Exhibit E: Lease and Sale of Capacity Interest, Sites Water Sales, and Rights of First Offer

This Exhibit sets forth the requirements applicable to any lease or sale by Reclamation of Sites Water, and the rights of first refusal applicable to certain leases or sales of Capacity Interest by Storage Partners. These requirements are intended to be generally consistent with the terms and conditions applicable to other Storage Partners under the Benefits & Obligations Contract. If the requirements applicable to other Storage Partners are subsequently modified by the Reservoir Management Board or the Sites Authority Board, as applicable, the Parties shall meet and confer regarding corresponding amendments to this Exhibit. No such modification shall amend this Exhibit unless incorporated into this Agreement in accordance with its terms.

I. Lease of Capacity Interest

Reclamation may lease Capacity Interest to other Storage Partners and to other entities subject to the following conditions:

(a) Reclamation may negotiate in its discretion the commercial terms of the lease of its Capacity Interest ("Lease Negotiated Terms") provided that:

i. The Lease Negotiated Terms must not negatively impact Storage Partners' rights to store or convey Sites Water in accordance with their respective agreements with the Sites Authority;

ii. Any lease of Capacity Interest must be consistent with the Sites Water Right, governmental approvals and applicable law;

iii. Subject to subsection (g) below, a lease of Capacity Interest shall not impact or limit a Storage Partner's rights or obligations to the Sites Authority under their respective agreements with the Sites Authority and Storage Partners shall remain responsible for their obligations to the Sites Authority under such agreements;

iv. No lease of Capacity Interest can cause or be construed to cause a reduction in any Sites 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. If any lease of Base Facilities Capacity Interest is to a Participant with a Downstream Facilities Capacity Interest, the Sites Water may be conveyed on a first priority basis up to the Downstream Facilities Capacity Interest. Should the Participant wish to convey more Sites Water than its Downstream Facilities Capacity Interest allows, this would be on a second priority basis

and would incur wheeling costs [on a per Acre-foot basis] determined as described in the Operations Plan. Leases to non-Participants would be provided access to Downstream Facilities on a second priority basis and would incur wheeling cost [on a per Acre-foot basis] determined as described in the Operations Plan, which wheeling cost shall be credited to those holders of Downstream Facilities Capacity Interest who provided the Downstream Facilities capacity;

vi. Prior to any lease by Reclamation of Base Facilities Capacity Interest and Downstream Facilities Capacity Interest, Reclamation shall provide to the Sites Authority 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

(b) Any lease of Base Facilities Capacity Interest and Downstream Facilities Capacity Interest (as applicable) shall be confirmed with staff of the Sites Authority verifying that Sites Project operations and Sites Water accounting may be maintained;

(c) Any lease agreement for Capacity Interest must acknowledge that conveyance constraints will limit releases from the Sites Project Facilities from time to time, and must specify how Sites Project Facilities losses will be accounted for; and such provisions shall be consistent with requirements established by the Reservoir Management Board and the Sites Authority;

(d) As a condition of Reclamation leasing all or a portion of its Capacity Interest, Reclamation must first pay any Delinquent Payment Amount due to the Sites Authority under this Agreement;

(e) Reclamation must provide notice to the Sites Authority of the final lease within five (5) days of execution and shall ensure that appropriate communication protocols are in place so that the Sites Authority is able to convey water on behalf of the lessee.

(f) In the event that Reclamation leases its Base Facilities Capacity Interest and Downstream Facilities Capacity Interest as described in subsection (a) above, Reclamation shall remain signatory to this Agreement and shall continue to be liable and responsible for all of its obligations under this Agreement, and shall not be relieved of any such obligations as a result of such lease or sharing.

(g) Reclamation shall receive Sites Authority and Reservoir Management Board approvals, as necessary, prior to executing any agreements for lease of Capacity Interest requiring such approvals under this Agreement. The provisions for lease specified in this Section I constitute all provisions necessary for the Sites Authority Board and Reservoir Management Board approving a lease, and such approvals shall not be unreasonably withheld, conditioned or delayed.

(h) Where a Participant other than Reclamation proposes to lease any Base Facilities Capacity Interest and Downstream Facilities Capacity Interest to a non-Storage Partner, the leasing Participant shall first provide written notice ("Lease Offer Notice") to the other non-leasing Storage Partners holding a Capacity Interest in the same Sites Project Facilities (the Base Facilities or the Downstream Facilities, as applicable), including Reclamation, setting forth all material terms upon which the leasing Participant proposes to lease such Capacity Interest, including the duration of the lease and proposed compensation. Reclamation and the other eligible non-leasing Storage Partners shall have a right of first offer to lease such Capacity Interest on the terms provided in the Lease Offer Notice. Each eligible Storage Partner shall respond in writing within 60 days after receipt of the Lease Offer Notice, or such longer period as the leasing Participant may specify. Failure to respond within such period shall constitute a waiver of such Storage Partner's right of first offer with respect to the proposed transaction. If more than one eligible Storage Partner timely elects to lease the Capacity Interest on the terms set forth in the Lease Offer Notice, the Capacity Interest shall be apportioned pro-rata based on such Storage Partners' applicable Capacity Interests in the Base Facilities or Downstream Facilities, as calculated in accordance with Exhibit J, unless such Storage Partners agree otherwise. If the eligible Storage Partners do not timely elect to lease all of the offered Capacity Interest, the leasing Participant may offer the remaining Capacity Interest to a non-Storage Partner on terms no more favorable to the non-Storage Partner than those set forth in the Lease Offer Notice. If the proposed terms are materially modified, the leasing Participant shall provide a revised Lease Offer Notice, and the eligible Storage Partners shall again have a right of first offer on the revised terms. The foregoing procedures shall be subject to any applicable priority rights of SWP Participants under Appendix 9 of the Benefits & Obligations Contract.

(i) Reclamation and each notified Storage Partner shall have sixty (60) days after receipt of the Lease Offer Notice, or such longer period specified by the leasing Participant, to provide written notice exercising its right of first refusal. Failure to provide timely notice shall constitute a waiver of the right of first refusal solely with respect to the transaction described in that Lease Offer Notice. If any material term of the proposed third-party lease is subsequently changed, the leasing Participant shall provide a revised Lease Offer Notice, and Reclamation and the other non-leasing Storage Partners shall again have a right of first refusal on the revised terms.

(j) If one or more eligible Storage Partner, including Reclamation, timely exercises the right of first refusal, the offered Base Facilities Capacity Interest and Downstream Facilities Capacity Interest, as applicable, shall be apportioned among the exercising Storage Partners based on their respective applicable Capacity Interests in the

corresponding Sites Project Facilities, calculated in accordance with Exhibit J, unless the exercising Storage Partners agree otherwise.

II. Sale of Capacity Interest

Reclamation may sell all or a portion of its Capacity Interest to other Storage Partners and to other entities subject to the following conditions:

(a) Reclamation may negotiate in its discretion the commercial terms of the sale of its Capacity Interest ("Sale Negotiated Terms") provided that:

(i) The Sale Negotiated Terms must not negatively impact the rights of other Storage Partners to store or convey Sites Water in accordance with their respective agreements with the Sites Authority;

(ii) Any sale of Capacity Interest must be consistent with the Sites Water Right, governmental approvals and applicable law;

(iii) Subject to subsection (i) below, a sale of the Capacity Interest shall not impact or limit a Storage Partners' rights or obligations to the Sites Authority under their respective agreements with the Sites Authority and each Storage Partner shall remain responsible for all of its obligations to the Sites Authority under their respective agreements with the Sites Authority;

(iv) No sale of Reclamation's Capacity Interest can cause or be construed to cause a reduction in any Sites 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; and

(v) Subject to subsection (j) below, prior to any sale by Reclamation of Capacity Interest, Reclamation 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;

(b) Any sale of Capacity Interest shall be confirmed with staff of the Sites Authority including (i) verifying that Sites Project operations and Sites Water accounting may be maintained; and (ii) providing notice of the proposed buyers credit rating. Any proposed sale by Reclamation to a party outside of the Federal Government must meet lender approval requirements of any loans for the Sites Project held by the Sites Authority or any Participant;

(c) Any sale agreement for Capacity Interest must acknowledge that conveyance constraints will limit releases from the Sites Project Facilities from time to time, and must specify how Sites Project Facilities losses will be accounted for; and such provisions shall be consistent with requirements established by the Reservoir Management Board and the Sites Authority;

(d) As a condition of Reclamation selling all or a portion of its Capacity Interest, and of the Sites Authority signing any contract with the purchaser of the Capacity Interest, Reclamation must first pay any Delinquent Payment Amounts due to the Sites Authority under this Agreement;

(e) Subject to the applicable priority provisions for Sacramento Watershed Participants under Section 8.2.1(f) of the Benefits & Obligations Contract, where a Storage Partner proposes to sell Capacity Interest to a non-Storage Partner, the selling Storage Partner shall first provide written notice ("Sale Offer Notice") to the other Storage Partners, including Reclamation if Reclamation is not the selling Storage Partner, setting forth all material terms upon which the selling Storage Partner proposes to sell such Capacity Interest, including the proposed purchase price. Reclamation and the other eligible non-selling Storage Partners shall have a right of first offer to purchase such Capacity Interest on the terms provided in the Sale Offer Notice. Each eligible Storage Partner shall respond in writing within 60 days after receipt of the Sale Offer Notice, or such longer period as the selling Storage Partner may specify. Failure to respond within such period shall constitute a waiver of such Storage Partner's right of first offer with respect to the proposed transaction. If more than one eligible Storage Partner timely elects to purchase the Capacity Interest on the terms set forth in the Sale Offer Notice, the Capacity Interest shall be apportioned pro-rata based on such Storage Partners' applicable Capacity Interests in the Base Facilities or Downstream Facilities, as calculated in accordance with Exhibit J, unless such Storage Partners agree otherwise. If the eligible Storage Partners do not timely elect to purchase all of the offered Capacity Interest, the selling Storage Partner may offer the remaining Capacity Interest to a non-Storage Partner on terms no more favorable to the non-Storage Partner than those set forth in the Sale Offer Notice. If the proposed terms are materially modified, the selling Storage Partner shall provide a revised Sale Offer Notice, and the eligible Storage Partners shall again have a right of first offer on the revised terms. The foregoing procedures shall be subject to any applicable priority rights under Section 8.2.1(f) and Appendix 9 of the Benefits & Obligations Contract;

(f) Each notified Storage Partners shall have sixty (60) days after receipt of the Sale Offer Notice, or such longer time proposed by the selling Storage Partner, to provide written notice exercising its of first refusal. Failure to provide timely notice shall constitute a

waiver of the right to first refusal solely with respect to the transaction described in the Sale Offer Notice. If any material term of the third-party sale is subsequently changed, the selling Storage Partner shall provide a revised Sale Offer Notice, and the other Storage Partners shall again have a right of first refusal on the revised terms;

(g) In the event that more than one eligible Storage Partner timely exercises the right of first refusal, the offered Base Facilities Capacity Interest and Downstream Capacity Interest, as applicable, shall be apportioned among the exercising Storage Partners based on their respective applicable Capacity Interests in the corresponding Sites Project Facilities, calculated in accordance with Exhibit J, unless the non-selling Storage Partners agree otherwise;

(h) Reclamation must provide notice to the Sites Authority of the final sale within five (5) days of execution;

(i) Downstream Facilities Capacity Interest cannot be sold independently of the associated Base Facilities Capacity Interest;

(j) In the event that Reclamation sells all or a portion of its Capacity Interest as described in subsection (a) above, Reclamation shall remain liable and responsible for all of its applicable obligations under this Agreement related to such Capacity Interest until such time as the purchaser of such Capacity Interest has entered into a contract with the Sites Authority; and

(k) Reclamation shall receive Sites Authority and Reservoir Management Board approvals, as necessary, prior to executing any agreements for sale of Capacity Interest requiring such approvals under this Agreement. The provisions for sale specified in this Section II constitute all provisions necessary for the Sites Authority Board and Reservoir Management Board approving a sale, and such approvals shall not be unreasonably withheld, conditioned or delayed.

III. Sites Water Sales

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

(a) Terms must not negatively impact the Sites Water Right or the rights of other Storage Partners as set out in their respective contracts with the Sites Authority;

(b) Notice of any sale shall be provided to the staff of the Sites Authority so that Sites Project operations and Sites Water accounting may be maintained;

(c) Any costs to the Sites Authority associated with any sale shall follow beneficiary pays principles; and

(d) Reclamation may not transfer any other rights or obligations under this Agreement as part of any sale, except as set forth in this Exhibit.

III. Right of First Offer for Defaulted Interests

Reclamation shall have a right of first offer to acquire all or a portion of the Defaulted Interests of another Storage Partner, subject to the applicable disposition procedures and order of priority established under the agreement governing such Defaulted Interests, including Section 10.3.2 of the Benefits & Obligations Contract, as applicable. With respect to Defaulted Interests held by Sacramento Watershed Participants, the priority-offer procedures established under Section 10.3.2 of the Benefits & Obligations Contract shall apply before Reclamation or other Storage Partners may exercise any subsequent right of first offer. Nothing in this Part IV modifies the provisions of the Partnership Agreement governing forfeiture, disposition, or reallocation of Reclamation's own Unpaid Capacity Interest.