

**AMENDED AND RESTATED WOODLAND-DAVIS CLEAN WATER AGENCY
JOINT POWERS AGREEMENT**

This Amended and Restated Joint Powers Agreement is made this 26th day of February 2013 by and between the City of Davis, a general law city, and the City of Woodland, a general law city, who agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the words and phrases below shall have the following meanings:

1.1. “Act” means the Joint Exercise of Powers Act, California Government Code title I, division 7, chapter 5 (commencing with Section 6500).

1.2. “Administration Costs” mean the Project-related costs of Agency administration, legal services, program management, Environmental Documentation, Permitting (including any mitigation costs or filing fees related to Permitting), and contract negotiation costs.

1.3. “Agreement” means this Amended and Restated Joint Powers Agreement.

1.4. “Agency” means the Woodland-Davis Clean Water Agency created pursuant to this Agreement.

1.5. “Agency-Only Intake Facilities” mean the Agency pumping, electrical, piping, valving, stand-by power, chemical addition, and appurtenances to be installed by the Agency at the Raw Water Intake site.

1.6. “Board” or “Board of Directors” means the governing body of the Agency as established by this Agreement.

1.7. “Capital Costs” mean the Project-related costs of Construction, financing, acquiring, planning, and designing, the funding of a reasonable construction reserve, and design-period and Construction-period Administration Costs. Capital Costs include both the Capital Costs of the Project Facilities construction and any one-time initial costs and payments under a water supply or water right purchase contract approved by the Agency, but not the on-going costs of water or debt service under a water supply or water right purchase contract.

1.8. “Completion of Construction” means the final completion (not substantial completion) of Construction of the particular Project Facility as defined and determined under the Agency construction contract pertaining to that Project Facility.

1.9. “Construction” means the Project-related procurement of material, parts and equipment, conducting construction, construction management and related field services including project management activities, contractor management, design assistance during construction, as-built-drawings, and startup testing.

1.10. “CEQA” means the California Environmental Quality Act.

1.11. “Design-Build Costs” mean the Project-related costs of property and rights-of-way acquisition, Permitting fees, engineering, design, design review, Construction, implementation of and compliance with Permitting and environmental mitigation measures and other requirements during Construction, and Construction-period monitoring of compliance with Permitting requirements and environmental, water quality, endangered species and related laws and regulations.

1.12. “Dedicated Capacity” means the capacity of the Project Facilities dedicated to each Project Participant as set forth below in section 7.3.

1.13. “Director” means a member of the Board of Directors.

1.14. “District” means the Yolo County Flood Control and Water Conservation District.

1.15. “Effective Date” means the effective date of this Agreement and the Agency as provided in section 3.4.

1.16. “Environmental Documentation” means all activities and documents required to comply with federal and/or state environmental, water quality and endangered species laws and regulations (including CEQA) in connection with Permitting and the construction and operation of the Project, but not including implementation of and compliance with Permitting and environmental mitigation measures and other requirements during Construction and Construction-period monitoring of compliance with Permitting requirements and environmental, water quality, endangered species and related laws and regulations.

1.17. “Final EIR” means the Davis-Woodland Water Supply Project Final Environmental Impact Report dated October 2007 certified by the Davis City Council on October 16, 2007, and as approved by the Woodland City Council as a CEQA responsible agency on November 6, 2007.

1.18. “Final Engineering” means engineering and related activities that are necessary or appropriate to develop and prepare final design plans, specifications, drawings, and bidding and construction documents for the Project.

1.19. “Fiscal Year” means July 1 through June 30 or such other annual period as the Board may determine.

1.20. “Fixed Operating Costs” mean those Project-related operating, maintenance and management costs that are incurred irrespective of the amount of water conveyed through the Project, including, but not limited to, operations and maintenance labor, laboratory costs, landscape maintenance, preventive maintenance, operation-period Administrative Costs, employee salaries and expenses.

1.21. “Force Majeure” means delays or defaults due to acts of God, government (other than acts or failure to act by one of the Parties), litigation, including

litigation challenging the validity of this Agreement or any element thereof, general strikes or other force or event beyond the responsible party's reasonable control.

1.22. “Individually-Owned Project Facility” means a Project Facility to be financed and constructed by the Agency as part of the Project, but to be owned and operated by one of the Project Participants as may be later agreed to between the Agency and Project Participant.

1.23. “mgd” means millions of gallons of water per day.

1.24. “Participating Agency” means UC Davis, County of Yolo and any other future participating agency approved pursuant to section 4.2.

1.25. “Participating City” and “Nonparticipating City” have the meanings as described in section 8.2.

1.26. “Parties” mean the Cities of Davis and Woodland. “Party” means either one of the Parties.

1.27. “Permitting” means all activities and documents to apply for and acquire the permits and licenses that are required under federal, state and/or local laws and regulations to construct and operate the Project, including, but not limited to, conducting required studies, endangered species act consultation, environmental documentation, public notifications, preparation of permit and license applications, consultation and negotiations with involved persons and organizations including regulatory agencies. Permitting also shall include the acquisition of water right permits, licenses and contract water supplies that are necessary or appropriate for the Project.

1.28. “Project” means the preferred project alternative as described in the Final EIR and as approved by the City of Davis in its City Council resolution approved on October 16, 2007 and by the Woodland City Council as a CEQA responsible agency on November 6, 2007, the Project modifications described in CEQA addenda approved by the Agency, and any other changes to this preferred alternative or other water supply improvements or enhancements that are approved by the Board.

1.29. “Project Facility” or “Project Facilities” mean each facility or all facilities (as the case may be) identified as a Project Facility in Exhibit A, attached hereto and incorporated herein and such other Project-related facilities and improvements as may be approved by the Board. The “Initial Project Facilities” mean the (a) facilities and improvements as described in the Agency Request for Proposals for Davis-Woodland Water Supply Project Design-Build-Operate dated December 20, 2012, with a 30 mgd capacity Regional Water Treatment Facility, (b) Davis, Woodland and Joint Transmission Piping, (c) Raw Water Transmission Main, (d) Agency separate facilities and Agency share of the common facilities of the Raw Water Intake to be jointly constructed with RD 2035 pursuant to the Sacramento River Joint Intake and Diversion Agreement dated December 21, 2010, and (e) Agency-Only Intake Facilities. The Project Facilities may be modified by the Board.

1.30. “Project Participants” mean the Parties and UC Davis if UC Davis timely exercises its option to participate in the Project pursuant to the terms of the Woodland-Davis Clean Water Agency and University of California Agreement Concerning

Potential Water Supply Contract dated December 21, 2010, as amended. If UC Davis does not timely exercise its option, then UC Davis will not be considered a Project Participant. “Project Participant” means any one of the Project Participants.

1.31. “RD 2035” means Reclamation District 2035.

1.32. “Raw Water Intake” means the raw water diversion and intake facility to be constructed by RD 2035 as described in the Sacramento River Joint Intake Project 100% Draft Design Specifications dated August 2012 prepared by MWH Americas, Inc.

1.33. “Raw Water Transmission Main” means the pipeline conveying untreated Sacramento River water from the Raw Water Intake to the Regional Water Treatment Facility.

1.34. “Regional Water Treatment Facility” means the Project water treatment plant to be located in the City of Woodland.

1.35. “Repair and Replacement Costs” mean the costs for major repair and replacement costs, excluding preventive maintenance, of the Project Facilities as determined in accordance with the Agency design-build-operate service contract and as otherwise determined by the Board.

1.36. “Technical Services to Davis” mean Agency Project-related services and activities performed solely for the benefit of the City of Davis.

1.37. “Technical Services to Woodland” mean Agency Project-related services and activities performed solely for the benefit of the City of Woodland.

1.38. “Transmission Piping” means the treated water transmission lines between the Regional Water Treatment Facility to be constructed as part of the Project Facilities and the Davis and Woodland water distribution systems, and excludes the Raw Water Transmission Main.

1.38.1. “Joint Transmission Piping” means the portion of the Transmission Piping from Regional Water Treatment Facility to the south side of County Road 25, with two connections installed for the use of Woodland.

1.38.2. “Davis Transmission Piping” means the portion of the Transmission Piping from the south side of County Road 25 to the point of interconnection with the Davis water distribution system.

1.38.3. “Woodland Transmission Piping” means the portion of the Transmission Piping from the Regional Water Treatment Facility to the points of interconnection with the Woodland water distribution system.

1.39. “UC Davis” means The Regents of the University of California acting for and on behalf of the University of California, Davis.

1.40. “Variable Operating Costs” mean those Project-related operating and maintenance costs and other costs that are dependent on, and vary based on, the volume of water actually conveyed through the Project including, but not limited to, the cost for solids disposal, power, and chemicals.

2. RECITALS. This Agreement is made with reference to the following background recitals.

2.1. The Parties each have the authority to develop, construct, operate and maintain water supply facilities and services. The Parties have agreed to jointly pursue development and implementation of a project that would involve, if finally approved, implemented and constructed, a new treated surface water supply. The Parties desire to implement this goal by creating a joint exercise of powers authority to exercise those powers in common for their mutual benefit as provided in this Agreement. The principal goal of this Agreement and Project and the mission of the Agency are to provide a long-term, secure, reliable, high-quality water supply for the mutual benefit of the Project Participants in a safe, efficient, on-schedule, cost-effective and environmentally sound manner. The objective is to provide a treated surface water supply for the Parties by September 2016.

2.2. The Parties and UC Davis previously have cooperated in the planning and development of a supplemental regional treated surface water supply pursuant to a series of memoranda of understanding dated July 12, 2000, November 18, 2003 and June 1, 2005 (as amended in October, 2007 and further amended in May, 2009), copies of which are on file with each of the Parties (the “MOUs”). Pursuant to the 2000 and 2003 MOUs, the following documents were prepared: the City of Davis and University of California, Davis Joint Water Supply Feasibility Study dated September 2002; and, the Preliminary Environmental Review City of Davis, UC Davis and City of Woodland Joint Water Supply Feasibility Study dated July 2004; copies of which are on file with each of the Parties.

2.3. Pursuant to the 2005 MOU and based on the 2002 and 2004 studies, Davis has acted as a lead agency under CEQA in the preparation of an environmental impact report for the Davis-Woodland Water Supply Project. On October 16, 2007, the Davis City Council certified the Davis-Woodland Water Supply Project Final Environmental Impact Report and approved the preferred project alternative (as described in the Final EIR) as the project to be implemented.

2.4. On November 6, 2007, the Woodland City Council adopted findings as a CEQA responsible agency with respect to the Davis-Woodland Water Supply Project Final Environmental Impact Report and approved the preferred project alternative as the project to be implemented.

2.5. The 2005 MOU contemplates that further Project implementation will consist of Phases 3-5, which include Project-related acquisition of water rights, water supply contracts, permits (including additional environmental review and documentation), lands and rights-of-way, engineering, financing, construction, start-up, operation and maintenance. The 2005 MOU provides that subsequent Project phases will be implemented pursuant to a joint powers agreement or other agreement. This Agreement is the “Phase 3-5 Agreement” as contemplated by the 2005 MOU. The purpose of this Agreement is to provide the legal mechanism under which the Agency will conduct and

implement Project Phases 3-5 (as defined in the MOU dated June 1, 2005) for the benefit of the Parties.

2.6. The Parties have agreed to share in the costs of Project-related acquisition of water rights, water supply contracts, Environmental Documentation, Permitting, design, Final Engineering, financing, property and rights-of-way acquisition, Construction, operation, maintenance and management of the Project on and subject to the terms of this Agreement.

2.7. The Parties have a joint and mutual interest in the successful planning, design, construction and operation of the Project. The Parties each have the power to design, finance, lease, purchase, condemn, acquire, construct, operate, maintain, sell, hypothecate or otherwise dispose of the Project and related property for the purpose of the production, treatment and distribution of water as provided herein.

2.8. These powers can be exercised best through the cooperative action of the Parties through a joint exercise of powers agreement. Each of the Parties is authorized to contract with the other for the joint exercise of these common powers under the Joint Exercise of Powers Act.

2.9. At the time of the adoption of the 2013 Amended and Restated Joint Powers Agreement, the following significant changed circumstances relate to the amended agreement: the Agency has decided to reduce the capacity of the initial Regional Water Treatment Facility to 30 mgd, which affects each Project Participant's Dedicated Capacity and cost allocation shares; the Agency and UC Davis have entered into an agreement concerning a potential water supply contract; the Parties have discussed and developed a more equitable method to allocate Transmission Piping Capital Costs; Project implementation has been delayed and the Parties desire to commit to a firm schedule to ensure the commencement of Construction of the Project Facilities by late 2013; the Agency has acquired water right permits and licenses; the City of Davis has called a special election for March 5, 2013 for the Davis voters to decide whether to proceed with the Project; and, if either Party fails to follow the agreed-upon schedule, then the other Party may proceed with the Project alone under the terms described in section 8. This Amended and Restated Joint Powers Agreement affirms, continues in effect and amends the initial September 15, 2009 Agreement.

3. CREATION OF AGENCY.

3.1. Authority. This Agreement is authorized by, and entered into pursuant to, the Act and other applicable law.

3.2. Agency Created. There is hereby created a public agency to be known as the "Woodland-Davis Clean Water Agency." The Agency shall be a public agency separate from the Parties. The Agency may change its name at any time through adoption of a resolution by the Board of Directors.

3.3. Liabilities. The debts, liabilities, contracts and obligations of the Agency shall be the debts, liabilities, contracts and obligations of the Agency alone. No debt, liability, contract or obligation of the Agency shall be or constitute a debt, liability, contract or obligation of the Parties or either of them. The Agency shall not have the authority to bind

the Parties or either of them to any debt, liability, contract or obligation. However, a Party or Parties separately may contract for, or otherwise expressly assume responsibility for, a specific debt, liability, contract or obligation of the Agency, but only the Party or Parties expressly assuming responsibility shall be so bound, and no other Party then shall be liable for such debt, liability, contract or obligation.

3.4. Effective Date. The effective date of this Agreement and of the legal existence of the Agency shall be September 15, 2009, and this Agreement and the Agency shall continue in full force and effect until terminated as provided in this Agreement.

3.5. No Restriction on Other JPA. Nothing in this Agreement shall prevent the Parties from entering into other joint powers agreements.

4. ORGANIZATION, BOARD AND OFFICERS.

4.1. Membership. The Parties of the Agency shall be the Cities of Davis and Woodland.

4.2. Participating Agencies.

4.2.1. UC Davis and County of Yolo shall participate as Participating Agencies with the Agency. UC Davis is a Participating Agency because UC Davis has transferred and assigned a water right permit application to the Agency and it is anticipated that UC Davis may become a Project Participant and receive Dedicated Capacity in the Project and a water supply from the Agency. County of Yolo is a Participating Agency because of the County's interest in County-wide water supply planning, management and development. The District could become a future Participating Agency because it is responsible for countywide water planning, management and coordination, it is a potential Project funding partner, and it may provide a water supply to the Project. RD 2035 could become a future Participating Agency because the Project may utilize its Sacramento River water diversion/intake facility. The Agency Board may by resolution approve additional Participating Agencies.

4.2.2. A Participating Agency shall be entitled to participate in open session Board meetings regarding the planning, design, Construction and operation of the Project. Agency may consult from time to time with current and potential future Participating Agencies regarding Project design, planning and implementation. Agency may cooperate and consult with current and potential future Participating Agencies regarding countywide and regional water planning, management and conjunctive use issues. UC Davis also may have Dedicated Capacity in the Project and a water supply pursuant to the Woodland-Davis Clean Water Agency and University of California Agreement Concerning Potential Water Supply Contract dated December 21, 2010, as amended.

4.3. Board of Directors. The Agency shall be governed by a legislative body known as the Board of Directors. The Board shall consist of four directors, with two appointed by each Party. Each Party shall also select one alternate. Each Director shall be entitled to one vote. A Participating Agency may appoint a non-voting member to the Board who shall sit with the four voting Directors at open session Board meetings, and have the right to participate in public Board discussions but shall not be counted towards a

quorum, and may not make, or second, motions. A Participating Agency may also appoint an alternate member to the Board to attend in absence of the designated Participating Agency representative.

4.4. Selection of Directors. Within 30 days after the execution of this Agreement by both of the Parties, each Party shall designate and appoint two representatives to serve as Directors on the Board. Each Party also shall appoint an alternate Director. For each Party, each representative shall be a city council member. The alternate member shall also be a city council member. Alternates shall assume all rights of a Director representing the appointing entity and shall have the authority to act in the absence of a Director or in the event that a Director has a conflict of interest that precludes participation by the Director in any decision-making process of the Agency. Each Party shall give written notice to the Agency Secretary of the names of its Directors and alternate Director. The names of all directors and alternates shall be on file with the Board. Each of the Directors and alternate Directors shall hold office from the first meeting of the Board after the appointment of the Director or alternate Director until a successor is selected. Directors, alternate Directors and Participating Agency members shall serve at the pleasure of the governing body of their appointing Parties or agency and may be removed at any time, with or without cause, at the sole discretion of such governing body.

4.5. Compensation. No Director shall receive any compensation from the Agency for serving as such; however, a Director may be reimbursed for necessary and actual expenses incurred by such Director in the conduct of the Agency's business. Except as specifically provided in this Agreement, staff of the Parties shall not be compensated by the Agency for their time incurred on Agency business and affairs.

4.6. Board Action.

4.6.1. All the power and authority of the Agency will be exercised by the Board, subject, however, to the rights reserved by the Parties as set forth in this Agreement, and provided further that the Board may delegate such powers and authority to its officers, employees, contractors and others as the Board deems appropriate.

4.6.2. The Board may act only by ordinance, resolution or motion.

4.6.3. Except as otherwise provided in section 8, for the purposes of transacting the business of the Board, a quorum shall consist of three Board Directors and a majority vote of the entire Board shall be required for any Board action, except where different voting requirements are provided for in this Agreement.

4.7. Principal Office. The Board shall designate a location in Yolo County as the principal Agency office. The Board may change the principal office from time to time.

4.8. Meetings. The time, frequency and place of regular meetings of the Board shall be determined by resolution adopted by the Board, with a copy of such resolution furnished to each Party and Participating Agency. All meetings of the Board shall be called, noticed, held and conducted subject to the provisions of the Ralph M. Brown Act (Government Code title 5, division 2, part 1, chapter 9 (commencing with Section 54950)).

4.9. Organization of the Board. The Board shall elect a Chair and a Vice-Chair to serve for a term of one year, unless sooner terminated at the pleasure of the Board. The first Chair and Vice-Chair appointed shall hold office from the date of appointment to June 30 of the ensuing year. The position of Chair and Vice-Chair shall alternate between representatives of each Party. The Board may, from time to time, determine the dates for the commencement and completion of the terms of the Chair and Vice-Chair.

4.10. Officers. The Agency shall provide for and appoint the following officers:

4.10.1. Treasurer/Auditor. The Treasurer shall function as the combined offices of Treasurer and Auditor pursuant to Government Code Section 6505.6, and shall strictly comply with the statutes relating to the duties of such offices found in the Act. The Treasurer shall be the depository and have custody of all money of the Agency from whatever source, and shall draw all warrants and pay demands against the Agency as approved by the Board. The Treasurer shall cause independent audits of the finances of the Agency to be made by a certified public accountant in compliance with Government Code Section 6505. The Treasurer shall serve at the pleasure of the Board.

In lieu of designating the Treasurer and Auditor as set forth in this section, the Board may designate the treasurer of one of the Parties or a certified public accountant to be the Treasurer, as set forth in Government Code Section 6505.5. The Board shall then designate an Auditor as set forth in section 6505.5. The Treasurer shall serve at the pleasure of the Board.

4.10.2. Secretary. The Secretary shall cause to be kept minutes of all meetings of the Board. The Secretary shall maintain the records of the Agency. The Secretary shall be appointed by and shall serve at the pleasure of the Board.

4.10.3. General Counsel. The General Counsel shall provide legal advice and services to the Agency. The General Counsel shall be appointed by and shall serve at the pleasure of the Board.

4.10.4. Additional Officers. The Board may appoint such additional officers as it deems necessary or appropriate.

4.10.5. Qualifications. Any officer, employee or agent of the Board also may be an officer, employee or agent of any of the Parties. Except as specifically provided in section 4.14, no officer, employee, agent or attorney of any of the Parties shall receive compensation from the Agency for time spent on Agency matters.

4.11. Technical Committee. There shall be a Technical Committee consisting of each Party's Public Works Director or his or her designee. The Technical Committee shall be responsible for monitoring the activities of the Agency on behalf of the Parties and making such reports as the Board deems appropriate. The Technical Committee may make recommendations to the Board with respect to the appointment and termination of the Agency General Manager. The Technical Committee shall consult with and advise the General Manager concerning Project design, planning and implementation. The Technical Committee may only take action if the Public Works Directors, or designees,

of both parties agree. A Participating Agency may be involved in Technical Committee meetings subject to Technical Committee member invitation.

4.12. Privileges, Liability and Immunity. All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents, or employees of any of the Parties when performing their respective functions shall apply to the same degree and extent while such individuals are engaged in the performance of any of the functions and other duties under this Agreement. None of the officers, agents, or employees appointed by the Board shall be deemed by reason of their employment by the Board to be employed by any of the Parties or subject to any of the requirements of such Parties.

4.13. General Manager. Upon Board determination of necessity, the Board shall appoint a General Manager who shall be responsible to the Board for the proper and efficient administration of the Agency as directed by the Board pursuant to the provisions of this Agreement or of any ordinance, resolution or order of the Board not inconsistent with this Agreement. The General Manager may be retained under contract with the Agency, be an employee of the Agency, or be an employee of one of the Parties. The General Manager shall report directly to the Board and serve as staff to the Agency. Any communications, correspondence or other material that is furnished to the Board by the General Manager shall also be furnished to the Technical Committee unless the General Manager is directed otherwise by the Board. The General Manager shall serve at the pleasure of the Board. In addition to any other duties that may be assigned by the Board, the General Manager shall have the following authority:

4.13.1. Under the policy direction of the Board, and in consultation with the Technical Committee, to plan, organize, administer, implement and direct all activities of the Project and Agency;

4.13.2. To authorize expenditures within the designations and limitations of the budget approved by the Board;

4.13.3. To make recommendations to and requests of the Board concerning any matter which is to be performed, done or carried out by the Agency;

4.13.4. To assign, supervise and otherwise control the activities of any Agency employees, Party employees assigned to the Agency, and contractors that may be retained by the Agency; and,

4.13.5. To have charge and control of and manage all real and personal property acquired by the Agency.

4.14. Staff. A Party may assign its employees to serve as officers or perform other services for the Agency, subject to the approval of both the Agency and Party. The services of such assigned employees shall be at the expense of the contributing Party, unless the contributing Party and the Agency enter into a written agreement to reimburse the Party for the value of the services provided by the assigned employees. The Agency also may enter into appropriate contracts for staff services or employ staff directly.

4.15. Bylaws and Rules. The Board may adopt from time to time such bylaws, rules and regulations for the conduct of its meetings and affairs of the Agency as may be necessary or appropriate.

5. POWERS AND PURPOSES.

5.1. Purposes. Each Party has in common the power to study, plan, develop, finance, acquire, condemn, lease, design, construct, maintain, repair, manage, operate, control and dispose of the Project Facilities, either alone or in cooperation with other public or private entities. The purpose of this Agreement is to jointly exercise some or all of the foregoing common powers, as appropriate, and for the exercise of such additional powers as may be authorized by law in the manner set forth in this Agreement, in order to provide for the most cost-efficient and timely acquisition of water rights, water supply contracts, Environmental Documentation, Permitting, design, Final Engineering, financing, property and rights-of-way acquisition, Construction, operation, maintenance and management of the Project. A related purpose of this Agreement is to better manage and coordinate the area surface and groundwater resources for the mutual benefit of the Parties.

5.2. Powers. All of the power and authority of the Agency shall be exercised by the Board. Subject to the conditions and restrictions in this Agreement, the Agency, in its own name, shall have the common powers of the Parties and as otherwise granted by the Act, in order to achieve the purposes of the Agency as set forth in Section 5.1. The Agency is authorized in its own name to do all acts necessary or convenient to the exercise of these powers and for these purposes, including but not limited to any or all of the following:

5.2.1. To exercise jointly the common powers of the Parties in studying, planning, designing and implementing the Project and other water supply projects consistent with this Agreement.

5.2.2. To make and enter contracts, and to execute leases, installment sale contracts or installment purchase contracts in accordance with procedures and requirements as permitted by law.

5.2.3. To contract for or employ clerical, administrative, technical or professional staff or consultant support of any kind including engineers, attorneys, planners, financial consultants or other agents or employees.

5.2.4. To design, acquire, construct, manage, maintain and operate any buildings, works, or improvements.

5.2.5. To acquire real or personal property, including, without limitation, by purchase, lease, gift, bequest, devise, or exercise of the power of eminent domain; to hold, manage, lease and dispose of any such property.

5.2.6. To hold, manage, operate and maintain all Agency property, facilities, buildings, structures, vehicles, apparatus and equipment.

5.2.7. To incur debts, liabilities or obligations subject to limitations set forth in this Agreement.

5.2.8. To sue and be sued in its own name.

5.2.9. To receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity.

5.2.10. To apply for and accept appropriate grants and loans under any federal, state or local programs for assistance in developing the Project, or any future authorized modifications to the Project.

5.2.11. To enter into arrangements for the transmission, purchase and sale of electrical power, or the trading of electrical power, related to operation of the Project.

5.2.12. To obtain, in its own name, all necessary and appropriate permits, licenses, entitlements, opinions and rulings.

5.2.13. To procure bonds, insurance and self-insurance as it deems advisable to protect the Parties and Agency and its property, officers, employees, contractors and agents.

5.2.14. To form and administer nonprofit corporations to do any part of what the Agency could do, or to perform any proper corporate function, and enter into agreements with such a corporation.

5.2.15. To issue bonds and certificates of participation in accordance with applicable statutes, including, but not limited to, the following: Article 2, Chapter 5, Title 1, Division 7 of the California Government Code, commencing with Section 6540; Chapter 6, Title 5, Division 2 of the California Government Code, commencing with Section 54300; and, Article 4, Chapter 5, Title 1, Division 7 of the California Government Code, commencing with Section 6584.

5.2.16. To use other financing acts, including, but not limited to, the Mello-Roos Community Facilities District Act of 1982, the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915.

5.2.17. To exercise any of the powers set forth in the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of the Act).

5.2.18. To enter into agreements incident to the issuance of bonds and certificates of participation for the purpose of enhancing the credit or liquidity of such bonds, or to place such bonds on a different payment schedule, such as an interest rate swap, cap or similar instrument, or in connection with the investment of the proceeds of such bonds.

5.2.19. To levy and collect revenue and funding as authorized by law.

5.2.20. To enter into agreements with the Parties and Participating Agencies for the construction, operation, maintenance and/or management of certain Project Facilities.

Notwithstanding the foregoing, the Agency shall have any additional powers conferred under the Act, insofar as such additional powers may be necessary or desirable to accomplish the purposes of the Agency.

5.3. Manner of Exercise of Powers. To the extent not specifically provided for in this Agreement or the Act, the Agency shall exercise its powers subject to the restrictions upon the manner of exercising the powers under the laws applicable to the City of Woodland.

5.4. Use of Project Water. The Agency shall operate the Project and use its best efforts to ensure that the Dedicated Capacity set forth in section 7.3 is, at all times, fully available for use by the Project Participants within their respective service areas. A Project Participant shall not sell, convey, transfer or make its Dedicated Capacity available to a third-party without the prior approval of the Agency. This restriction shall not apply to a Project Participant's water service obligations to provide treated water within its service area. A Project Participant shall not use, convey or transfer Project water for use outside the authorized place of use specified in the Agency's water right permit(s) or license(s).

6. ALLOCATION OF COSTS, FINANCE AND ACCOUNTING

6.1. Allocation of Costs. The costs incurred by the Agency in carrying out its functions shall be allocated between the Project Participants pursuant to this section. The Parties' respective percentage shares in this section 6.1 may be changed by unanimous Board approval. In the Final Engineering and Construction phases of the Project, the Agency shall keep and maintain accurate records showing and segregating the Capital Costs of the various Project Facility cost categories set forth below.

6.1.1. Capital Costs – Pre-July 1, 2013. Capital Costs for the Project Facilities incurred prior to July 1, 2013 shall be allocated based on the following percentage shares, or as previously approved by the Board:

Capital Costs Category	Cost Allocation Shares	
	Davis	Woodland
Administration Costs	46.1%	53.9%
Technical Services to Davis	100%	0%
Technical Services to Woodland	0%	100%
Raw Water Intake*	46.1%	53.9%
Agency-Only Intake Facilities	46.1%	53.9%
Raw Water Transmission Main	46.1%	53.9%
Regional Water Treatment Facility**	46.1%	53.9%
Joint Transmission Piping	0%	0%
Davis Transmission Piping	100%	0%
Woodland Transmission Piping	0%	100%
Davis Individually-Owned Project Facilities (if any)	100%	0%
Woodland Individually-Owned Project Facilities (if any)	0%	100%

* The Joint Raw Water Intake Facilities costs include Agency administrative and other costs relating to the acquisition of Water Right Licenses 904A and 5487A and the related Bureau of Reclamation settlement contract.

** Including the 2012 City of Woodland project to elevate the Regional Water Treatment Facility site.

6.1.2. Capital Costs – Post-July 1, 2013. Capital Costs for the Project Facilities incurred on and after July 1, 2013 shall be allocated based on the following percentage shares:

Capital Costs Category	Cost Allocation Shares	
	Davis	Woodland
Administration Costs	50.0%	50.0%
Technical Services to Davis	100%	0%
Technical Services to Woodland	0%	100%
Raw Water Intake*	46.1%	53.9%
Agency-Only Intake Facilities	40.8%	59.2%
Raw Water Transmission Main	40.8%	59.2%
Regional Water Treatment Facility	40.8%	59.2%
Joint Transmission Piping	50.0%	50.0%
Davis Transmission Piping	100%	0%
Woodland Transmission Piping	0%	100%
Davis Individually-Owned Project Facilities (if any)	100%	0%
Woodland Individually-Owned Project Facilities (if any)	0%	100%

* The Raw Water Intake costs include Agency administrative and other costs relating to the acquisition of Water Right Licenses 904A and 5487A and the related Bureau of Reclamation settlement contract.

The percentage shares in this section 6.1.2 table shall apply to the Capital Costs of the Initial Project Facilities and future Agency Capital Costs, including, modification, improvement and minor repair and replacement costs, but excluding any Repair and Replacement Costs and any costs for expanding or increasing capacity. Following the Construction of the Initial Project Facilities, the percentage shares of the Capital Costs to apply to any expansion of, addition to or increase of capacity of the Project Facilities shall be determined by the Board.

6.1.3. Fixed Operating Costs. Fixed Operating Costs for the Project Facilities shall be allocated based on the following percentage shares:

Project Facility Category	Cost Allocation Shares	
	Davis	Woodland
All Project Facilities	50.0%	50.0%

6.1.4. Variable Operating and Repair and Replacement Costs. Variable Operating Costs for Project Facilities and Repair and Replacement Costs shall be allocated between the Project Participants based on each Project Participant's proportionate share of the volume of use of the Project Facilities or such other method as may be established by unanimous Board approval. Repair and Replacement Costs relating to the Transmission Piping will be allocated only to the Project Participants using the particular Transmission Piping. Power costs for the Davis and Woodland finished water pump stations will be allocated solely to each respective city. If a City of Woodland connection is made to the Joint Transmission Piping, a proportionate share of the Davis finished water pumping station costs will be allocated to Woodland based on Woodland's relative volume of use of that pumping station or on such other method as may be established by unanimous Board approval. If UC Davis participates in the Project, a proportionate share of the Davis finished water pumping station costs will be allocated to UC Davis based on UC Davis' relative volume of use of that pumping station or as otherwise may be approved by the Agency and UC Davis.

6.1.5. Supplemental Water Purchase Costs. The costs of the annual note payments by the Agency under the Water Agreement with Conaway Preservation Group, LLC dated December 29, 2010, as amended, and related promissory notes (to purchase Water Right Licenses 904A and 5487A) shall be allocated based on the following percentage shares:

Category	Cost Allocation Shares	
	Davis	Woodland
Supplemental Water Purchase	46.1%	53.9%

6.1.6. UC Davis Participation. Following approval of this Agreement, the Agency and UC Davis plan to amend the Woodland-Davis Clean Water Agency and University of California Agreement Concerning Potential Water Supply Contract dated December 21, 2010, as amended, to incorporate the Project-related changes that are addressed in this Agreement. In the amendment to the Woodland-Davis Clean

Water Agency and University of California Agreement Concerning Potential Water Supply Contract, the Agency and UC Davis will determine and approve appropriate and equitable cost allocation share and dedicated capacity share percentages for the Project Participants under a UC Davis participating scenario with reference to the UC Davis dedicated capacity share amount of 1.8 mgd. The amendment will include revisions of the tables in sections 6.1.1, 6.1.2, 6.1.3, 6.1.5 and 7.3.1 to show the Project Participant amounts and percentages that will apply in the event UC Davis timely exercises its option to participate in the Project pursuant to the terms of the Woodland-Davis Clean Water Agency and University of California Agreement Concerning Potential Water Supply Contract. In amending the Woodland-Davis Clean Water Agency and University of California Agreement Concerning Potential Water Supply Contract with UC Davis, the Board may determine and approve the section 6.1.1, 6.1.2, 6.1.3, 6.1.5 and 7.3.1 amounts and percentages to apply if UC Davis timely exercises its option to participate in the Project.

6.2. Individually-Owned Project Facilities.

6.2.1. If approved by the Agency Board and agreed to in writing by the Agency and a Project Participant, an Individually-Owned Project Facility or Facilities may be included as part of the Project and financed, designed or constructed by the Agency. Upon Completion of Construction of any Individually-Owned Project Facility, the Agency will convey all of its right, title and interest in the completed Individually-Owned Project Facility to the Project Participant that is served by that Project Facility and that Project Participant shall accept the conveyance of the completed Project Facility and thereafter be responsible for the ownership, operation, maintenance, repair, replacement, modification and improvement of that Project Facility. The Agency shall have no obligation to operate, maintain, repair, replace, modify or improve any Individually-Owned Project Facility.

6.2.2. For an Individually-Owned Project Facility, Capital Costs may include such costs related to the initial design and Construction of that Project Facility. The Capital Costs of an Individually-Owned Project Facility shall be allocated entirely to the Project Participant that will be served by that Project Facility (see section 6.1.2). After Completion of Construction and conveyance of the completed Individually-Owned Project Facility to a Project Participant, the Agency shall not incur or allocate to the Project Participants any subsequent Capital Costs related to the repair, replacement, modification or improvement of the Individually-Owned Project Facility. The Agency will not be responsible for the operation and maintenance of any Individually-Owned Project Facility, and the Agency shall not incur or allocate to the Project Participants any Fixed Operating Costs, Variable Operating Costs or Repair and Replacement Costs related to the operation and maintenance of any Individually-Owned Project Facility.

6.3. Payment Obligations.

6.3.1. Each of the Parties agrees that its water enterprise fund or such other fund as a Party may determine, but not the Party's general fund, will be responsible for paying its respective share of all costs of the Agency in accordance with the payment schedule adopted by the Board pursuant to section 6.3.2 below, and consistent with the cost allocation methodology set forth in section 6.1 and any bonds or certificates of financing issued or financing agreements entered into by Agency.

6.3.2. All costs of the Agency shall be annually assessed on the Parties by the Board in amounts sufficient to meet the obligations of the Agency for that fiscal year as set forth in the Agency's annual budget. The Board also shall establish a payment schedule for each annual assessment consistent with the projected cash flow needs of the Agency and any bonds or financing agreements entered into by the Agency. Each Party's water enterprise fund or such other fund as a Party may determine, but not the Party's general fund, will be responsible for the payment of this annual assessment whether or not the Project Facilities are constructed, operating, damaged or destroyed, whether or not the Dedicated Capacity of each Party established pursuant to section 7.3 is actually available to or utilized by the Party, whether or not water is available for diversion to the Project, and regardless of the occurrence of any Force Majeure event.

6.3.3. Notwithstanding anything to the contrary herein, each of the Parties shall be individually liable to the other Party for its failure to pay its respective share of the Agency's annual costs (including but not limited to debt service on any bonds or related obligations). In the event that a Party fails to make any payment of such costs (a "Defaulting Party"), the non-defaulting Party may make such payment on behalf of the Defaulting Party, but the Defaulting Party shall remain obligated to reimburse the non-defaulting Party for such advance with interest calculated at one and one-half the rate of return earned by the treasury of the non-defaulting Party during the time period of the default. If the Defaulting Party has not repaid the non-defaulting Party for such advance by the end of the fiscal year in which the default first occurs, the non-defaulting Party may take such legal action as it deems appropriate to enforce payment of such obligation.

6.3.4. Any payment remaining unpaid by a Party 30 days after its due date shall bear interest at the rate of one percent per month beginning on the due date. In the event of such a default, in addition to any other remedy that may be available, the Agency may cease providing water to the Defaulting Party until the delinquent amount with interest has been paid in full.

6.4. Revenue Deficit. If insufficient revenue is collected by the Agency to satisfy all of its annual costs (other than by reason of a failure of any Party to pay its share of costs), then such deficiency will be assessed by the Agency against all Parties in the same manner as costs were allocated to each Party for the fiscal year in which such deficit was incurred.

6.5. Budget Reserves and Excess Revenues. The Board shall determine on an annual basis, prior to the beginning of each fiscal year, a level of reasonable cash reserves to be accumulated by the Agency. This reserve shall be accumulated from revenues collected in excess of all actual costs of the Agency. Once the targeted reserve level is reached, all additional revenues collected in excess of the actual costs of the Agency shall be considered excess revenue and, subject to any limitation in any bond or other financing agreement, carried forward as revenue for the next fiscal year and serve to reduce each Party's respective assessment for such subsequent fiscal year.

6.6. Annual Budget. Within 90 days after the first meeting of the Board, and thereafter prior to the commencement of each fiscal year, the Board shall adopt a budget, including a projection of Capital Costs, Fixed Operating Costs, Variable Operating Costs and Repair and Replacement Costs for the Project for the ensuing fiscal year plus an amount to fund a contingency reserve. The budget also shall include a forecast of the

Agreement payment obligations for each of the Parties for the subsequent four years. After the adoption of the initial budget, if the Board because of a tie-vote or other reason fails to timely approve an annual budget, then the prior year's annual budget (plus a cost of living adjustment for expenditures to reflect the prior year's change in the Consumer Price Index for All Urban Consumers for the west urban area as reported by the U.S. Bureau of Labor Statistics) shall continue in effect until superseded by a new Board-approved budget and the former budget shall provide appropriation Agency for ongoing Agency expenditures consistent with that budget, as adjusted.

6.7. Reconciliation of Fixed and Variable Costs. As soon as practicable following the commencement of a fiscal year, the Board shall, upon recommendation of the Treasurer, reconcile Capital Costs, Fixed and Variable Operating Costs and Repair and Replacement Costs for the prior fiscal year. The amount so reconciled shall then be factored into the calculation of projected Capital Costs, Fixed and Variable Operating Costs and Repair and Replacement Costs for the next fiscal year.

6.8. Accounting Procedures. The Agency shall keep and maintain strict accountability of all funds, receipts and expenses, and shall keep and maintain appropriate records and accounts of all funds, receipts and expenses under this Agreement in accordance with accounting and bookkeeping practices established by, or consistent with, those utilized by the Controller of the State of California for like public entities. In particular, the Treasurer shall comply strictly with requirements of the Act. The Agency shall allow any Party, or any of its employees, accountants, attorneys or agents to review, inspect, copy and audit any such records and accounts, including source documents.

6.9. Assets. The Agency shall maintain records of all vehicles, apparatus, equipment and other assets and property contributed by each Party.

6.10. Expenditures. The Board shall establish and comply with a system and procedure for the review and approval of Agency expenditures and claims and the drawing and signing of Agency warrants or checks. All expenditures shall be consistent with the approved budget, except as otherwise determined by the Board.

6.11. Audit. Annually, biennially, or on any longer period as permitted by law, the Board shall contract with an independent certified public accountant to perform a financial audit of the accounts and records of the Agency. Copies of such audit reports shall be filed with each Party and Participating Agency and, if required, with the State Controller within six months of the end of the audited fiscal year, or such other period permitted or required by law.

7. PROJECT FACILITIES AND CAPACITY.

7.1. Authorized Project Facilities. Subject to the restrictions and limitations of this Agreement and the completion of the Environmental Documentation and Permitting, and as required by law, the Agency is authorized to implement and undertake the acquisition of water rights and water supply contracts, design, Final Engineering, financing, property and rights-of-way acquisition, Construction, operation, maintenance and management of and for the Project Facilities. Following Construction of the Initial Project Facilities, the Agency may expand, add to or increase the capacity of the Project Facilities as may be determined by the Board.

7.1.1. The overall Project service area and water right place of use are shown on Exhibit B, attached hereto and incorporated herein. The Project service area shall expand concurrent with the annexation of territory to either Party or the expansion of the UC Davis campus boundaries by UC Davis (subject to UC Davis' timely exercise of its option to participate in the Project pursuant to the terms of the Woodland-Davis Clean Water Agency and University of California Agreement Concerning Potential Water Supply Contract dated December 21, 2010, as amended). The Project service area and water right place of use also may be expanded by the Board from time to time. Each of these types of expansions is subject to State Water Resources Control Board approval of any change in the authorized place of use in any applicable water-right permit or license.

7.1.2. The final Project design plans shall include fixed points of delivery of water from the Transmission Piping to each Party's local distribution facilities.

7.1.3. The Agency may provide Project-related technical and other services and activities that benefit only one of the Parties, so long as the Party benefiting from the work pays the full costs of the services.

7.2. Expenditure Controls. The Agency shall secure the written approval of the City Council of each Party before proceeding with the award of any contract for Final Engineering or Construction of the Initial Project Facilities. The remaining City Council approvals will be provided pursuant to the Project Facilities Milestone Schedule that is attached as Exhibit C. After securing these approvals, further City Council approval will not be required as a precondition to Board actions and decisions under this Agreement.

7.3. Dedicated Capacity.

7.3.1. Upon Completion of Construction of the Initial Project Facilities, each Project Participant shall be entitled to exclusive use of the Dedicated Capacity in the Project Facilities as set forth in the table below without regard to whether the Project Participant actually uses such facilities for the delivery of water. The daily flow limits in the table below are based on an Initial Project Facilities capacity of 30 mgd. The actual total capacity of the as-built Regional Water Treatment Facility will be rated by the California Department of Public Health following required testing of the plant construction. If the total rated daily flow limit capacity differs from the total daily flow limit amount presented in the table below, then each Project Participant's daily flow limit shall be adjusted accordingly and proportionately based on the percentage shares below.

Dedicated Capacity Shares		
Project Participant	Daily Flow Limit*	Percentage Share
Davis	12 mgd	40%
Woodland	18 mgd	60%
Total	30 mgd	100%

* The daily flow limits in this table are based on an Initial Project Facilities capacity of 30 mgd.

7.3.2. If the Agency expands the Project Facilities to produce greater than 30 mgd, then the foregoing daily flow limits in mgd as well as the corresponding percentages shall be adjusted as determined by the Board; however, the

quantity (mgd) of Dedicated Capacity allocated to UC Davis and the annual limit for UC Davis shall not be increased without its written consent (i.e., if UC Davis chooses not to consent to and participate in a Project expansion, then its Dedicated Capacity and annual limit would remain fixed and its percentage share of the expanded Project would be reduced accordingly or the percentages may be revised by written agreement between the Parties and UC Davis to reflect a different basis for calculation).

7.4. Water Delivery. After Completion of Construction of the Project Facilities, the Agency shall make available and deliver to each Project Participant a total amount of treated water up to its respective Dedicated Capacity shares, subject to the terms and conditions of this Agreement and the availability of water. The water shall be delivered to the points of delivery as shown on the final Project plans and specifications. The Agency shall deliver treated water that meets all state and federal drinking water quality standards applicable to the Project at the time of the delivery. The Agency shall consult with the Project Participants on a regular basis to determine specific schedules of deliveries, and, consistent with the terms of this Agreement, the Agency shall use its best efforts to meet the requirements of the Project Participants. If a Project Participant does not desire or take its full entitlement of available water, then the amount of water not delivered to that Project Participant may be made available at no cost for the raw water and delivered to other Project Participants that are interested in additional water deliveries. The Agency shall keep and maintain a monthly schedule of the actual quantities of water delivered to each of the Project Participants.

7.5. Changes in Dedicated Capacity Shares.

7.5.1. The Parties' respective Dedicated Capacity shares may be changed by unanimous Agency Board approval. The UC Davis Dedicated Capacity share shall not be changed without UC Davis' prior written consent and unanimous approval by the Agency Board.

7.5.2. Any two or more of the Project Participants may adjust their respective Dedicated Capacity shares and redistribute their respective shares among themselves, so long as the total Dedicated Capacity share percentages of the Project Participants in the redistribution remains the same after the redistribution. The redistribution may be temporary or permanent. The redistribution shall be in writing approved and signed by the involved Project Participants and filed with the Agency. If temporary, the writing shall indicate the effective dates of the redistribution. The redistribution also may reallocate the Project Participants' respective payment shares under section 6.1, in which case the writing also shall indicate the changes to the section 6.1 shares, whether temporary or permanent, and, if temporary, the effective dates of the changes.

7.6. Reduction in Availability of Project Water. If, for any reason (including, but not limited to, water supply availability, drought, restrictions on diversion, regulatory requirements, damage, or maintenance), the daily water available for delivery is less than 30 mgd (or an expanded Project capacity as later may be approved by the Board) at any time, and such reduction is not due to an act or omission of any Project Participant, then the available water supply shall be allocated among the Project Participants based on their percentage shares of Dedicated Capacity as set forth in section 7.3 or on such other allocation as may be determined by the Board; provided, however, that any reduction in

water from the supplemental water purchase shall be reduced based on the cost allocation shares set forth in section 6.1.5, unless the Parties agree to a different allocation of this water. If, for any reason, the annual water delivery capacity of the Project Facilities is less than 46,137 af/yr, and such reduction is not due to an act or omission of any Project Participant, then the annual amounts of available water shall be allocated among the Project Participants based on the percentage shares of Dedicated Capacity as set forth in section 7.3 or on such other allocation as may be determined by the Board; provided, however, that any reduction in water from the supplemental water purchase shall be reduced based on the cost allocation shares set forth in section 6.1.5, unless the Parties agree to a different allocation of this water. If reductions in both the daily water delivery capacity and the annual limit occur, then available daily water delivery capacity shall be allocated first, and the available annual limit then shall be allocated in a manner that is consistent with the allocated daily water delivery capacity. If the reduction is due to an act or omission of a Project Participant, then that Project Participant shall be responsible for absorbing the amount of the reduction attributable to its act or omission from its share of Dedicated Capacity or annual limit.

7.7. Ownership of Project Facilities. Except as otherwise provided by section 6.2, all Project Facilities, lands and easements shall be owned by and held in the name of the Agency for the benefit of the Project Participants in accordance with the terms of this Agreement.

8. NONPARTICIPATION BY A PARTY

8.1. Party Commitment to Project. By approving the 2013 Amended and Restated Joint Powers Agreement, each Party commits to proceeding with the design, Construction and operation of the Initial Project Facilities and to funding the Capital Costs of the Initial Project Facilities on and subject to the terms of this Agreement; however, the City of Davis commitment also is subject to the approval by its voters of the Project-related measure at a March 5, 2013 special election. Each Party approves the Project Facilities Milestone Schedule (“Schedule”) that is attached as Exhibit C and each Party shall diligently and in good faith strive to take and implement the Schedule actions in accordance with the Schedule deadlines.

8.2. Missed Deadline. If a Party fails to take an action in accordance with the Schedule (which includes the failure of the Board to timely approve a contract to design and construct the Project Facilities due to the failure of a Party’s Directors to vote in favor of the contract), the other Party may give written Notice of Missed Deadline to the Party missing the deadline. The Notice of Missed Deadline will inform about the nature of the missed deadline, state the noticing Party’s intention to proceed with the Project alone under this section 8, and provide the other Party with 20 days to cure the missed deadline. If the Party missing the deadline fails to satisfactorily cure the matter within the 20-day cure period, then the other Party (the “Participating City”) may give written notice (the “Go-It-Alone Notice”) to the Agency Secretary and the Party missing the deadline (the “Nonparticipating City”) that the Participating City is exercising its option to proceed with the Project alone pursuant to this section 8. On the first day of the month following receipt of the Go-It-Alone Notice by the Secretary, sections 8.3 through 8.10 will apply to the Project and the contractual relations between the Parties and the Agency. If there are any irreconcilable inconsistencies between this section 8 and another provision of this Agreement, section 8 will govern.

8.3. Board Action. The Board of Directors will continue to be a four-member Board; however, for the purposes of transacting any business of the Board pertaining directly or indirectly to the Project (including Construction, operation, expansion and financing related decisions), the Nonparticipating City shall be entitled to only one vote, a quorum shall consist of the two Directors who represent the Participating City, and an affirmative vote by the two Directors who represent the Participating City shall be required for any Board action. The Chair and Vice-Chair do not need to alternate between the Parties. The Nonparticipating City shall notify the Agency Secretary and the Participating City of which Director from the Nonparticipating City will exercise the Nonparticipating City's sole vote. For the sake of clarity, the intent of this paragraph is that the Nonparticipating City not be able to prevent the Participating City or the Agency from proceeding with the Project.

8.4. Modification of Project Facilities. The Board will modify the scope and design of the Project Facilities so that the Project Facilities are reduced to provide capacity and water supply for only the Participating City, including, but not necessarily limited to, a reduction of the Regional Water Treatment Facility capacity to a size as determined by the Board and removal of the Transmission Piping for the Nonparticipating City. The Agency will proceed with the design, Construction and operation of the modified Project Facilities for the sole use and benefit of the Participating City.

8.5. Dedicated Capacity and Use of Project Facilities. All Agency lands, easements, Permitting, contracts, staffing, Agency funds and reserves on hand and other assets will be provided for the sole benefit and use of the Participating City. Upon Completion of Construction of the modified Project Facilities, all Project Facilities and the full Dedicated Capacity of the Project Facilities will be provided for the sole benefit and use of the Participating City.

8.6. Water Rights. The full water supply available under Agency Water Right Permit 20281 will be provided for the sole use (through the Agency) of the Participating City. Regarding the water supply available under Agency Water Right Licenses 904A and 5487A and the Water Agreement with Conaway Preservation Group, LLC dated December 29, 2010, as amended, the Participating City will be entitled to the sole use (through the Agency) of the portion of the water supply attributable to the Participating City's percentage in the table in section 6.1.5.

8.7. Cost Allocation. Starting on the first day of the month following the Go-It-Alone Notice, the Participating City will be solely liable and responsible for all Agency and Project Capital Costs, Fixed Operating Costs, Variable Operating Costs, Repair and Replacement Costs and other costs and expenses; except that the Nonparticipating City will remain liable for payment to the Agency for (a) its share of Agency and Project costs incurred prior to the first day of the month following the Go-It-Alone Notice (as calculated, charged and assessed pursuant to section 6), and (b) its share of the annual note payments for the purchase of the water rights (which are now Agency Water Right Licenses 904A and 5487A) from Conaway Preservation Group, LLC under the Water Agreement dated December 29, 2010, as amended, and related promissory notes and in accordance with the Schedule of Installment Payments attached to the Installment Purchase Agreement dated December 21, 2010, as amended, between the Nonparticipating City and Agency.

8.8. Reimbursement for Redesign Costs. If, after April 2, 2013, a Party fails to take an action in accordance with the Schedule and the other Party gives a Go-It-Alone Notice pursuant to section 8.2, then the Nonparticipating City will pay or reimburse the Agency for the Agency's and Participating City's direct, actual and reasonable costs to redesign the Project Facilities for just the Participating City and including staff and administrative costs directly related to the redesign.

8.9. Limited Rights of Nonparticipating City. The Nonparticipating City will not receive any water supply from the Project, it will not have any Dedicated Capacity in the Project Facilities, and it will not have any intake and diversion capacity in the Raw Water Intake. The Directors representing the Nonparticipating City will have limited voting rights on the Board as indicated by section 8.3. Regarding the Nonparticipating City's portion of the Agency's rights under Agency Water Right Licenses 904A and 5487A and the Agency's Sacramento River Water Rights Settlement Contract with the Bureau of Reclamation (if approved and executed), the Nonparticipating City will be entitled to divert and use (through facilities other than the Project Facilities), transfer, assign or sell the portion of these licenses and the portion of the Agency's base supply rights under this settlement contract that are equal to the Nonparticipating City's percentage in the table in section 6.1.5 (subject to the limitations in these licenses, the Bureau settlement contract and the Water Agreement with Conaway Preservation Group dated December 29, 2010, as amended and subject to all laws and regulatory requirements applicable to such use, transfer, assignment or sale). The Agency will make commercially reasonable and best efforts to work and cooperate with the Nonparticipating City in the event the Nonparticipating City desires to use, transfer, assign or sell its share of these rights. The Nonparticipating City's rights in the preceding sentences will include the rights to pursue short-term or long-term water transfers under its portion of these licenses and this settlement contract. The Nonparticipating City must pay all regulatory, environmental review, transactional and other costs and expenses associated with any such use, transfer, assignment or sale and it will be entitled to retain the net proceeds from any use, transfer, assignment or sale. The Nonparticipating City also must indemnify the Agency and hold it harmless from and against any liability, claims, damages, expenses, and costs arising out of any such use, transfer, assignment or sale. In the event the Nonparticipating City receives a bona fide offer from a third party for a transfer, assignment or sale under this section and the offer is acceptable to the Nonparticipating City, it will not proceed with the third party transaction without first offering the Participating City the opportunity to purchase the rights on the same terms and conditions offered by the third party. This right of first refusal shall be extended by the Nonparticipating City by giving written notice of the offer to Participating City with the opportunity to accept the offer in writing within 45 days after the date of the offer. In the event that the Participating City does not timely accept the offer, then the Nonparticipating City may proceed with the sale to the third party.

8.10. Re-participation by Nonparticipating City. If, following a Go-It-Alone Notice, the Nonparticipating City desires to re-participate in the Project, then it and the Participating City may negotiate a fair and equitable amendment of this Agreement to address the terms of such re-participation and buy-in to the Project Facilities. Re-participation by the Nonparticipating City will be allowed only pursuant to the terms of an amended Agreement mutually approved by the City Council of each Party. If the Nonparticipating City expresses an interest in re-participation, then the Participating City

will negotiate in good faith on fair and equitable terms of an amended Agreement and will not unreasonably refuse re-participation by the Nonparticipating City.

9. INDEMNIFICATION.

9.1. By Agency. The directors, officers, employees, agents and volunteers of the Agency shall be entitled to defense and indemnification by the Agency as provided under Government Code title 1, division 3.6, part 2, chapter 1, article 4 (commencing with Section 825) and title 1, division 3.6, part 7 (commencing with section 995). The Agency shall indemnify, defend, protect, and hold harmless each Party, and its officers, employees, agents and volunteers, from and against any and all liability, losses, claims, damages, expenses, and costs (including attorney, expert witness and consultant fees, and litigation costs) of every nature arising out of or in connection with the Agency's performance under this Agreement or failure to perform under this Agreement. The Parties acknowledge that the Agency's insurance and indemnity-related costs will be costs of Agency operations for which they will be liable for under section 6.

9.2. By a Party. Each Party shall indemnify, defend, protect, and hold harmless the Agency and the other Party, and their respective directors, officers, employees, agents and volunteers, from and against any and all liability, losses, claims, damages, expenses, and costs (including attorney, expert witness and consultant fees, and litigation costs) of every nature arising out of or in connection with the Party's performance under this Agreement or failure to perform under this Agreement.

9.3. Survival. These indemnification obligations shall survive and continue in full force and effect after termination of this Agreement for any reason with respect to any actions or omissions that occurred before the date of termination.

9.4. Agency Not Liable for Operation Beyond Point of Delivery. The Agency and its directors, officers, agents, contractors, employees and volunteers shall not be liable for the control, carriage, handling, use, disposal, or distribution of Project water supplied to a Party after such water has passed the point of delivery to that Party, nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond that point of delivery; and each Party shall indemnify and hold harmless the Agency pursuant to section 9.2 from any such damages, claims or liability. The Agency shall have no right, title or interest in Project water after the water has passed the point of delivery to a Party.

9.5. Parties Not Liable for Operation Upstream From Point of Delivery. A Party and its officers, agents, contractors, employees and volunteers shall not be liable for the control, carriage, handling, use, disposal, or distribution of Project water before such water has passed the point of delivery to the Party; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water before it has passed that point of delivery; and the Agency shall indemnify and hold harmless the Party pursuant to section 9.1 from any such damages, claims or liability.

9.6. The indemnification and hold harmless provisions of this section 9 shall apply in lieu of the right of contribution provisions at Government Code Sections 895-895.8.

10. TERM, WITHDRAWAL AND DISSOLUTION.

10.1. Term. This Agreement and the Agency shall continue in existence until terminated and dissolved in accordance with the terms of this section 10.

10.2. Withdrawal Prior to April 2, 2013. Prior to April 2, 2013, either Party may terminate this Agreement and dissolve the Agency upon giving the other Party and the Board 90 days prior written notice of termination; provided, however, the Parties shall be obligated for their share of all liabilities and expenses of the Agency incurred prior to the effective date of such termination. If the Board has received such notice of termination, it shall be prohibited from issuing any bonded indebtedness or certificates of participation or awarding any contracts for Construction. If this Agreement is terminated pursuant to this section 10.2, then the Parties shall ask the State Water Resources Control Board to allocate any water right application or permit that is, or any water right applications or permits that are, held by the Agency among the Project Participants according to the percentages in Dedicated Capacity and the annual limits specified in the Woodland-Davis Clean Water Agency and University of California Agreement Concerning Potential Water Supply Contract dated December 21, 2010, as amended.

10.3. Dissolution After April 2, 2013. After April 2, 2013, this Agreement and the Agency may be terminated and dissolved by only by the mutual approval of the Parties expressed by resolution of the governing board of each Party approving a dissolution agreement pursuant to section 10.4. The Agency shall not be dissolved until all debts and liabilities of the Agency have been discharged or assumed in accordance with this Agreement and the dissolution agreement. During the outstanding term of any Agency bonds, certificates of participation or other indebtedness, this Agreement and the Agency shall not be terminated unless (a) the indebtedness is first paid off in full before the effective date of the termination, or (b) the indebtedness is assigned to and assumed by one or both of the Parties or a responsible successor entity and there is alternate security for the indebtedness in a form and manner approved by bond counsel selected by the Agency as lawful and adequately protecting the interests of any holders of evidence of indebtedness of the Agency.

10.4. Dissolution Agreement. Subject to section 10.3 above, this Agreement and the Agency may be dissolved pursuant to a dissolution agreement approved by both Parties that provides for the dissolution of the Agreement and Agency, the utilization, distribution, transfer and assignment of the funds, assets and property (including any completed or partially constructed Project Facilities) of the Agency, and the transfer and assignment of the rights, liabilities and obligations of the Agency. If, at the time of dissolution, the Agency has completed any Project Facility, then the dissolution agreement also must provide for one of the Parties or a responsible successor entity to assume the rights, liabilities and obligations to continue the operation and maintenance of the Project Facility or Facilities. The dissolution agreement also must provide for the transfer and assignment of the Agency water right permits and licenses to the Parties or a responsible successor entity that will hold, maintain and exercise the permit or license for

the benefit of the Project Participants. Any such water right transfer and assignment would be subject to approval by the State Water Resources Control Board, if required. If, at the time of dissolution, the Agency is a party to a water supply agreement with UC Davis, then the dissolution agreement also must provide for one of the Parties or a responsible successor entity to assume the rights, liabilities and obligations under the UC Davis water supply agreement and to continue to provide water to UC Davis. Upon dissolution of the Agency pursuant to a dissolution agreement approved pursuant to this section, the funds, assets, property, rights, liabilities and obligations of the Agency shall be utilized, distributed, transferred and assigned as provided by the dissolution agreement.

11. GENERAL PROVISIONS.

11.1. Integration. This Agreement constitutes the sole, final, complete, exclusive and integrated expression and statement of the terms of this contract among the Parties concerning the subject matter addressed herein, and supersedes all prior negotiations, representations or agreements, either oral or written, that may be related to the subject matter of this Agreement, except those other documents that are expressly referenced in this Agreement.

11.2. Construction and Interpretation. It is agreed and acknowledged by the Parties that this Agreement has been arrived at through negotiation, and that each Party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting Party shall not apply in construing or interpreting this Agreement.

11.3. Waiver. The waiver at any time by any Party of its rights with respect to a default or other matter arising in connection with this Agreement shall not be deemed a waiver with respect to any subsequent default or matter.

11.4. Remedies Not Exclusive. The remedies provided in this Agreement are cumulative and not exclusive, and are in addition to any other remedies that may be provided by law or equity. The exercise by either Party of any remedy under this Agreement shall be without prejudice to the enforcement of any other remedy.

11.5. Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

11.6. Successors and Assigns. Except as otherwise provided by law or legally ordered by the Yolo County Local Agency Formation Commission as part of a local government organization or reorganization proceeding, the rights and duties of the Parties under this Agreement shall not be assigned or delegated without the prior written consent of the other Party. Any attempt to assign or delegate such rights or duties in contravention of this Agreement shall be null and void. Any approved assignment or delegation shall be consistent with the terms of any contracts, resolutions, indemnities and other obligations of the Agency then in effect, and may be subject to such additional reasonable conditions of approval imposed by the Party approving the assignment or delegation.

11.7. No Third Party Beneficiaries. This Agreement shall not be construed to create any third party beneficiaries. This Agreement is for the sole benefit of

the Parties, and their permitted successors, transferees and assignees, and no other person or entity shall be entitled to rely upon or receive any benefit from this Agreement or any of its terms.

11.8. Amendment. This Agreement may be modified or amended only by a subsequent written agreement approved by the governing board of each Party and executed by both Parties. The addition of new parties to the Agency shall require an amendment of this Agreement.

11.9. Governing Law. Except as otherwise required by law, this Agreement shall be interpreted, governed by, and construed under the laws of the State of California. The County of Yolo shall be venue for any state court litigation and the Eastern District of California shall be venue for any federal court litigation concerning the enforcement or construction of this Agreement; provided, however, that, for state litigation, each Party retains its rights under Code of Civil Procedure Section 394 to change venue or to assign an out-of-county judge.

11.10. Notice. Any notice, demand, invoice or other communication required or permitted to be given under this Agreement shall be in writing and either served personally or sent by prepaid, first class U.S. mail and addressed as follows:

Davis:
City Manager
City of Davis
23 Russell Boulevard
Davis, CA 95616

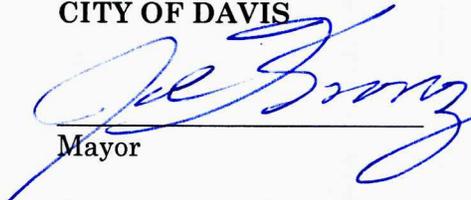
Woodland:
City Manager
City of Woodland
300 First Street
Woodland, CA 95695

Any Party may change its address by notifying the other Party in writing of the change of address.

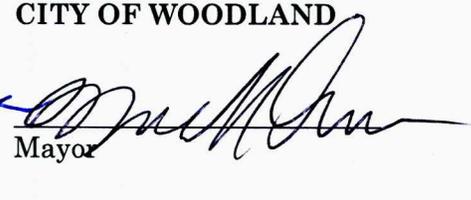
11.11. Counterparts. This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

CITY OF DAVIS

CITY OF WOODLAND



Mayor



Mayor

Attest:

Attest:



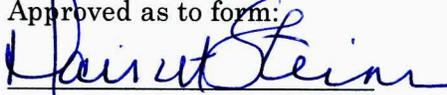
City Clerk



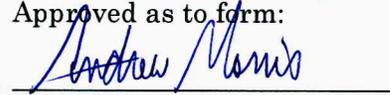
City Clerk

Approved as to form:

Approved as to form:



City Attorney



City Attorney

LIST OF EXHIBITS

- Exhibit A List of Davis-Woodland Joint Water Supply Project Facilities
- Exhibit B Project Service Area and Water Right Place of Use
- Exhibit C Project Facilities Milestone Schedule

EXHIBIT A

List of Davis-Woodland Water Supply Project Facilities

Agency facilities -- Project facilities to be constructed, owned and operated by the Agency:

1. Regional Water Treatment Facility
2. Raw Water Intake
3. Agency-Only Intake Facilities
4. Raw Water Transmission Main
5. Joint Transmission Piping
6. Davis Transmission Piping
7. Woodland Transmission Piping

EXHIBIT B

Project Service Area and Water Right Place of Use

[Attached on the following pages]

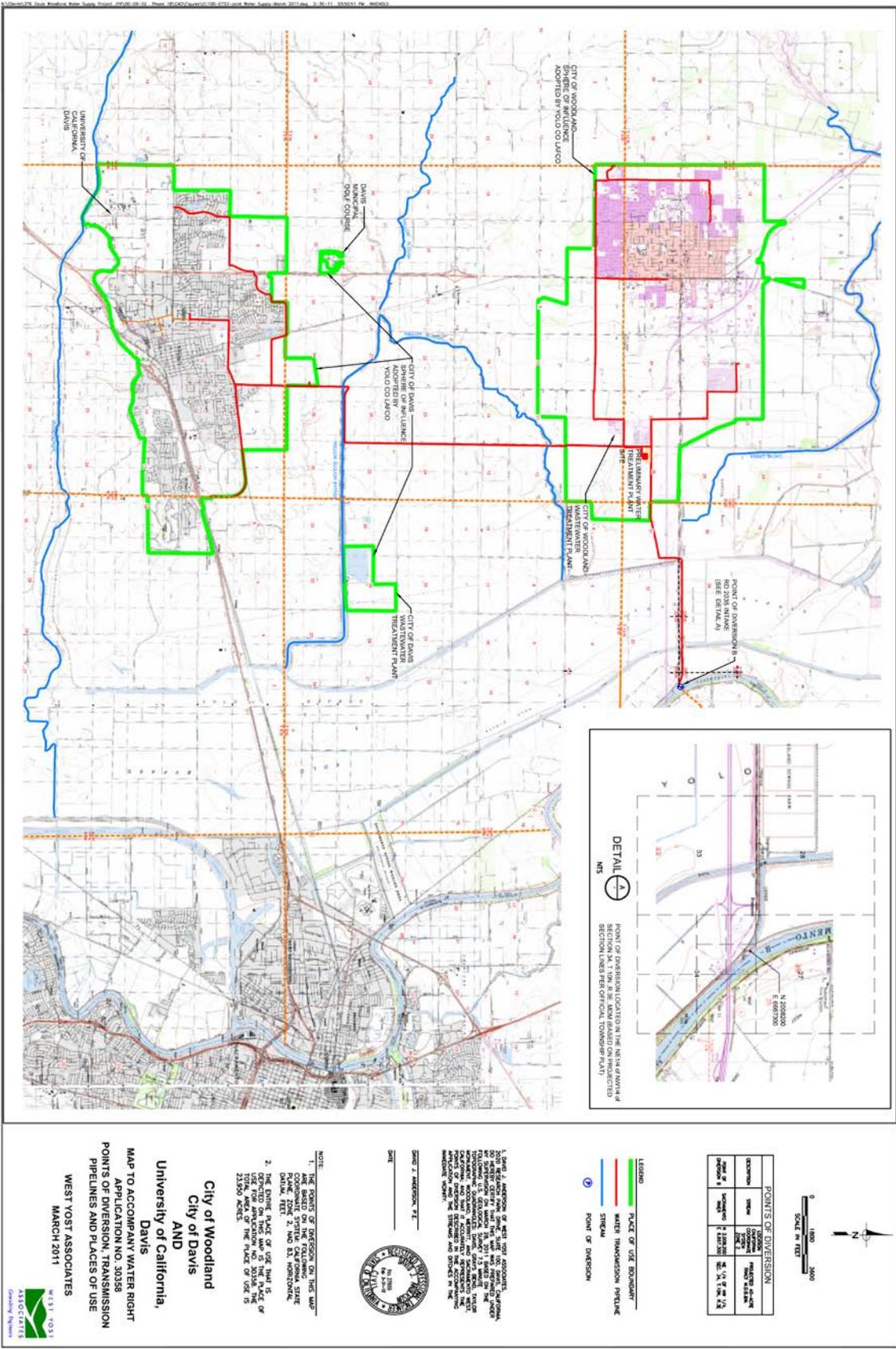


EXHIBIT C

Project Facilities Milestone Schedule

Action	Deadline
City of Davis election concerning the Project	March 5, 2013
Davis City Council approval of (1) water rates to fund its share of the Capital Costs of the Project Facilities, and (2) resolution authorizing design and construction of the Project Facilities*	April 2, 2013
Woodland City Council approval of resolution authorizing design and construction of the Project Facilities*	April 2, 2013
Davis City Council authorization to issue and sell bonds or certificates of participation to fund its share of the Capital Costs of the Project Facilities	August 15, 2013
Woodland City Council authorization to issue and sell bonds or certificates of participation to fund its share of the Capital Costs of the Project Facilities	August 15, 2013
Approval by Agency Board to award a contract to design and construct the Project Facilities	September 30, 2013

* The city council authorization to construct the Raw Water Intake portion of the Project Facilities will be subject to State of California approval of grant funding of at least \$16.7 million toward the Capital Costs of the Raw Water Intake, or Board action to waive this condition regarding State of California grant funding.