

F. BASIC FINANCIAL INFORMATION

Because of the nature of this Prospectus and eventual contracts outlined in the Introduction and the other sections of the Prospectus, Reclamation is not providing any gross revenue projections as is normally the approach. In typical Prospectus opportunities, the entire business model is essentially complete and identified in the Draft Contract and other Prospectus sections. The many possible variations and combinations of business activities fostered by the approach in this Prospectus preclude Reclamation from providing any meaningful financial Pro Formas. As part of the planning process, Reclamation did complete an economic feasibility analysis for one scenario that demonstrated a satisfactory opportunity for financial success. As a part of the analysis and evaluation of proposals, Reclamation will have a 'subject matter expert' as part of the team who is qualified and has experience in reviewing economic feasibility within the Hospitality and Commercial Recreation industries. Offerors should understand that proposals evaluated and found to have financially unreasonable projections may be determined to be non-responsive. Reclamation strongly believes that upgrades of existing facilities and development of new facilities serving the visiting public will result in a significant increase in use and associated revenue at Lake Berryessa. Future business growth at Lake Berryessa is especially likely when potential Offerors consider the choice location and natural beauty in relation to the geographic population centers of Northern California.

Offerors proposal *must* demonstrate a complete recovery of investment with profit during the 30-year base term of this contract. This is important because there is no assurance that the concession operation will continue after the expiration of the contract. Proposals will be evaluated in part based on how the Offerors present the cost recovery and profit.

G. ENVIRONMENTAL MANAGEMENT

The new concession contractor(s) will develop, document, implement, and comply fully with a comprehensive written Environmental Management Program (EMP) to achieve the environmental management objectives as per the concession contract Section 3. The proposed EMP will become final once the submitted plan from a successful Offeror is approved by Reclamation. The EMP will be updated and submitted for approval annually. The draft EMP submitted by Offerors will be a part of the proposal evaluation criteria outlined fully in PART 5 of this Prospectus.

In evaluating the existing conditions that may impact Offerors in regard to this section, it would be advisable to again review the "Environmental Compliance and Facility Condition Assessment Report" on the Lake Berryessa Prospectus web site.

H. RISK MANAGEMENT PROGRAM (SAFETY)

The new concession contractor(s) shall be required to provide a safe and healthful environment for all employees and visitors. ***The new concession contractor(s) will develop, document, implement, and comply fully with a comprehensive written Risk Management Program (RMP) to achieve the risk management objectives. The concession contractor must meet the risk management performance standards as described in the concession contract (Section 3.0) and develop a Risk Management Program in accordance with these standards. One requirement of the performance standards is that the concession contractor performs annual or as necessary self-inspections to ensure compliance with***

all applicable health and safety regulations and standards. The concession contractor must also provide appropriate training for employees and staff as set forth in the risk management plan.

The proposed RMP will become final once the submitted plan from a successful Offeror is approved by Reclamation. The RMP will be updated and submitted for approval annually. The draft RMP submitted by Offerors will be a part of the proposal evaluation criteria outlined fully in PART 5 of this Prospectus

I. MAINTENANCE

The new concession contractor(s) will be assigned lands that are necessary for the concession operation. These lands and facilities must be maintained in a manner acceptable to Reclamation. The new concession contract(s) will specify the concession contractor responsibilities for maintenance, repairs, housekeeping, and grounds keeping of all concession facilities and lands assigned. The standards and minimum requirements are established in the Maintenance Plan, Exhibit F to the draft contract (PART 6.F of this Prospectus), which the concession contractor must agree to in order to have a responsive proposal. In the proposal, the Offeror(s) must submit clarifications and additions to the Draft Maintenance Plan that are consistent with their specific proposal in this flexible Prospectus and in general compliance with Draft Concession Contract (Section 4.I and Exhibit F). The proposed additions or changes must be approved by Reclamation before being included in the final concession contract. Some of the points will await final negotiation and determination by Reclamation once the successful Offeror(s) are identified. The response to the maintenance needs inherent in the concession operation(s) and the identified documents will be a part of the proposal evaluation criteria outlined in PART 5 of this Prospectus.

J. OPERATING PLAN

Offerors must submit, as part of their proposal to this Prospectus, additions or changes to the Draft Contract Exhibit G (Operating Plan) that are consistent with the concession contract and that apply directly to their unique proposal on one or more locations at Lake Berryessa. The Draft Operating Plan (PART 6 – Exhibit G) presented in this Prospectus should serve as a template for preparing the actual proposed plan. The ‘template’ provides applicable standards of operation for various departments, i.e., lodging, marinas, food & beverage, retail, etc. that should apply to the specific plans to be proposed by individual Offerors.

K. RESERVE ACCOUNT FOR FACILITIES IMPROVEMENT

A typical Reserve Account for Facilities Improvement (RAFI) is briefly discussed below and in more detail in PART 6 – Exhibit K of this Prospectus. This is another area of the Prospectus that is impacted by the flexible proposal approach identified throughout the Prospectus. Reclamation believes strongly that a contract instrument that accomplishes or assures the goals of the described RAFI is necessary, and it is unlikely that any Offeror will be successful without proposing such an approach or some type of meaningful substitute; however, since the exact type of an eventual required Capital Improvement Program is to be determined by the proposals received in response to this Prospectus, Reclamation will consider proposals for other instruments or approaches that similarly assure the long-term financial support for necessary major repairs and specially approved maintenance projects. The following is a presentation in the standard Prospectus wording outlining a RAFI for Offerors to review and utilize:

Funding for routine, day-to-day maintenance will be covered by the Concession Contractor’s operating expenditures. However, funding for projects that qualify as concession capital improvements will come

from a RAFI established and maintained by the Concession Contractor and to which the Concession Contractor will make monthly or annual deposits. It would be preferable to specify such improvements in a capital improvement program prepared as part of the Offeror's feasibility study before issuing the concession contract. However, if a specific capital improvement plan is not prepared in advance of entering into the concession contract, Concession Capital Improvements will be specified during the term of the concession contract, for which funds will be drawn from the RAFI. In many instances throughout the business community, this type of a fund is known as a 'Maintenance Reserve Account.'

The new concession contract normally requires that the Concession Contractor establish and maintain a RAFI as a percentage of gross receipts (see contract exhibit H [Improvement Project Procedures] and contract exhibit K [Reserve Account for Facilities Improvement] in the Draft Concession Contract). This reserve account will be used as approved and/or directed by Reclamation for major capital improvements as well as for special repair and maintenance projects — namely, those that are nonrecurring within a 7-year time frame such as foundation replacement, electrical, plumbing and heating systems, or roof replacement. The RAFI will not be used for routine repairs or maintenance — that is, repairs and maintenance that normally recur within a 7-year time frame; therefore, the amount of funds available in the RAFI will not limit in any way the responsibility of the Concession Contractor to perform routine repair and maintenance functions or to carry out necessary major repairs if the RAFI does not provide adequate funding and its housekeeping and ground-keeping responsibilities (see the description of RAFI in PART 6 Exhibit K of this Prospectus).

L. SUPPLEMENTAL SURCHARGE

Reference PART 3, Section O, Reclamation anticipates that during the term of this concession contract, the Concession Contractor will find it necessary to pay additional costs for ongoing and additional services to be provided or required by Napa County and/or other state or local government entity or agency that are necessitated by the use, rights and privileges granted under this concession contract, which are not presently identifiable, and the Concession Contractor agrees to pay such costs deemed appropriate and approved by Reclamation. Such fees, charges, and assessments, ("charges") and required actions may include, but are not limited to, charges for the installation, modification, and or expansion of water and sewer systems, emergency and fire services, law enforcement services, road improvements, environmental and water quality compliance actions, and other activities.

Reclamation has determined that such costs are a necessary expense of this concession contract and as such, the Concession Contractor *may* collect additional revenues during the term of this concession contract to offset such costs. The Concession Contractor *will determine whether it finds it necessary to collect this supplemental surcharge and if so it shall notify Reclamation and begin to collect a supplemental 5% surcharge within 90 days of the effective date of this concession contract* on all goods it sells (excluding gasoline and diesel fuel) and on all services it provides for which it is not required to pay a Transient Occupancy Tax as defined by applicable county ordinance.

The Concession Contractor shall deposit all supplemental surcharge funds it collects in a separate, interest bearing, federally insured, Supplemental Surcharge Account (Account) as part of its gross revenue to be maintained by the Concession Contractor. Surcharge funds will not be commingled with other accounts established under this concession contract or with any other Concession Contractor funds. The Concession Contractor will directly pay the applicable government entity or agency for any services provided to or charges or required actions levied on the Concession Contractor deemed appropriate and approved by Reclamation in consultation with the authorized government or agency representative.

The amount of the supplemental surcharge shall be reviewed every 3 years to determine whether it should be increased or decreased to enable the Concession Contractor to collect the appropriate amount of funds needed to pay for the services or charges or required actions as defined above. At each 3-year review, the Concession Contractor shall provide a 3-year projection for all sales for which the surcharge applies, and any known or proposed required payments for charges and ongoing and additional services or required actions. The Concession Contractor will propose to Reclamation for approval the appropriate rate for the surcharge necessary to cover such expenses. After the 3-year review, any funds over \$50,000 left in the account in excess of known or expected services or charges or required actions shall be deposited in the RAFI account established in section 4.I. and treated as RAFI funds until expended unless such funds are otherwise needed for outstanding or anticipated payments for charges and other required services or actions.

Any supplemental surcharge funds not duly expended by the Concession Contractor by the end of this concession contract shall be the property of the Concession Contractor unless there are approved or otherwise required charges, services, or actions previously identified for payment in advance of contract expiration that have not been paid. If the Concession Contractor is also the succeeding Concession Contractor then the surcharge funds that are unexpended during the term of this concession contract will apply to the initial surcharge funding established in the next contract less the estimated costs of any required payments.

In the event of termination or expiration of this concession contract, any unexpended surcharge funds shall be deposited into the RAFI account.

The financial reporting for the Account will be performed in accordance with Section 8 and Exhibit J of this concession contract.

M. UTILITIES

Reclamation will not be providing any utilities to the concession operations at Lake Berryessa. The existing and past operations have obtained their utilities as follows:

LAKE BERRYESSA UTILITIES

Markley Cove

Potable Water	Operate own water system
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

Steele Park

Potable Water	Napa Berryessa Resort Improvement District
Sewer	Napa Berryessa Resort Improvement District
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

Spanish Flat

Potable Water	Spanish Flat Water District
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

Lake Berryessa Marina

Potable Water	Operate own water system
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

Rancho Monticello

Potable Water	Operate own water system
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage for household garbage

Putah Creek Resort

Potable Water	Operate own water system
Sewer	Operate own sewage treatment system/pond
Electricity	Commercial – PG&E
Garbage	Commercial pick up – Berryessa Garbage

All the potable water is pumped from the lake and treated.

All Offerors should review the “Environmental Compliance and Facility Condition Assessment Report” as it applies to Markley Cove and consult with applicable regulatory agencies. It is especially important that Offerors consider their planned approach for delivering potable water and handling sewage.

Reclamation strongly encourages that Offerors consult with Napa County Department of Environmental Management, and the Central Valley Regional Water Quality Control Board about acquiring permits to operate water and wastewater systems.

Since new facilities are necessary in several concession areas, Offerors should consider the applicability of (1) combining systems for multiple operations or (2) if a single Offeror is selected, to operate multiple locations the development of a multi-location water or wastewater system(s). In some cases, new discharge permits may take up to 2 years to obtain. The Offerors address of water and waste water issues will be one of the factors closely reviewed in the proposal evaluation process by Reclamation.

N. Underground Storage Tanks

Putah Creek, Rancho Monticello and Steele Park are currently being monitoring an/or mitigated for past violations regarding underground storage tanks. Reclamation does not have any knowledge of any remaining underground tanks. New development in the immediate mitigation area may not be possible until complete remediation has been accomplished. Exact impacted areas will be identified during the site visits.

O. LENGTH OF TERM AND EFFECTIVE DATE OF NEW CONCESSION CONTRACT

The length of term of any contract outlined in this Prospectus is 30 years. Reclamation will have the option to consider one additional ten year option period dependant upon various parameters, including but not limited to: the useful life and condition of the Concession Contractor Improvements, *final scope of improvement plan (Exhibit H)*, compliance with contract terms, recreational demands and Solano Project operations constraints and/or modifications.

The effective dates for a new contract(s) may also vary and will initially be a factor of the expiration date of the existing concession operations bid upon. Ideally, if a contract is expiring on the 15th of a particular month, the new contract will begin on the 16th of the same month; however, the overall complexity of this Prospectus and the potential for a single Offeror to successfully compete for more than one operation may lead to adjusted dates following final negotiations and combined contracts.

P. FRANCHISE FEE

A franchise fee is a payment to the Government that is considered a direct return to the Government upon consideration of the probable value to the concession contractor of the use, rights, and privileges granted by this concession contract. Such probable value shall be based upon a reasonable opportunity for net profit in relation to capital invested and the obligations of the concession contract.

This is another area in this Prospectus and the eventual contract that ‘is to be determined’ based upon the proposals received. In most Prospectuses, the franchise fee already has a pre-determined minimum based upon the anticipated investment, level of projected business, and contract length. The minimum that can be bid in response to this Prospectus is one percent (1%) of gross. Offerors are expected to propose a franchise fee level as a part of their proposal. Note that in Part B of PART 5 of this Prospectus that Principal Factor No. 5 concerns the franchise fee proposed. Offerors will be evaluated in comparison to one another and in relation to the minimum acceptable franchise fee of 1% and that rating will result in a numerical score that will become a part of their overall bid score in response to the Prospectus. The ‘overall bid score’ is the sum of all the possible ‘value points’ among the five Principal Factors outline in Part B or PART 5 of this Prospectus. Unless there is other significant issues or impacts, i.e. being determined non-responsive or having past disqualifying occurrences or situations this overall bid score will be the determinant of whether an Offeror is successful. The final franchise fee bid is one of the five factors considered so it is important for Offerors to give careful thought to whether they believe the 1% minimum will be their position. Not only do Offerors need to propose a franchise fee approach, but they also need to provide a well-developed and defensible discussion on how and why they arrived at their position. Reclamation will consider a wide range of franchise fee approaches including a tiered system where fees increase when certain revenue targets are reached or even 1% if properly supported. A tiered approach may provide concession contractors to minimize their risk at the start, and will eventually bring more adequate revenues to the Government as gross sales increase. Reclamation recognizes the importance for business operators to establish business models that present an opportunity and expectation of reasonable profit and when evaluating the proposed franchise fees the reasonableness of projected profits in comparison to other similar businesses in the recreation hospitality industry will be a consideration.

Franchise fees due the Government are secondary in importance to the appropriate development of facilities, provision of services to the public, and a reasonable opportunity for a concession contractor to realize a profit. Reclamation recognizes that there will be demands on a new concession contractor to provide funding for various improvements that will be proposed by any successful Offeror(s). Everything being equal between two proposals, a higher franchise fee will be considered a superior proposal than a lower fee. Reclamation will very closely review franchise fee proposals in conjunction with the overall financial pro-formas submitted in response to this Prospectus. Proposals that are judged to be unsupported or economically infeasible may be found non-responsive in total or at the least be rated much lower than proposals judged to be economically reasonable.

The issue of franchise fees is very complex and tied in with all other segments of the proposal that have an impact on investment and/or revenue. Very detailed consideration and position development by all Offerors is necessary in arriving at their proposed franchise fees.

Q. PERSONAL PROPERTY

A new concession contractor is not required to purchase personal property from the previous Concession Contractor but may wish to do so if it can reach agreement with the previous Concession Contractor on terms that are mutually acceptable. Reclamation will not be involved in any such transaction. The property purchased and the transaction prices will be entirely up to the buyer and seller. The fact that the final purchase price may be greater than estimated by an Offeror will not be grounds for adjustment of the terms of the concession contract or other financial relief to the new concession contractor.

R. POTENTIAL CONTRACT ADJUSTMENT

Although it should be assumed that the site will be ready for immediate development, there may be a need to consider previous Concession Contractor's non-compliance, unforeseen expense or loss of revenue to the successful Offeror as a result of additional site preparation at the time of contract award not reflected in the Offeror's pro-forma. Reclamation may consider an adjustment to contract terms that properly recognize and consider those additional expenses or loss of revenue. Availability of individual concession areas in relation to proposed development plans will be addressed during contract negotiations with successful bidders.

S. RELEVANT RECLAMATION CONCESSION POLICY AND DIRECTIVES AND STANDARDS

See PART 6 – Exhibit L of this Prospectus for the applicable Directives & Standards.

T. SITE VISITS

Informational briefings and site visits will be held according to the following schedule:

June 3, 2009

10:00 a.m. – Introduction to visits of the day and ground rules (Lake Berryessa HQ)
Putah Creek Tour
Rancho Monticello Tour
Lake Berryessa Marina Tour
Spanish Flat Tour
Questions/Answers re: Prospectus and Tours (Spanish Flat)

June 4, 2009

10:00 a.m. – Introduction to visits of the day and ground rules (Lake Berryessa HQ)
Steele Park Tour
Markley Cove Tour
Questions/Answers re: Prospectus and Tours (Markley Cove)

June 5, 2009

10:00 a.m. – Introduction to visits of the day and ground rules (Lake Berryessa HQ)
Pick up tours

Questions/Answers re: Prospectus and Tours (HQ)

The above tour schedule may require adjustment in the field based on actual time frames, but the intent is to accomplish the indicated tours and meetings during the days specified even if it requires later hours.

Any information provided during the site visit or at any other time must be made available to all Offerors. During the meetings before and after the site tours, Reclamation will provide someone to capture all of the questions and answers for later transcription. Any questions asked and the answers given must be presented to all Offerors. Reclamation will be careful in answering some questions during the tours if it seems that the question and the answer cannot be appropriately captured. Similarly, questions will not generally be answered on the telephone but will require a written request (e-mail is OK) and written response from Reclamation. In order to not be an obstruction, Reclamation may elect to answer some clarifying questions that do not seem to present any benefit to the asker as it applies to the proposal process; however, the determination as to what is and is not 'clarifying' will be made by Reclamation at the time a question is posed.

Please review PART 3 – Section B regarding the scheduled 'midstream' Prospectus meeting scheduled for June 29, 2009 at the Lake Berryessa Reclamation Office.

The easiest way to avoid any potential problem is to put all information and answers to any question in writing, making sure this information is received by all Offerors.