

Governance

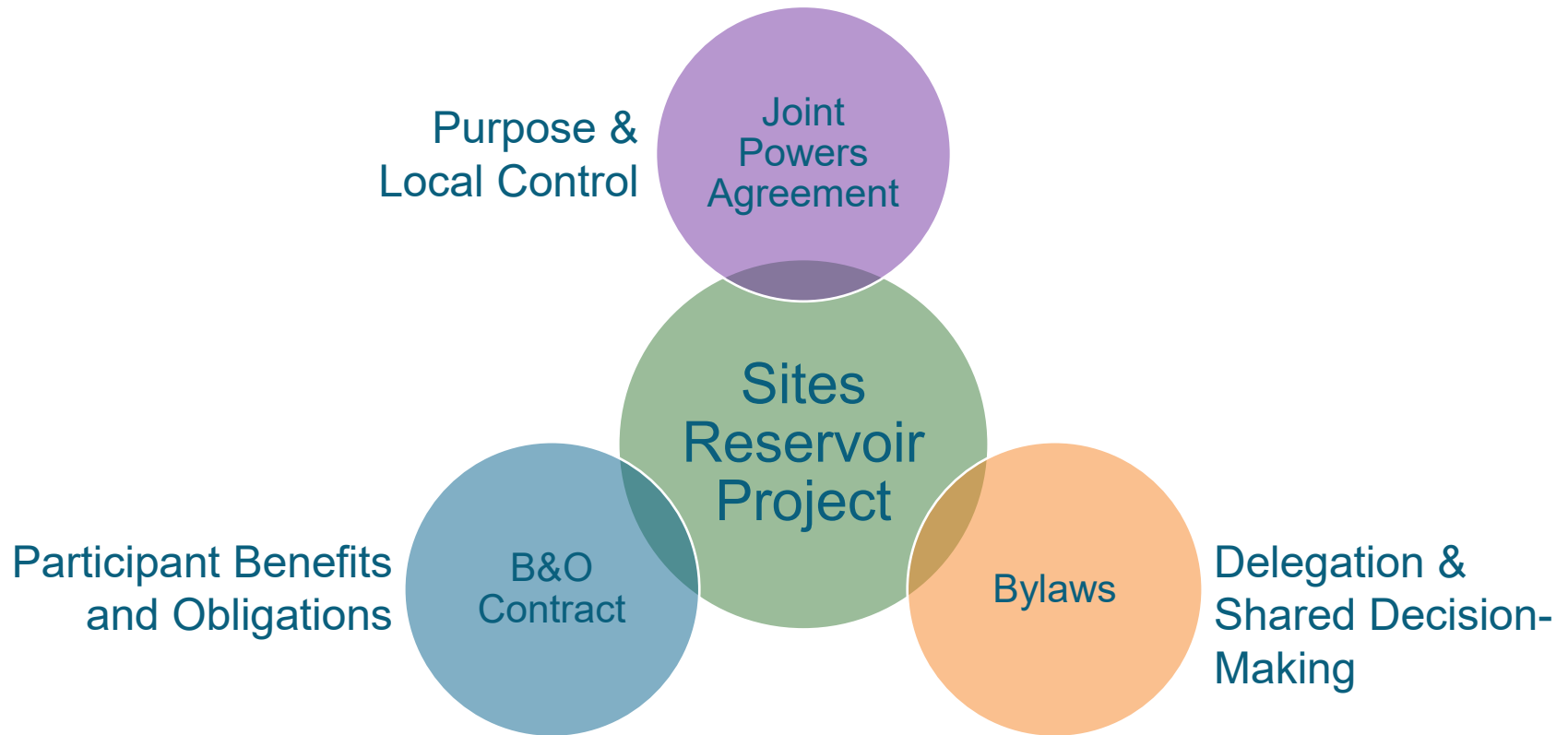
Overview of Governance Structure

- The AB is owner/operator of the Project and will have reserved powers as the overarching governing body. The RMB is being delegated certain powers and authorities to make final approval of design, construction, and operations. There are specified areas of shared decision making between AB and RMB.
- The AB is responsible to perform all project work.
- As a hypothetical, AB could contract with Reclamation to perform certain services related to project work, e.g. installing add'l pumps at RBPP

Considerations for Reclamation Governance Roles/Responsibilities

- The Partnership Agreement needs to identify areas of Reclamation involvement in decision making for:
 - Financial or operational effects on Reclamation to the extent “materially unequal” to other Participants
 - Sell/lease Reclamation capacity shares
 - Release of Participant defaulted shares to outside parties with consideration for demonstration of availability of funds and action within a specified amount of time
- Process to dispute an AB/RMB decision in an expedited manner without limiting SPA ability to move forward
- Participate in technical committee/workgroups
- “Ex Officio” membership on the joint AB/RMB Board (in good standing, attending closed session, non-voting)

The Three-Legged Stool for Sites Governance



Default Waterfall

Participant in control of asset/Project rights

Participants and Sites Authority monitor financial performance and ability to pay upcoming debt service. If in financial distress, Participant can: (1) **sell water**, (2) **lease storage**, (3) **sell storage**

Debt service is due semi-annually, one year in advance

If Participant misses payment and it is not cured, default waterfall goes into effect

Default Waterfall

Other Participants notified of payment default and allowed to volunteer to pay debt and sufficiency obligation in exchange for entitlement



No internal Participant volunteers

Sites Authority seeks outside entities interested in assuming debt and obligations in exchange for entitlement (subject to approval by Sites Authority, Reservoir Committee, lending entities)*

No external entities interested

Sites Authority can draw on the Liquidity Reserve to cover this obligation. If the Liquidity Reserve is drawn upon, all remaining Participants will replenish the reserve and will receive a pro-rata share of the defaulting Participant's entitlements in exchange

Sites Authority in control of asset/Project rights

Payment/Default

- Definition of and timeline for determining capacity
- Timing of Capital and OM&R payments
- Anti-deficiency provisions – subject to appropriation language
- Consequences of failure to appropriate / default in payment
- Spend plan - (construction cash-flow)
 - Payment schedule

Spend Plan

Based on
Cash
Payments
and "In-
Kind"
Service -
Capacity
Interest
Equal to
Cash
Payment

By Year	SPA Share	SPA Cumulative	SPA %	Reclamation Payment (2)	Reclamation Cumulative Payments	Reclamation In-Kind (4)	Reclamation Total Cumulative	Reclamation Percent Share	Total Eligible Cash Costs	Total Cumulative Cash	Total Cash + In-Kind	Total Cumulative + In-Kind
2018-24 (1)	\$ 115.8	\$ 115.8	73.67%	\$ 31.9	\$ 31.9	\$ 9.5	\$ 41.4	26.33%	\$ 147.7	\$ 147.7	\$ 157.2	\$ 157.2
2025 (3)	25.0	140.8	76.92%	-	31.9	0.9	42.2	23.08%	25.0	172.6	25.8	183.0
Mar-26	4.8	145.6	76.57%	1.4	33.3	0.9	44.5	23.43%	6.3	178.9	7.1	190.1
Jun-26	4.8	150.4	76.25%	1.4	34.7	0.9	46.8	23.75%	6.3	185.1	7.1	197.2
Sep-26	4.8	155.2	75.96%	1.4	36.2	0.9	49.1	24.04%	6.3	191.4	7.1	204.4
Dec-26	4.8	160.1	75.68%	1.4	37.6	0.9	51.4	24.32%	6.3	197.6	7.1	211.5
Mar-27	136.0	296.1	80.62%	18.8	56.4	0.9	71.2	19.38%	154.9	352.5	155.8	367.3
Jun-27	130.1	426.2	81.48%	24.8	81.2	0.9	96.8	18.52%	154.9	507.4	155.8	523.0
Sep-27	130.1	556.3	81.95%	24.8	106.0	0.9	122.5	18.05%	154.9	662.3	155.8	678.8
Dec-27	130.1	686.4	82.24%	24.8	130.7	0.9	148.2	17.76%	154.9	817.1	155.8	834.6
Mar-28	243.8	930.2	82.63%	46.4	177.2	0.9	195.6	17.37%	290.2	1,107.4	291.2	1,125.8
Jun-28	243.8	1,174.0	82.85%	46.4	223.6	0.9	242.9	17.15%	290.2	1,397.6	291.2	1,416.9
Sep-28	243.8	1,417.8	83.00%	46.4	270.1	0.9	290.3	17.00%	290.2	1,687.8	291.2	1,708.1
Dec-28	243.8	1,661.6	83.11%	46.4	316.5	0.9	337.7	16.89%	290.2	1,978.1	291.2	1,999.3
Mar-29	406.4	2,068.0	83.25%	77.4	393.9	1.0	416.0	16.75%	483.9	2,461.9	484.8	2,484.1
Jun-29	406.4	2,474.5	83.35%	77.4	471.3	1.0	494.4	16.65%	483.9	2,945.8	484.8	2,968.9
Sep-29	406.4	2,880.9	83.42%	77.4	548.7	1.0	572.8	16.58%	483.9	3,429.7	484.8	3,453.7
Dec-29	406.4	3,287.4	83.47%	77.4	626.2	1.0	651.2	16.53%	483.9	3,913.5	484.8	3,938.5
Mar-30	542.5	3,829.8	83.52%	103.3	729.5	1.0	755.5	16.48%	645.8	4,559.3	646.8	4,585.3
Jun-30	542.5	4,372.3	83.57%	103.3	832.8	1.0	859.8	16.43%	645.8	5,205.1	646.8	5,232.1
Sep-30	542.5	4,914.8	83.60%	103.3	936.1	1.0	964.1	16.40%	645.8	5,850.9	646.8	5,878.9
Dec-30	542.5	5,457.2	83.63%	103.3	1,039.5	1.0	1,068.4	16.37%	645.8	6,496.7	646.8	6,525.7
Mar-31	416.8	5,874.0	83.64%	79.4	1,118.9	1.0	1,148.8	16.36%	496.1	6,992.9	497.1	7,022.8
Jun-31	416.8	6,290.8	83.65%	79.4	1,198.2	1.0	1,229.2	16.35%	496.1	7,489.0	497.1	7,520.0
Sep-31	416.8	6,707.5	83.66%	79.4	1,277.6	1.0	1,309.6	16.34%	496.1	7,985.1	497.1	8,017.1
Dec-31	416.8	7,124.3	83.67%	79.4	1,357.0	1.0	1,390.0	16.33%	496.1	8,481.3	497.1	8,514.3
Mar-32	217.3	7,341.5	83.67%	41.4	1,398.4	1.0	1,432.4	16.33%	258.7	8,739.9	259.7	8,774.0
Jun-32	217.3	7,558.8	83.67%	41.4	1,439.8	1.0	1,474.9	16.33%	258.7	8,998.6	259.7	9,033.6
Sep-32	217.3	7,776.1	83.67%	41.4	1,481.2	1.0	1,517.3	16.33%	258.7	9,257.2	259.7	9,293.3
Dec-32	217.3	7,993.3	83.67%	41.4	1,522.5	1.0	1,559.7	16.33%	258.7	9,515.9	259.7	9,553.0
Mar-33	14.6	8,007.9	83.66%	2.8	1,525.3	1.1	1,563.6	16.34%	17.4	9,533.3	18.5	9,571.5
Jun-33	14.6	8,022.5	83.66%	2.8	1,528.1	1.1	1,567.4	16.34%	17.4	9,550.6	18.5	9,590.0
Sep-33	14.6	8,037.2	83.65%	2.8	1,530.9	1.1	1,571.3	16.35%	17.4	9,568.0	18.5	9,608.4
Dec-33	14.6	8,051.8	83.64%	2.8	1,533.7	1.1	1,575.2	16.36%	17.4	9,585.5	18.5	9,626.9
Total	8,051.8	8,051.8		1,533.7		41.5	1,575.2			9,585.5	9,626.9	9,626.9

(1) Includes \$6.23 million of eligible costs (early land acquisition, trenches and test pits). SPA has not yet requested reimbursement of these costs yet.

(2) Cash disbursement to Sites Project Authority (SPA). Assuming a 25% cost share through 2026 and 16% Capacity Interest.

(3) Full year of expenses (estimated).

(4) Estimated USBR In-kind at \$3.5 Million per year based on historical highest year. Amount to be refined based on BOR input.

Note: Future costs are escalated based upon the following rates: Planning at 3%, Design at 3%, Land Acquisition at 7%, Construction at 3.9%.

Termination

- Conditions Precedent to Construction/Offramps
- Wind Down Provisions
- Conditions for Termination

Operations

- Delivery of Water
- Limits on OMR Costs and rights of approval of Reclamation
- Impact of Sites Operations Plan, coordination, risk of loss and overall capacity interest vis-à-vis other Participants

Reclamation Funding

- Costs/Commitment for Use of TC Canal
- Payment /definition/application of in-kind costs

B&O Provisions to Consider

- Obligation of Sites to complete limited by funds provided
- CPs to construction and ability not to proceed
- Treatment of capacity interest and recognition of Participants
- Process for storage and release
- Risk of loss
- Rights of entry
- Excused performance
- Partner Agreements
- Capital Improvement Modification Process
- Other Defaults
- Enforcement of remedies
- Insurance

Action Items

Reclamation

- Interest on USBR funds
- Review need for separate agreements
 - FAA
 - Also provide example of FAA to see if there are relevant provisions
 - Warren act contracts
 - Land lease and license
- Authorized deferred use / \$54mil
 - Where did the costs come from / how calculated?
 - Have the costs been attributed elsewhere?
 - Uninterrupted use
- Amendments to appropriations language to reflect process
- Consider precedent for OMR default
- Can USBR pay insurance as regular cost of doing business?
- Consider starting point of and investment amount to-date in context of ROFR comments

Sites

- Amend right of ingress/egress
- Consider if similar wind down provisions from B&O need to be included in PA
- Add suggested language re: capital modifications
- Add “Ex officio” language (considering lines 250-251) including considering USBR attendance in closed session
- *Meet in technical discussion with subject matter experts to review spend plan / approved in kind contribution*
- *Develop an exhibit describing material changes and authorities*
- Provide timeline for default waterfall structure
- Consider further consequence of Capital / OMR default