other agreed-upon mediator.

12.2.3 The expenses of witnesses for either side shall be paid by the Party producing such witnesses. All mediation costs, including required travel and other expenses of the mediator, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be equally shared by the Parties to the dispute unless otherwise directed by the mediator.

12.3 Conduct of Mediation

12.3.1 Mediation will be conducted in an informal manner. Discovery shall not be allowed except in accordance with the Public Records Act. The discussions, statements, writings and admissions and any offers to compromise during the proceedings will be confidential to the proceedings (pursuant to California Evidence Code §§ 1115 —1128; 1152) and will not be used for any other purpose unless otherwise agreed by the applicable Parties in writing. The applicable Parties may agree to exchange any information they deem necessary.

12.3.2 The Parties involved in the dispute shall have representatives attend the mediation who are authorized to settle the dispute, though a recommendation of settlement may be subject to the subsequent approval of each Party's governing body. Any involved Party may have attorneys, witnesses or experts present.

12.3.3 Any resultant agreements from mediation shall be documented in writing. The results of the mediation shall not be final or binding unless otherwise agreed to in writing by the Parties to the dispute. Mediators shall not be subject to any subpoena or liability and their actions shall not be subject to discovery.

12.4 Nothing in this Section 12 shall relieve the Parties from performing their obligations under this Contract. The Parties shall be required to comply with this Contract, including the performance of all disputed activity and disputed payments, pending the resolution of any dispute under this Contract.

12.5 Any offers to compromise before or after mediation proceedings will not be used to prove a Party's liability for loss or damage unless otherwise agreed by the Parties in writing (pursuant to California Evidence Code §1152).

SECTION 13. LIABILITY

13.1 Sites Authority Liability

Any and all obligations of the Sites Authority that may arise under this Contract, whether financial or otherwise, shall be payable solely from the revenues, income, rents and receipts earned by the Sites Authority. Nothing in this Contract shall be deemed to prevent the Sites Authority from making any payments from any other legally available source. In no event shall the Sites Authority be required to spend any money from revenue from taxes, assessments, fees or charges in violation of Applicable Law or Governmental Approvals in the performance of its obligations under this Contract. The obligations of the Sites Authority under this Contract do not constitute a debt or indebtedness of the Sites Authority within the meaning of any constitutional or statutory provision or limitation, and shall not be considered or held to be a general obligation of the Sites Authority.

13.2 Participant Liability

In no event shall any Participant or the Acquirer be required to spend any money from taxes in violation of Applicable Law or Governmental Approvals in the performance of its obligations under this Contract.

13.3 Consequential Damages

No Participant nor the Acquirer shall be liable to another Participant, to the Acquirer or to the Sites Authority, and the Sites Authority shall not be liable to the Participants or the Acquirer, for consequential, indirect, punitive, or special damages arising under this Contract.

SECTION 14. INSURANCE

14.1 The Sites Authority will procure and maintain or cause to be procured and maintained, at a minimum, the following insurance with responsible insurers in such amounts and against such risks (including damage to or destruction of the Project Assets) as are usually covered in connection with facilities that are similar to the Project Assets (so long as such insurance is commercially available from reputable insurance companies at reasonable rates): (a) insurance on the Project Assets, excluding coverage for earthquake damage or destruction; (b) workers' compensation insurance in statutorily-prescribed amounts; and (c) commercial general liability insurance covering against claims of bodily injury and property damage. The Participants and the Acquirer shall be named as additional insureds under all insurance policies maintained pursuant to this section, and such insurance policies shall be primary and noncontributing with any and all insurance carried by the Participants or the Acquirer.

SECTION 15. MISCELLANEOUS

15.1 Relationship of Parties

In the exercise of their respective rights and obligations under this Contract, the Sites Authority, the Participants and the Acquirer each act in an independent capacity, and none is to be considered the officer, agent, contractor or employee of another.

15.2 Severability

15.2.1 If any provision or part of this Contract is ruled invalid (including invalidity due to any change in law) by a court having proper jurisdiction, then the Parties shall:

- (a) promptly meet and make efforts to negotiate a substitute for such provision or part, which shall, to the greatest extent legally permissible, effect the original intent of the Parties, including (as applicable) an appropriate adjustment to obligations to be performed or payments to be made in accordance with this Contract to account for any change in the services rendered in accordance with this Contract resulting from such invalidated portion; and
- (b) if necessary or desirable, apply to the court or other decision maker (as applicable) that declared such invalidity for an interpretation of the invalidated portion to guide the Parties' negotiation.

15.2.2 The invalidity or unenforceability of any such provision or part shall not affect the validity or enforceability of the balance of this Contract, which shall be construed and enforced as if this Contract did not contain such invalid or unenforceable provision or part.

15.3 Notices

15.3.1 Any notices required or permitted under this Contract shall be in writing and sufficiently given if made in writing and (a) delivered personally, (b) sent by registered or certified mail, postage prepaid, or (c) sent by email communication, in each case addressed to the respective Parties at the addresses indicated in the Project Specific Information. Notice required to be given to all Participants and/or the Acquirer under this Contract shall be given to the addresses indicated in the Project Specific Information or to such other addresses as the Participants may provide to the Sites Authority, the other Participants and the Acquirer from time to time.

15.3.2 Any Participant or the Acquirer may from time to time change the address to which notice may be provided by providing notice of the change to the Sites Authority who will update the address in the Project Specific Information to reflect such change.

15.4 Other Agreements Not Prohibited

Other agreements by and between the Parties of this Contract or any other entity are neither prohibited nor modified in any manner by execution of this Contract.

15.5 Assignment

15.5.1 The Sites Authority may pledge and assign to any Lender or trustee for bonds or other Financing Agreements, all or any portion of the payments received under this Contract from each Participant (other than payments from a Self-Funding Participant) and the Sites Authority's other rights and interests under this Contract. Each Participant hereby consents to such pledge and assignment. Such pledge and assignment by the Sites Authority shall be made effective for such time as the Sites Authority shall determine and otherwise as required under the relevant Financing Agreement and provided that the applicable Lender or trustee under the terms set forth in such Financing Agreement shall have the power to enforce this Contract in accordance with Section 15.15.2 the event of a default by the Sites Authority under such Financing Agreement.

15.5.2 Except as otherwise provided in Section 15.5.1, the rights, titles, and interests of any Party to this Contract shall not be assignable or transferable without the consent of the Sites Authority and the governing body of each Party to this Contract.

15.6 Section Headings

The section headings in this Contract are for convenience of the Parties only, and shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the provisions or language of this Contract.

15.7 Governing Law and Venue

This Contract shall be governed by and construed in accordance with the laws of the State of California, any applicable federal law, the JPA Agreement, the Sites Authority Bylaws and the ordinances, regulations, codes, and executive orders enacted and/or promulgated pursuant thereto. The venue for any litigation between the Parties from any dispute arising in connection with this Contract shall be in the County of Colusa.

15.8 Construction of Language

It is the intention of the Parties to this Contract that if any provision of this Contract is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

15.9 Successors

This Contract shall be binding upon and inure to the benefit of the Sites Authority and each Participant and each of their permitted successors, assigns, and legal representatives.

15.10 Enforcement

The Parties are hereby authorized to take any and all legal or equitable actions, including an injunction and specific performance, necessary or permitted by law to enforce this Contract.

15.11 Integration

This Contract, together with its incorporated documents and references, constitute the entire agreement and understanding of the Parties and supersedes all prior agreements and understanding between the Parties relating to the subject matter of this Contract. Except as expressly provided in this Contract, this Contract may not be interpreted, modified or changed by reference to other documents, understandings or agreements, whether written or oral, unless the interpretation, modification or change is subsequently agreed to in writing by the Parties to this Contract.

15.12 Amendment

15.12.1 Except as otherwise may be provided in this Contract, including Section 3.6, neither this Contract nor any provision under this Contract may be modified or amended except with the written consent of (1) the Sites Authority, (2) at least 75% of the Participants, and (3) Participants that collectively hold at least 75% of the Base Facilities Capacity Interest held by Participants; provided, however, that:

- (a) if any Financing Agreement is outstanding, any amendment to this Contract will be subject to the terms and conditions set forth in any such Financing Agreement;
- (b) this Contract may not be amended without a Participant's written consent if the Contract is to be amended in a manner that results in a material adverse impact on the rights of such Participant under this Contract to control its Capacity Interest and Share or have Water diverted into, stored in, or released from the Project Facilities under its Capacity Interest and Share on a pro-rata and substantially similar basis with other Participants; and
- (c) this Contract may not be amended in a manner that would cause the Sites Authority to violate Applicable Law or provisions of any Governmental Approvals.

15.12.2 If at any time a Party believes that, due to any significant change in circumstances, compliance with this Contract by such Party would produce grossly inequitable

results or subject it to financial hardship of extraordinary magnitude, such Party may by written notice call on the Reservoir Management Board to review and discuss the effects of such change of circumstances. Within 30 days after receipt of such notice, the Reservoir Management Board shall meet to consider how to deal with such inequities or hardship in a manner which is fair for all Parties in view of all changes and circumstances, and shall attempt to eliminate promptly any such inequity or hardship through good faith negotiations. If the Parties agree on a method to eliminate such inequity or hardship, then this Contract shall be amended in accordance with Section 15.12.1, as appropriate, except as provided in Section 15.12.3.

15.12.3 The Sites Authority shall enforce the provisions of this Contract and duly perform its covenants and agreements contained in this Contract. The Sites Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with this Contract which will in any manner materially impair or materially adversely affect the rights of the Sites Authority under this Contract or the rights of the members of the Reservoir Management Board.

15.13 Authorization and Opinion

15.13.1 Each Participant and the Acquirer attaches to this Contract a true and correct copy of such Participant's records authorizing the officers, whose names appear on this Contract, to enter into this Contract.

15.13.2 Each Participant and the Acquirer further attaches an opinion of an attorney or firm of attorneys as described in Section 2.1.1(b).

15.14 Counterparts; Electronic Execution

This Contract may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures may be delivered by facsimile transmission or by e-mail in a portable document format (e.g. "pdf," "tif," "jpg" or "DocuSign") or other electronic format and the signatures on such copies shall be deemed to be effective and valid as original signatures.

15.15 No Third-Party Beneficiaries

15.15.1 All of the covenants contained in this Contract are for the express benefit of each Party, and any Participant shall have the right as a third-party beneficiary to initiate and maintain suit to enforce the obligations of other Participants hereunder. Except as provided by this Section 15.15, this Contract is not intended to benefit any third parties, and any other third-party beneficiaries are expressly disclaimed.

15.15.2 Notwithstanding Section 15.5.1, any Lender shall have the right as a third-party beneficiary to initiate and maintain suit to enforce this Contract to the extent provided in any Project Obligations or Financing Agreement. Without limiting the generality of the foregoing, so long as any Project Obligation under a Financing Agreement is outstanding (but only to the extent provided under such Financing Agreement), and only while such Financing Agreement is in effect, upon the occurrence of an event of default under such Financing Agreement, the applicable Lender, under the terms of such Financing Agreement, may exercise the enforcement rights in Section 10 of this Contract, including but not limited to the right to enforce any invoicing made by the Sites Authority to a Participant in accordance with this Contract. Each Participant hereby

consents to such Lender’s rights as a third-party beneficiary under this Contract as provided in this Section 15.15.2.

15.16 Advice of Counsel

The Parties acknowledge that they have the right to be advised by counsel with respect to the negotiations, terms, and conditions of this Contract, and that the decision of whether or not to seek the advice of counsel with respect to this Contract is a decision which is the sole responsibility of each of the Parties. This Contract is the product of negotiation and therefor shall not be construed against any Party.

15.17 Compliance with Laws and Financing Agreements

15.17.1 The Parties shall comply with all Applicable Law and Governmental Approvals.

15.17.2 Prior to the execution and delivery of a Financing Agreement by the Sites Authority, the Sites Authority shall provide the Participants with a substantially final draft of such Financing Agreement (but only to the extent required under such Financing Agreement). If required as a condition to the effectiveness of such Financing Agreement, each Financing Participant participating in the Sites Financing to which such Financing Agreement relates shall provide acknowledgment of (a) the receipt of such Financing Agreement and (b) such other matters as required by such Financing Agreement, including without limitation, the pledge and assignment by the Sites Authority to the applicable Lender, the applicable Lender’s right to enforce this Contract as a third-party beneficiary, other various consent rights of the applicable Lender described in this Contract, as applicable, and other rights of the applicable Lender as they may relate to this Contract and the rights and obligations of the Parties, in each case as set forth in such Financing Agreements.

15.17.3 Each Financing Participant participating in the Sites Financing to which any Financing Agreement relates and the Sites Authority shall cooperate with any Lender with third party beneficiary rights with respect to this Contract in enforcing compliance with the terms of this Contract (including the requirements set forth in Section 15.17.2).

SIGNATURES ON FOLLOWING PAGE(S)

IN WITNESS WHEREOF, the Parties have caused this Contract to be executed and attested by their proper officers duly authorized on the day and year set forth below, making this Contract effective on the Effective Date.

**SITES PROJECT JOINT POWERS
AUTHORITY**

[INSERT PARTICIPANT]

By: _____
Name:
Title:

By: _____
Name:
Title:

[INSERT PARTICIPANT]

**STATE OF CALIFORNIA DEPARTMENT
OF WATER RESOURCES**

By: _____
Name:
Title:

By: _____
Name:
Title:

[INSERT PARTICIPANT]

[INSERT PARTICIPANT]

By: _____
Name:
Title:

By: _____
Name:
Title:

APPENDIX 1

DEFINITIONS

Unless the context otherwise requires, definitions for certain capitalized acronyms, abbreviations and terms used in this Contract have the meanings given in this Appendix 1.

AAA: Means American Arbitration Association.

Acre-foot: Means 43,560 cubic feet of water.

Acquirer: Means DWR, acting as acquirer of Sites Water from the Project in accordance with California Water Code Section 11575 and/or other Applicable Law on behalf of the SWP Participants and otherwise responsible for performing the functions set out in Section 1.3 of this Contract on behalf of the SWP Participants.

Applicable Law: Means applicable federal, state and local laws, ordinances, rules, regulations, orders, and policies relating to the Project.

Approved Design Documents: Means for each of the anticipated Sites Owned Facilities, the most recently approved submittal of the Design Documents or final Design Documents prepared by the applicable designer and approved by the Sites Authority.

Associate Member: Has the meaning given in the Sites Authority Bylaws.

Base Facilities: Means the Sites Owned Facilities or other facilities available to all Participants including those listed in the Project Specific Information, as modified from time to time.

Base Facilities Capacity Interest: Means the undivided capacity right of each Storage Partner to store, convey and divert Sites Water in each of the Base Facilities granted by the Sites Authority and owned by the Storage Partners in accordance with Section Error! Reference source not found., and in the pro-rata share set out for each Storage Partner in the Project Specific Information and subject to the Sites Water Right, Applicable Law and Governmental Approvals.

Beneficiary Pays Principles: Means the principle for allocating all costs associated with delivering certain Project benefits, including public and non-public benefits, to the party receiving such benefits.

Billing Party(ies): Has the meaning given in Section 6.2.1.

Billing Statement: Has the meaning given in Section 6.3.

Business Day: Means a day other than (i) a Saturday or Sunday, (ii) a day which the Sites Authority offices are officially closed, and/or (iii) a day which banks are required or authorized by law to be closed in the State of California.

Capacity Interest and Share: Means (i) in the case of the Base Facilities, the Base Facilities Capacity Interest; and (ii) in the case of the Downstream Facilities, the Downstream Facilities Capacity Share, or both of them as the context requires.

Capital Improvement Plan: Has the meaning given in Section 4.14.1.

CEQA: Has the meaning given in Recital C to this Contract.

Colusa County / Sites Authority MOU: Means that certain Memorandum of Understanding between the Sites Authority and Colusa County dated on or about November 22, 2021.

Completion: Means the determination by the Sites Authority Board and the Reservoir Management Board that the Project Facilities are complete for the purposes of providing water service, including water storage, intake, outlet, and conveyance, to Storage Partners.

Construction: Means all work to build or construct, rehabilitate, upgrade, make, form, manufacture, furnish, install, supply, deliver, landscape, equip, test and commission any structure, building, or other improvement to real property included in the Project.

Construction Contract: Means a contract between the Sites Authority and a contractor to perform Construction work for of all or a portion of the Project.

Contract: Means this Sites Reservoir Benefits & Obligations Contract, including all Appendices and Exhibits as described in Section 1.1.1, as such Contract may be modified from time to time in accordance with this Contract.

Defaulted Interest: Has the meaning given in Section 10.3.1.

Delivery Point: Means with respect to each Participant, the delivery point for Water specified in the Project Specific Information.

Design Documents: Means all drawings (including plans, elevations, sections, details and diagrams), specifications, reports, calculations, records and submittals developed by the applicable designer as necessary for design of each Sites Owned Facility.

Downstream Facilities: Means the Sites Owned Facilities or other facilities that are utilized by select Storage Partners listed in the Project Specific Information, as modified from time to time.

Downstream Facilities Capacity Share: Means a share expressed in percentage based on the ratio of each Storage Partner’s Base Facilities Capacity Interest to the sum of the total Base Facilities Capacity Interest of all Storage Partners with Downstream Facilities Capacity Share, specified in the Project Specific Information, as modified from time to time in accordance with this Agreement.

DWR: Means the State of California Department of Water Resources.

Effective Date: Has the meaning given in Section 2.1.2 and specified in the Project Specific Information.

Final EIR: Has the meaning given in Recital C to this Contract.

Financing Agreements: Means any indenture, trust agreement, loan agreement, installment purchase agreement or other financing document entered into by the Sites Authority in connection with any Project Obligations.

Financing Obligations: Means the obligation of a Financing Participant to pay a percentage of the total Sites Financing Costs in accordance with Section 6.4. The amount of each Participant’s Financing Obligations for any Sites Financing will be set out in separate line items in the Project Specific Information, which line items the Sites Authority may update from time to time as needed.

Financing Participant: Means, with respect and to the extent a Participant participates in a Sites Financing, all Participants other than Self-Funding Participants.

Financing Participation Percentage:

Means, with respect to each Sites Financing, the applicable percentage determined in accordance with the following formula:

$$FPP = [PFPC / TFPC]$$

Where:

FPP = Applicable Base Financing Participation Percentage or Downstream Financing Participation Percentage

TFPC = Total Fixed Project Costs to be funded with proceeds of a Sites Financing

PFPC = Participant’s Fixed Project Costs to be funded with proceeds of a Sites Financing

The amount of each Financing Participant’s Base Financing Participation Percentage and Downstream Financing Participation Percentage that is applicable to each Sites Financing will be determined by the Sites Authority Board at the time of such Sites Financing and shall be reflected in the Project Specific Information.

Fiscal Year: Means the period beginning on January 1 of each calendar year and ending on the last day of December of such calendar year, or any other accounting period hereafter selected and designated by the Sites Authority as the Fiscal Year of the Sites Authority.

Fixed O&M Costs: Means (1) all costs, calculated in accordance with Generally Accepted Accounting Principles, incurred by the Sites Authority (i) to administer, operate, maintain, power, repair, replace, and, to the extent that reserves are available, rehabilitate and improve, the Project, (ii) attributable to the conveyance and storage of water in the Sites Owned Facilities excluding pumping costs, carriage costs, and power interference costs; (iii) for the Sites Authority defense or other legal costs, including payment of claims, settlements or judgments (iv) to meet regulatory requirements associated with the Project; including administrative and legal costs of the Sites Authority, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Sites Authority, or charges required to be paid by it to comply with the terms of the Financing Agreements or this Contract; (v) to replenish operating reserves; and (2) amounts required for compliance with Sections 3.2 and 3.5 of the Master Resolution or any similar provisions thereof; but excluding in all cases (A) depreciation, replacement and obsolescence charges or reserves for such costs, (B) amortization of intangibles or other bookkeeping entries of a similar nature, (C) costs of capital additions, replacements, betterments, extensions or improvements to the Project, which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation and (D) Sites Financing Costs, in each case incurred by the Sites

Authority with respect to the Project. Fixed O&M Costs are incurred irrespective of the amount of Water diverted, stored or released to the Participants. Fixed O&M Costs include any and all costs and expense that are not Fixed Project Costs, Sites Financing Costs or Variable O&M Costs that may accrue to the Sites Authority after execution of this Contract. Fixed O&M Costs exclude any such costs paid under the State and Federal Contracts.

Fixed Project Costs: Means (i) development, design, construction and capital costs of the Project, and (ii) individual repair, replacement, rehabilitation, improvement, or regulatory compliance activities incurred after Completion to the extent not covered by Fixed O&M Costs. Fixed Project Costs exclude any such costs paid under the State and Federal Contracts.

Fixed Project Cost Funding Obligation: Means, with respect to each Participant, such Participant's obligation to fund Fixed Project Costs, calculated in accordance with Section 6.5.

Force Majeure: Means events beyond the reasonable control of a Party, including strikes, riots, wars, fire, earthquakes, acts of God and/or unusual acts of nature, acts in compliance with any law, regulation or order (whether valid or invalid) by the United States of America or any state thereof or any other domestic or foreign governmental body or instrument thereof having jurisdiction in the matter, in each case which directly, materially and adversely affects a Party's ability to perform its obligations under this Contract.

Generally Accepted Accounting Principles: Means such accepted accounting practice as conforms at the time to generally accepted accounting principles to public agencies in the United States of America, consistently applied.

Good Industry Practice: Means the exercise of the degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced designer, engineer, constructor, supplier, operator or maintenance provider, as applicable, operating in the United States under the same or similar circumstances and conditions, seeking in good faith to comply with its contractual obligations, this Contract and all Applicable Law and Governmental Approvals in conformance with applicable professional engineering principles, construction, operations and maintenance practices generally accepted as standards of the industry in the State.

Governmental Approval: Means any permit, license, consent, concession, court order, grant, franchise, authorization, waiver, certification, exemption, filing, lease, registration or ruling, variance or other approval, guidance, protocol, mitigation agreement, settlement agreement, agreement or memorandum of agreement/understanding, and any revision, modification, amendment, supplement, renewal or extension of any of the foregoing, required by or with any Governmental Entity in order to perform the purposes of this Contract.

Governmental Entity: Means any federal, state, local or foreign government and any political subdivision or any governmental, quasi-governmental, judicial, public or statutory instrumentality, administrative agency, authority, body or entity other than the Sites Authority.

Interim Agreements: Means previously executed agreements between the Participants and the Sites Authority under which Participants agreed to pay a pro rata portion, based on participation percentages, for the operation, maintenance, legal, administrative, improvement, and other costs of developing the Project before execution of this Contract, as listed in the Project Specific Information.

JAMS: Means Judicial Arbitration and Mediation Service, Inc.

JPA Agreement: Means the Fifth Amended and Restated Joint Exercise of Powers Agreement, effective [___], 202[___], by and among the parties set forth on the execution page thereof, as amended and supplemented from time-to-time.

LAIF: Means the Local Agency Investment Fund of the State.

Lender: Means any lender, bondholder, noteholder, lessee or other holder of any Project Obligations (including the State of California, Reclamation, or any department, bureau or other affiliated entity thereof), as applicable, incurred in connection with a Sites Financing of the Project.

Master Resolution: Means the Sites Authority Resolution Providing for the Prioritization of Use for Project Revenues, approved and adopted by the Sites Authority, as supplemented and amended from time to time.

Negotiated Terms: Has the meaning given in Section 8.1.1(a).

NEPA: Means the National Environmental Policy Act.

Offer Notice: Has the meaning given in Section 8.1.1(e).

O&M Costs: Means Fixed O&M Costs and Variable O&M Costs, or either of them, as the context requires.

Other Water: Means water other than Sites Water that a Storage Partner may request the Sites Authority to store in and/or convey through Project Facilities.

Participants: Means the entities listed in the Project Specific Information, including any successor or any assignee of such Participant permitted in accordance with Section 15.9.

Parties: Means each of the Participants, the Sites Authority and the Acquirer that executed this Contract, or any of them, as the context requires.

Partner Agreements: Means any agreement entered into between the Sites Authority and another entity in accordance with which the Sites Authority has the right to convey Water to or from the Project, as amended from time to time. The list of Partner Agreements as of the Effective Date is included in the Project Specific Information.

Partner Facilities: Means any facilities used by the Sites Authority to convey Water to, or from, the Sites Owned Facilities in accordance with the Partner Agreements, and as further described in Exhibit 1 to Appendix 2.

Project: Means the entire physical infrastructure and capital improvements to be designed, constructed, commissioned and completed or contracted for use by the Sites Authority, including the Sites Owned Facilities and the Partner Facilities, as reflected in the Project Specific Information, for the purpose of providing storage and conveyance of water for use by Storage Partners in accordance with their Capacity Interest and Share, as such project may be modified from time to time.

Project Assets: Means all of the tangible and intangible assets relating to the Project, including (i) the Project Facilities, (ii) all real property determined by the Authority to be required for construction or operation of the Project, (iii) rights over the Project Facilities in the form of license, right-of-way or otherwise, (iv) tangible assets such as foundations, buildings, pavements, works, and equipment, (v) the Sites Water Right, and (vi) all Governmental Approvals.

Project Costs: Means the sum of Fixed O&M Costs, Fixed Project Costs, Variable O&M Costs and Sites Financing Costs payable by the Participants under this Contract, or each of them, as the context requires.

Project Facilities: Means collectively the Sites Owned Facilities and the Partner Facilities, or any of them as the context requires, and as further described in Exhibit 1 to Appendix 2.

Project Obligations: Means any bonds, notes, loans or other evidences of indebtedness issued or incurred by or on behalf of the Sites Authority with respect to the Project.

Project Specific Information: Means Appendix 2 to this Contract, as modified from time to time in accordance with this Contract.

Proposed Sites Financing Incurrence Date: Has the meaning given in Section 5.2.1.

Proposition 1 Water Storage Investment Program Contract: Means the agreements between the Sites Authority and the State through the California Water Commission anticipated to be titled Funding Agreement Between the State of California (California Water Commission) and the Sites Joint Powers Authority, setting out [] and anticipated to be dated on or about the date of this Contract.

Public Benefit Agreements: Means the agreement between the Sites Authority and DWR; anticipated to be titled Proposition 1 Water Storage Investment Program Contract for Administration Of Public Flood Control/Recreation Benefits and the agreement between the Sites Authority and CDFW anticipated to be titled Proposition 1 Water Storage Investment Program Contract for Administration of Public Ecosystem Benefits, or each of them as the context requires.

Reclamation: Means the Bureau of Reclamation, an agency of the United States of America.

Reclamation Partnership Agreement: Means the agreement between the Sites Authority and Reclamation anticipated to be titled Reclamation Partnership Agreement setting out [] and anticipated to be dated on or about the date of this Contract.

Release Request Form: Has the meaning given in Section 4.4.

Reservoir Management Board: Means the Reservoir Management Board of the Sites Authority, established by the JPA Agreement, as such Reservoir Management Board may be modified from time to time.

Revenue Fund: Means the fund by that name established by the Sites Authority in accordance with the Master Resolution.

Secondary Delivery Point(s): Means a location designated by a Participant for delivery of Water as described in Section 4.6.

Self-Funding Election Date: Has the meaning given in Section 5.4.

Self-Funding Notice: Has the meaning given in Section 5.4.

Self-Funding Participant: Means a Participant that satisfies all or a portion of its obligation to pay Fixed Project Costs through Self-Funding Participant Cash Payments in accordance with Section 5.4. A Participant is a Self-Funding Participant to the extent that it satisfies its Fixed Project Cost Funding Obligation through Self-Funding Participant Cash Payments, and then only for the term of any payments of Fixed Project Costs using proceeds from Self-Funding Participant Cash Payments made by such Participant.

Self-Funding Participant Cash Payment: Has the meaning given in Section 5.5.2.

Sites Authority: Has the meaning given in Recital A of this Contract.

Sites Authority Bylaws: Means the Phase 3, 4, 5 Bylaws of the Sites Authority, adopted by the Sites Authority Board in connection with its adoption of the JPA Agreement, as amended or supplemented from time to time.

Sites Authority Policies: Means those policies and guidelines adopted by the Sites Authority and listed in the Project Specific Information, as such policies may be modified from time to time.

Sites Authority Records Management Policy: Means the Records Management Policy of the Sites Authority, initially dated [___], [_] as such policy may be modified from time to time.

Sites Financing: Means a financing by the Sites Authority of Fixed Project Costs through the incurrence of Project Obligations on behalf of the Financing Participants participating in the applicable financing.

Sites Financing Costs: Means any and all costs associated with a Sites Financing, including (a) the principal of and interest, including default interest incurred in connection with a Sites Financing, on all Project Obligations, (b) fees payable to Lenders and others related to the issuance and administration of a Sites Financing, and (c) reserves required in connection with the incurrence of Project Obligations, if any.

Sites Financing Incurrence Notice: Has the meaning given in Section 5.2.1.

Sites Operations Plan: Means the Sites Reservoir Operations Plan, initially dated ___, 2025, as such Sites Reservoir Operations Plan may be modified and approved from time to time in accordance with the Sites Authority Policies and this Contract. The initial form of the Sites Reservoir Operations Plan approved by the Reservoir Management Board and the Sites Authority (as applicable) in accordance with the Sites Authority Bylaws is included as Appendix 8.

Sites Owned Facilities: Means the new physical infrastructure and capital improvements for the Project to be designed, constructed, commissioned, completed and owned by the Sites Authority, including dams, reservoir(s), pipelines, pump stations, and other facilities necessary or appropriate for providing new water supply and storage including the facilities listed in the Project Specific Information, but excluding facilities designed and built by parties to Partner Agreements that will be used for the Project in accordance with such Partner Agreements, Partner Facilities and the real property required for the Project, and as further described in Exhibit 1 to Appendix 2.

Sites Water: Means water that is appropriated under the Sites Water Right.

Sites Water Right: Means the water right obtained and owned by the Sites Authority for the Project.

State: Means the State of California, including DWR, the California Water Commission, California Department of Fish and Wildlife, and all other applicable departments and agencies thereof.

State and Federal Contracts: Means the Public Benefit Agreements and the Reclamation Partnership Agreement, or each of them as the context requires.

State and Federal Operations Agreement: Means the [Sites/DWR/Reclamation Coordinated Operations Agreement], dated ____, [2025], as such State and Federal Operations Agreement may be modified from time to time.

State Water Project: Means the State Water Resources Development System as defined in Section 12931 of the California Water Code.

State Water Project Facilities: Means those facilities specified in Sections 12931 and 12938 of the California Water Code.

Storage Allocation: Means the maximum actual capacity allocated to a Storage Partner for storing Water in the Project Facilities, measured and determined from time to time in accordance with the Sites Operations Plan.

Storage Opportunity Request Form: Has the meaning given in Section 4.4.2.

Storage Partners: The governmental agencies, water organizations and others who have funded and received a Storage Allocation in Sites Reservoir and the resulting water supply or water supply related benefits from the Project. Storage Partners could include Participants, the State, and Reclamation.

Stored Water: Means the amount of Water that a Storage Partner has stored in the Project Facilities at any given time, as measured from time to time by the Sites Authority in accordance with the Sites Operations Plan.

SWP Participants: Means those Participants listed in the Project Specific Information which have elected to pay Project Costs through the Acquirer in connection with the State Water Project.

Total Participant Obligation: Means, with respect to a Participant, the sum of (i) such Participant's cash deposit and (ii) the amount of the Participant Fixed Project Costs to be financed from the proceeds of a proposed Sites Financing, if any, as set forth in such Participant's Notice of Self-Funding Election.

Variable O&M Costs: Means the operation, maintenance, power (including pumping), carriage costs, power interference costs, replacement and other costs, including O&M Costs and costs and expenses, including funding of reserves in accordance with the Sites Authority Policies, to the Sites Authority under this Contract and wheeling costs [on a per Acre-foot basis] to account for the use of Partner Facilities, and incurred by the Sites Authority in connection with the Project in an amount which is dependent upon and varies with the amount of Sites Water diverted, stored

or released from the Project Facilities to the Participants. Variable O&M Costs exclude any such costs paid under the State and Federal Contracts.

Water: Means Sites Water or Other Water conveyed through, or stored by, Storage Partners in Project Facilities.

Wind-Up Resolution: Has the meaning given in Section 11.1.2.

Winding-Up Agent: Has the meaning given in Section 11.1.2.

APPENDIX 2

PROJECT SPECIFIC INFORMATION

<p>Effective Date Section 2.1.2</p>	<p>[] [Note: To be inserted as of the signature and delivery date of the last executing and delivering Participant under Section 2.1.1]</p>
<p>Base Facilities Appendix 1</p>	<ul style="list-style-type: none"> ▪ Sites Reservoir ▪ Sites Dam ▪ Golden Gate Dam ▪ Sites saddle dams/dikes ▪ Terminal Regulating Reservoir ▪ Terminal Regulating Reservoir Pumping Generating Plant ▪ Funks Reservoir ▪ Portion of Glenn Colusa Irrigation District Main Canal from the Hamilton City Pump Station to the Terminal Regulating Reservoir ▪ Portion of Tehama-Colusa Canal from Red Bluff Diversion to Funks Reservoir ▪ Funks Pumping Generating Plant ▪ Power transmission lines ▪ Electrical substations ▪ Sites Lodoga Bridge ▪ Other support facilities <ul style="list-style-type: none"> • Pipelines (Terminal Regulating Reservoir, Funks) • Maxwell Intertie Pipeline • Inlet/outlet tower • Transition manifold • Maintenance and storage building • Administration and operations building • Recreation areas including day use boat ramp
<p>Downstream Facilities Appendix 1</p>	<ul style="list-style-type: none"> ▪ Dunnigan Pipeline and associated energy dissipation facility ▪ Portion of Tehama-Colusa Canal from Funks Reservoir to the terminus of the Tehama-Colusa Canal ▪ Colusa Basin Drain south of Balsdon Weir ▪ Knights Landing Outfall Gates ▪ Knights Landing Ridge Cut ▪ Wallace Weir
<p>Partner Agreements Appendix 1</p>	<ul style="list-style-type: none"> ▪ Partner Agreement between the Sites Authority and Tehama-Colusa Canal Authority, dated []. ▪ Partner Agreement between the Sites Authority and Glenn-Colusa Irrigation District, dated [].

<p>Sites Owned Facilities</p>	<ul style="list-style-type: none"> ▪ Sites Reservoir ▪ Sites Dam ▪ Golden Gate Dam ▪ Sites saddle dams/dikes ▪ [Terminal Regulating Reservoir] ▪ Terminal Regulating Reservoir Pumping Generating Plant ▪ Funks Pumping Generating Plant ▪ Other support facilities <ul style="list-style-type: none"> • Pipelines (Terminal Regulating Reservoir, Funks) • Maxwell Intertie Pipeline • Inlet/outlet tower • Transition manifold • Maintenance and storage building • Administration and operations building • Recreation areas including day use boat ramp ▪ Dunnigan Pipeline and associated energy dissipation facility 			
<p>Interim Agreements</p>	<ul style="list-style-type: none"> ▪ Phase 1 Project Agreement dated November 21, 2016 ▪ 2019 Reservoir Project Agreement dated April 1, 2019 ▪ First Amendment to 2019 Reservoir Project Agreement dated January 1, 2020 ▪ Second Amendment to 2019 Reservoir Project Agreement dated July 1, 2020 ▪ Third Amendment to 2019 Reservoir Project Agreement dated January 1, 2022 			
<p>Sites Authority Policies Appendix 1</p>	<ul style="list-style-type: none"> ▪ Accounting Policy, dated [July 26, 2022] ▪ Accounts Payable Approval Policy, dated [May 2, 2022] ▪ Budget Policy, dated [December 16, 2022] ▪ Debt Management Policy, dated [November 21, 2022] ▪ Funding Policy, dated [August 3, 2020] ▪ Investment Policy, dated [May 19, 2023] ▪ Procurement and Contract Policy, dated [December 16, 2022] ▪ Real Property and Land Management Policy, dated [May 25, 2022] ▪ Records Management Policy, dated [December 16, 2022] ▪ [WIFIA Reserve Policy], dated [November 21, 2022] ▪ Local CEQA Guidelines, dated [March 25, 2019] 			
<p>Non-Participant Parties and Address for Notices Section 15.3</p>	<p>Party</p>	<p>Notice Details</p>		
	<p>Sites Authority</p>	<p>[INSERT NOTICE DETAILS]</p>		
	<p>DWR / Acquirer</p>	<p>[INSERT NOTICE DETAILS]</p>		
<p>Participants, Address for Notices and Delivery Point</p>	<p>Participant</p>	<p>Notice Details</p>	<p>Delivery Point</p>	<p>Payment Election</p>
	<p>Antelope Valley-East Kern WA</p>	<p>[INSERT NOTICE DETAILS]</p>	<p>[TO BE INSERTED]</p>	<p>[Statement of Charges]</p>

Section 15.3	City of American Canyon	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Rates and Charges]
	Coachella Valley WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Statement of Charges]
	Colusa County	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Colusa County WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Cortina WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Davis WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Desert WA	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Statement of Charges]
	Dunnigan WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Glenn-Colusa ID	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Rates and Charges]
	Irvine Ranch WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Rates and Charges]
	LaGrande WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Metropolitan Water District of SC	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Rates and Charges]

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	Reclamation District 108	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Rosedale-Rio Bravo WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Rates and Charges]
	San Bernardino Valley Municipal WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Statement of Charges]
	San Gorgonio Pass WA	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Statement of Charges]
	Santa Clara Valley WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Rates and Charges]
	Santa Clarita Valley WA	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Statement of Charges]
	Westside WD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Land Based Charges]
	Wheeler Ridge – Maricopa WSD	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Payment Source Set Forth in Appendix 7C-2]
	Zone 7 WA	[INSERT NOTICE DETAILS]	[TO BE INSERTED]	[Rates and Charges]
SWP Participants Section 1.3	Antelope Valley-East Kern WAC Coachella Valley WD Desert WA San Bernardino Valley Municipal WD San Gorgonio Pass WA Santa Clarita Valley Water Agency			
Sites Authority Payment Information	<input type="checkbox"/> [Note: To be inserted]			

Participant Capacity Interest and Share	Participant	Base Facilities Capacity Interest	Downstream Facilities Capacity Share
Appendix 1 [Note: Percentages to be completed based on the final financial model and commitments by Participants]	Antelope Valley-East Kern WA	[INSERT %]	[INSERT %]
	City of American Canyon	[INSERT %]	[INSERT %]
	Coachella Valley WD	[INSERT %]	[INSERT %]
	Colusa County	[INSERT %]	[INSERT %]
	Colusa County WD	[INSERT %]	[INSERT %]
	Cortina WD	[INSERT %]	[INSERT %]
	Davis WD	[INSERT %]	[INSERT %]
	Desert WA	[INSERT %]	[INSERT %]
	Dunnigan WD	[INSERT %]	[INSERT %]
	Glenn-Colusa ID	[INSERT %]	[INSERT %]
	Irvine Ranch WD	[INSERT %]	[INSERT %]
	LaGrande WD	[INSERT %]	[INSERT %]
	Metropolitan Water District of SC	[INSERT %]	[INSERT %]
	Reclamation District 108	[INSERT %]	[INSERT %]
	Rosedale-Rio Bravo WD	[INSERT %]	[INSERT %]
	San Bernardino Valley Municipal WD	[INSERT %]	[INSERT %]
San Geronio Pass WA	[INSERT %]	[INSERT %]	

Sites Project Authority – Benefits & Obligations Contract – Sites Reservoir Project

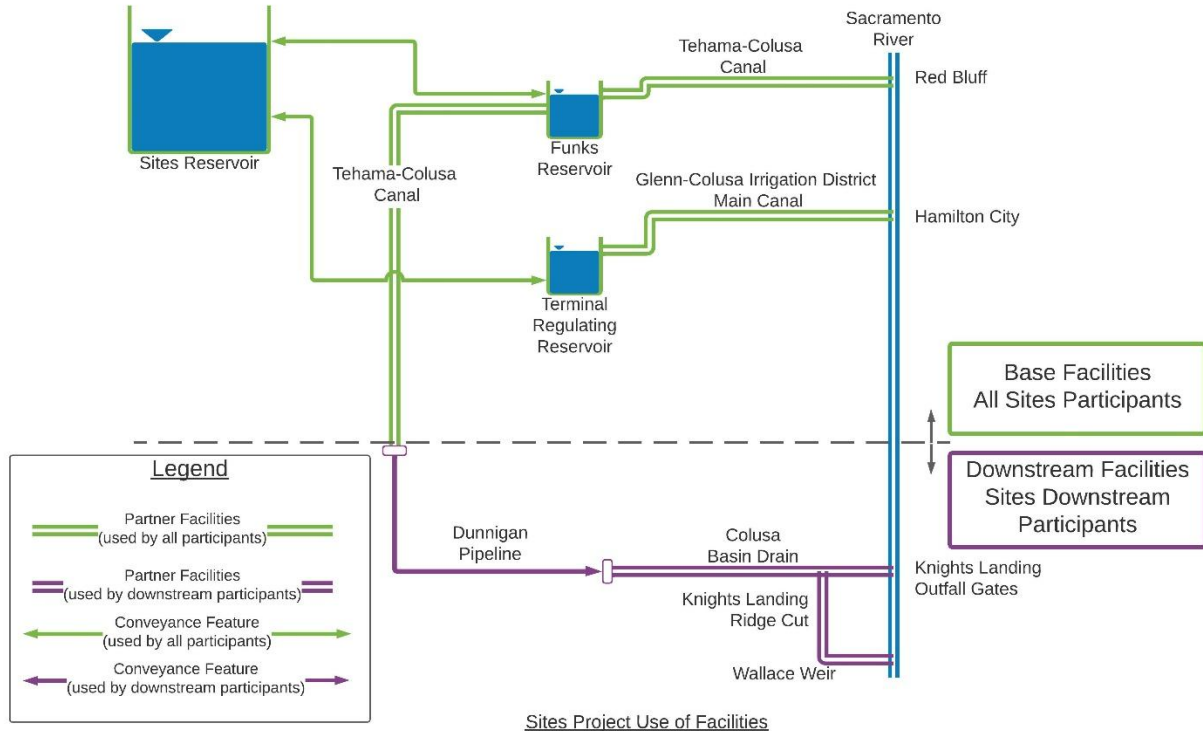
	Santa Clara Valley WD	[INSERT %]	[INSERT %]
	Santa Clarita Valley WA	[INSERT %]	[INSERT %]
	Westside WD	[INSERT %]	[INSERT %]
	Wheeler Ridge – Maricopa WSD	[INSERT %]	[INSERT %]
	Zone 7 WA	[INSERT %]	[INSERT %]
Total		[INSERT %]	[INSERT %]
State and Federal Capacity Interest Appendix 1	Party	Base Facilities Capacity Interest	Downstream Facilities Capacity Interest
	State (CDFW)	[INSERT %]	[INSERT %]
	Reclamation	[INSERT %]	[INSERT %]
Total	Total	[INSERT %]	[INSERT %]
Total with Participant Capacity Interest and State and Federal Capacity Interest		100.00%	100.00%
Financing Participation Percentage Appendix 1 [Note: Financing Participation Percentage to be completed with each Sites Financing.]	Participant	Base Facilities Financing Participation Percentage	Downstream Facilities Financing Participation Percentage
	[INSERT PARTICIPANT]	[INSERT %]	[INSERT %]
	[INSERT PARTICIPANT]	[INSERT %]	[INSERT %]
	[INSERT PARTICIPANT]	[INSERT %]	[INSERT %]
	[INSERT PARTICIPANT]	[INSERT %]	[INSERT %]
	[INSERT PARTICIPANT]	[INSERT %]	[INSERT %]

Sites Project Authority – Benefits & Obligations Contract – Sites Reservoir Project

	[INSERT PARTICIPANT]	[INSERT %]	[INSERT %]
	[INSERT PARTICIPANT]	[INSERT %]	[INSERT %]

EXHIBIT 1 TO APPENDIX 2

PROJECT FACILITIES MAP



APPENDIX 3

FORM OF SELF-FUNDING NOTICE

SITES PROJECT AUTHORITY

NOTICE OF SELF-FUNDING ELECTION

_____, 20__

_____ (the “**Participant**”) is hereby providing the Sites Project Authority (the “**Sites Authority**”), notice in accordance with Section 5.4 of that certain Benefits & Obligations Contract (the “**Contract**”), dated _____, 20__, by and among the Sites Authority and the participants listed therein, including the Participant, of the Participant’s intention to self-fund [all] [a portion] of the obligated portion of the Fixed Project Costs of the Sites Project identified in the Notice of Proposed Sites Financing by the Sites Project Authority, dated ____, [20__] (the “**Incurrence Notice**”), delivered by the Sites Authority to the Participant (the “**Participant Fixed Project Costs**”). Unless the context otherwise requires, all capitalized terms, acronyms, abbreviations and terms used in this Appendix have the meanings given in the Contract.

Set forth below is (i) the amount of the cash deposit that the Participant will deposit with the Sites Authority to self-fund Participant Fixed Project Costs and (ii) the amount of the Participant Fixed Project Costs to be financed from the proceeds of the proposed Sites Financing, if any.

- A. Participant cash deposit: \$_____
- B. Participant Fixed Project Costs to be financed from the proposed Sites Financing: \$_____
- C. Total Participant Obligation: \$_____ [sum of A and B]

The Participant acknowledges that the amount specified in clause A above will need to be deposited with the Sites Authority by no later than ____ (being the 60th day prior to the [Project Obligation Incurrence Date] [the Business Day prior to the scheduled date on which the offering document relating to the Sites Financing is to be made available to potential investors] set forth in the Incurrence Notice), as required by Section 5.4 of the Contract; subject to a grace period of 30 days following such date. If the Participant does not deposit the amount specified in clause A above with the Sites Authority by the expiration of such grace period, the Participant acknowledges that the Participant will then be considered a Financing Participant with respect to the entire portion of the proposed Sites Financing allocable to the Participant and will be obligated to pay the related Sites Financing Costs.

Dated: _____, 20__

[Participant Name]

By: _____
[Title of Officer]

APPENDIX 4

FORM OF SITES FINANCING INCURRENCE NOTICE

SITES PROJECT AUTHORITY

**NOTICE OF PROPOSED SITES FINANCING
BY THE SITES PROJECT AUTHORITY**

_____, 20__

The Sites Project Authority (the “Sites Authority”) is hereby providing the parties to the Benefits & Obligations Contract, dated ____, 20__, with the Sites Authority (the “Contract”), with notice of a proposed Sites Financing by the Sites Authority, as provided for in Section 5.2.1 of the Contract. Unless the context otherwise requires, all acronyms, abbreviations and terms used in this Appendix have the meanings given in the Contract.

- A. Type of Project Obligations: _____
- B. Aggregate principal amount of Project Obligations: \$_____
- C. Project components to be financed and/or refinanced: [list components]
- D. Proposed Sites Financing Incurrence Date: _____
- E. A description of the proposed financing structure, expected method of sale, expected term, pro-forma cash flows and each Participant’s estimated share of Fixed Project Costs to be financed or refinanced from the proposed Sites Financing is set forth in Schedule A hereto.
- F. Each Participant’s estimated annual Sites Financing Costs related to the proposed Sites Financing is set forth in Schedule B hereto.
- G. The amount of the cash deposit required to be made by each Participant if the Participant elects to self-fund such Project Costs in accordance with Sections 5.4 and 5.5 of the Contract is set forth in Schedule C hereto.

If a Participant intends for the Sites Authority to finance/refinance the Project components listed in clause C above, the Participant does not need to take any further action.

If a Participant intends to self-fund all or a portion of the applicable Project Costs described in clause E above such Participant must provide the Sites Authority with a Self-Funding Notice on or prior to _____, 20__ (on or before the 90th day prior to the anticipated [Sites Financing Incurrence Date] [the Business Day prior to the scheduled date on which the offering document relating to the Sites Financing is to be made available to potential investors]) all as provided in Section 5.4.2 of the Contract. A form of the Self-Funding

Sites Project Authority – Benefits & Obligations Contract – Sites Reservoir Project

Notice is attached to the Contract as Appendix 3. In addition, such Participant must deposit the amount of such self-funding with the Sites Authority by no later than _____, 20____, in accordance with Section 5.5.2 of the Contract; subject to a grace period of 30 days following such date.

[ADDITIONAL TEXT MAY BE ADDED AS NEEDED]

SITES PROJECT AUTHORITY

By: _____

[Title of Officer]

APPENDIX 5-1

FORM OF PARTICIPANT OPINION LETTER

[This opinion shall be delivered upon execution of the Sites Reservoir Benefits & Obligations Contract]

[], 202[]
Sites Authority
[ADDRESS]

[United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460]

Ladies and Gentlemen:

We are acting as [general/special] counsel to **[PARTICIPANT]** (the "Participant") in connection with the Sites Reservoir Benefits & Obligations Contract (the "Contract"), between the Sites Authority and Participant, and have acted as general counsel to the Participant in connection with the matters referred to in this opinion letter (this "Opinion"). As such counsel, we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Participant provided to us by the Participant, (ii) certifications by officers of the Participant, (iii) all necessary documentation of the Participant relating to the authorization, execution and delivery of the Contract, and (iv) an executed counterpart of the Contract. Terms used herein and not otherwise defined have the respective meanings set forth in the Contract.

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 Participant, we are of the opinion that:

1. The Participant is a _____, duly created, organized and existing under the laws of the State of California and duly qualified to [furnish water service within its boundaries].
2. The Participant has legal right, power and authority to enter into the Contract and to carry out and consummate all transactions reasonably contemplated in or by the Contract, and the Participant has complied with the provisions of Applicable Law and Governmental Approvals relating to such transactions.
3. The Contract has been duly authorized, executed and delivered by the Participant, is in full force and effect as to the Participant in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph of this Opinion, and assuming

that the Sites Authority has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Contract, the Contract constitutes the valid and binding obligation of the Participant.

4. The obligations of the Participant to make payments under the Contract from the source of payment identified in Appendix 7[A][B][C-1][C-2] of the Contract, dated [], 2025, executed by the Participant, or other lawfully available funds as provided in the Contract is a valid, legal and binding obligation of the Participant 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 Participant of the Contract.

6. The authorization, execution and delivery of the Contract 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 Participant, any commitment, agreement or other instrument to which the Participant 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 Participant (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 Participant 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 Participant or any entity affiliated with the Participant or any of its officers in their respective capacities as such, which questions the powers of the Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Participant in connection with the authorization, execution or delivery of the Contract, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Contract, or which would adversely affect the validity or enforceability of the Contract.

[8. The Participant is not entitled to claim governmental immunity under the California Government Claims Act, or under any ordinance, regulation or other legislative action of the Participant in any breach of contract action under the Contract.]

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Contract 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.

Very truly yours,

APPENDIX 5-2

FORM OF ACQUIRER OPINION LETTER

[This opinion shall be delivered upon execution of the Sites Reservoir Benefits & Obligations Contract]

[DWR to provide form]

APPENDIX 6

FORM OF SITES AUTHORITY OPINION LETTER

[This opinion shall be delivered to the Sites Authority upon execution of the Sites Reservoir Benefits & Obligations Contract]

[], 202[]

Sites Authority
[ADDRESS]

[United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460]

Ladies and Gentlemen:

We are acting as [special/general] counsel to the Sites Authority (the "Sites Authority") in connection with that certain Sites Reservoir Benefits & Obligations Contract, dated as of [], 202[] (the "Contract"), between the Sites Authority and each of the Participants identified on Exhibit 1 attached hereto (each a "Participant") in connection with the matters referred to in this opinion letter (this "Opinion"). As such counsel, we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Sites Authority provided to us by the Sites Authority, (ii) certifications by officers of the Sites Authority, (iii) all necessary documentation of the Sites Authority relating to the authorization, execution and delivery of the Contract, and (iv) an executed counterpart of the Contract. Terms used in this Opinion and not otherwise defined have the respective meanings set forth in the Contract.

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 Sites Authority, we are of the opinion that:

1. The Sites Authority is a joint exercise of powers agency, duly created, organized and existing under the laws of the State of California.
2. The Sites Authority has legal right, power and authority to enter into the Contract and to carry out and consummate all transactions contemplated in the Contract, and the Sites Authority has complied with the provisions of Applicable Law and Governmental Approvals relating to such transactions.

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

5. The authorization, execution and delivery of the Contract 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 Sites Authority, any commitment, agreement or other instrument to which the Sites 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 Sites 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 Sites 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 Sites Authority or any of its officers in their respective capacities as such, which questions the powers of the Sites Authority referred to in paragraph 2 above or the validity of the proceedings taken by the Sites Authority in connection with the authorization, execution or delivery of the Contract, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Contract or which, in any way, would adversely affect the validity or enforceability of the Contract.

[7. The Sites Authority is not entitled to claim governmental immunity under the California Government Claims Act, or under any regulation or other legislative action of the Sites Authority in any breach of contract action under the Contract.]

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Contract 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.

Very truly yours,

EXHIBIT 1 TO APPENDIX 6

Participants

[INSERT PARTICIPANT]

[INSERT PARTICIPANT]

[INSERT PARTICIPANT]

[INSERT PARTICIPANT]

APPENDIX 7
PAYMENT APPENDIX

- Appendix 7A Rates and Charges
- Appendix 7B Statement of Charges
- Appendix 7C Land Based Charges

**APPENDIX 7A
RATES AND CHARGES**

This Appendix 7A (this “Appendix”) to the Benefits and Obligations Contract (the “Contract”), dated as of ____, 2025, by and between the entities listed in Appendix 2 to the Contract and the Sites Project Authority (the “Sites Authority”) sets forth the source of payment of the Participant executing this Appendix for amounts due to the Sites Authority in accordance with the Contract and certain other terms supplementary to the Contract.

Unless the context otherwise requires, all acronyms, abbreviations and terms used in this Appendix have the meanings given in the Contract.

A. Source of Payment. The Participant shall make payments under the Contract as an operation and maintenance expense of the Participant, as determined in accordance with Generally Accepted Accounting Principles, solely from, and prior to other payments other than operation and maintenance expenses, from the revenues of the Participant’s water system. Nothing in the Contract shall be construed as prohibiting the Participant from using any other funds for purposes of satisfying any provisions of this Contract.

B. Participant Rates and Charges. To the fullest extent permitted by law, the Participant will fix and prescribe, at the commencement of the fiscal year of the Participant (“**Participant Fiscal Year**”), rates and charges for the Participant’s water system which, together with any other lawfully available revenues of the Participant, and, if applicable, taking into account amounts transferred from a rate stabilization fund or other similar fund of the Participant, are reasonably expected to be sufficient to pay the Participant’s operation and maintenance expenses for such Participant Fiscal Year, including but not limited to amounts due to the Sites Authority under the Contract.

This Appendix is supplemental to the terms of the Contract, and, in the event of a conflict between the provisions of this Appendix and the provisions of the Contract, the terms of this Appendix shall govern.

Dated: _____, 202_

[PARTICIPANT]

By: _____

APPENDIX 7B
STATEMENT OF CHARGES

This Appendix 7B (this “Appendix”) to the Benefits and Obligations Contract (the “Contract”), dated ____, 2025, by and between the entities listed therein and the Sites Project Authority (the “Sites Authority”) sets forth the source of payment of the Participant executing this Appendix for amounts due to the Sites Authority pursuant to the Contract and certain other terms supplementary to the Contract.

Unless the context otherwise requires, all acronyms, abbreviations and terms used in this Appendix have the meanings given in the Contract.

A. Source of Payment. The Participant as a whole is obligated to pay to the Sites Authority the payments becoming due under the Contract, notwithstanding any individual default by its constituents or others in the payment to the Participant of assessments, tolls or other charges levied by the Participant.

If in any year the Participant fails or is unable to raise sufficient funds by other means, the governing body of the Participant shall levy upon property in the Participant not exempt from taxation, a tax or assessment (the “**SWP Tax**”) sufficient to provide for all payments under the Contract then due or to become due within that year and that appear on the statement of charges provided to the Participant by the State of California Department of Water Resources (“**DWR**”).

B. Enforcement of Collection of SWP Tax. To the fullest extent permitted by law and pursuant to the terms of the Participant’s Water Supply Contract with DWR, the Participant shall enforce and collect, or provide for the enforcement and collection of, the SWP Tax.

This Appendix is supplemental to the terms of the Contract, and, in the event of a conflict between the provisions of this Appendix and the provisions of the Contract, the terms of this Appendix shall govern.

Dated: _____, 2025

[PARTICIPANT]

By: _____

APPENDIX 7C
LAND BASED CHARGES

(See attached)

[LAND BASED CHARGES – DISTRICT APPENDIX]

APPENDIX 7C-1

LAND BASED CHARGES (DISTRICT IMPOSED)

This Appendix 7C-1 (this “Appendix”) to the Benefits and Obligations Contract (the “Contract”), dated as of ____, 2025, by and between the entities listed therein and the Sites Project Authority (the “Sites Authority”) sets forth the source of payment of the Participant executing this Appendix for amounts due to the Sites Authority pursuant to the Contract and certain other terms supplementary to the Contract.

Unless the context otherwise requires, all acronyms, abbreviations and terms used in this Appendix have the meanings given in the Contract.

A. Source of Payment. The Participant shall make payments under the Contract as an operation and maintenance expense of the Participant, as determined in accordance with Generally Accepted Accounting Principles. Such payments shall be paid from the revenues of the Participant’s water system, including any land based charges. Nothing in the Contract shall be construed as prohibiting the Participant from using any other funds for purposes of satisfying any provisions of this Contract.

B. Participant Revenues. To the fullest extent permitted by law, the Participant shall fix, prescribe and collect, at the commencement of the fiscal year of the Participant (the “Participant Fiscal Year”), rates and charges for the Participant’s water system which, together with any other lawfully available revenues of the Participant, and, if applicable, taking into account amounts transferred from a rate stabilization fund or other similar fund of the Participant, are reasonably expected to be sufficient to pay all amounts owed to the Sites Authority after the application of land based charges described in C below reasonably expected to be collected and applied as described in C below .

C. Participant Land Based Charges. During each Participant Fiscal Year, to the fullest extent permitted by law, the Participant shall levy and collect land based charges in an amount equal to 110% of the amount of the Participant’s Financing Obligations payable during such Participant Fiscal Year and shall apply such land based charges to the payment of the Participant’s Financing Obligations.

This Appendix is supplemental to the terms of the Contract, and, in the event of a conflict between the provisions of this Appendix and the provisions of the Contract, the terms of this Appendix shall govern.

Dated: _____, 2025

[PARTICIPANT]

By: _____

[LAND BASED CHARGES WRMWD APPENDIX]

APPENDIX 7C-2

LAND BASED CHARGES
(WHEELER RIDGE-MARICOPA WATER
STORAGE DISTRICT IMPOSED)

This Appendix 7C-2 (this “Appendix”) to the Benefits and Obligations Contract (the “Contract”), dated as of ____, 2025, by and between the entities listed therein and the Sites Project Authority (the “Sites Authority”) sets forth the exclusive source of payment of the Wheeler Ridge-Maricopa Water Storage District (“WRMWS”) and exclusive recourse for amounts due to the Sites Authority pursuant to the Contract and certain other terms supplementary to the Contract.

Unless the context otherwise requires, all acronyms, abbreviations and terms used in this Appendix have the meanings given in the Contract.

A. Source of Payment. WRMWS shall make payments due under the Contract solely (i) from special benefit assessments or charges in lieu of assessments (the “Assessments”) levied by WRMWS on certain parcels of land within WRMWS (the “Participating Properties”), the owners of which (the “Participating Landowners”) have executed agreements with WRMWS to participate in the Project (the “Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts”), pursuant to and as authorized by such Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts and applicable law, and (ii) from amounts received by WRMWS from the Participating Landowners for the provision of water service, water storage and other services with respect to the Project collected under the Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts (collectively, the “Pledged Landowner Revenues”). The Sites Authority shall not have the right of any recourse against the revenues, reserves or other assets of WRMWS or the Wheeler Ridge-Maricopa Groundwater Sustainability Agency (the “GSA”) or any revenues generated by WRMWS or the GSA from non-Sites related water service or groundwater management activities provided by WRMWS or the GSA, other than the Pledged Landowner Revenues. The Sites Authority’s recourse for the failure of WRMWS to pay WRMWS’s obligations under the Contract or to comply with the terms of the Contract will only be against the Pledged Landowner Revenues, including amounts received by WRMWS from WRMWS’s enforcement of the Assessments and the respective Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts.

B. Assessments. During each fiscal year of WRMWS (the “WRMWS Fiscal Year”), to the fullest extent permitted by law, WRMWS shall levy and collect Assessments in an amount equal to 110% of the amount of WRMWS’s Financing Obligations payable during such WRMWS Fiscal Year and shall apply such Assessments to the payment of WRMWS’s Financing Obligations.

C. Service Revenues. To the fullest extent permitted by law, WRMWS shall fix, prescribe and collect, during the WRMWS Fiscal Year, amounts under the Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts, which are reasonably expected to be sufficient to pay amounts coming due under the Contract (net of WRMWS

Financing Obligations that are reasonably expected to be paid with the proceeds of the Assessments) for such WRMWSD Fiscal Year.

D. Enforcement of Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts. WRMWSD shall at all times have Wheeler-Ridge Participating Benefits and Obligations Contracts in place with each of the Participating Landowners. To the fullest extent permitted by law, WRMWSD covenants and agrees that WRMWSD shall enforce the WRMWSD’s rights under each Wheeler-Ridge Participating Landowner Benefits and Obligations Contract against the respective Participating Landowners, collect amounts due in a timely manner and shall take all necessary actions permitted by the respective Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts, including the discontinuance of all Sites water to parcels of land owned by those specific Participating Landowners in default under the respective Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts, and by law to collect in such time and amounts Assessments and amounts payable pursuant to the Wheeler-Ridge Participating Landowner Benefits and Obligations Contracts as shall permit WRMWSD to pay its obligations under the Contract in accordance with the terms of the Contract.

This Appendix is supplemental to the terms of the Contract, and, in the event of a conflict between the provisions of this Appendix and the provisions of the Contract, the terms of this Appendix shall govern.

Dated: _____, 2025

WHEELER RIDGE-MARICOPA
WATER STORAGE DISTRICT

By: _____

APPENDIX 8

INITIAL SITES OPERATIONS PLAN

[To be attached]