

JOINT POWERS AGREEMENT
for the
SOUTH VALLEY WATER BANKING AUTHORITY
(established November 26, 2013)

THIS AGREEMENT is made and entered into this 26 day of November, 2013, pursuant to the Joint Exercise of Powers Act, by and between Pixley Irrigation District ("PIXID"), and Delano-Earlimart Irrigation District ("DEID"). These public entities are hereinafter collectively referred to as the "Parties" or "Member Entities." The terms "Parties" and "Member Entities" shall also include any additional Parties that join in this Agreement, but shall exclude any Parties that withdraw from this Agreement pursuant to any of the provisions hereto.

RECITALS

This Agreement is made with reference to the following facts:

A. PIXID and DEID are each irrigation districts, duly organized and existing under Division 11 of the California Water Code.

B. Each of the Member Entities distributes water to landowners within its respective service area, each of which is in need of additional storage capabilities in order to provide for a more secure water supply for its landowners and thereby desires to pursue participation in the Authority.

C. The Member Entities believe that it is mutually beneficial for them to cooperate in their joint efforts to acquire, develop, operate, and maintain the Project, as defined herein.

D. Each of the Parties is authorized to contract with each other for the joint exercise of any common power under Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

NOW, THEREFORE, IT IS AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions: As used in this Agreement, unless the context requires otherwise, the meaning of the terms hereinafter set forth shall be as follows:

(a) "Authority" shall mean the South Valley Water Banking Authority, being the separate public entity created by this Agreement.

(b) "Banking Partners" shall have the meaning set forth in Section 5.1 and Exhibit "A".

(c) "Brown Act" shall mean the Ralph M. Brown Act, California Government Code § 54950, *et seq.*, as may be amended from time to time.

(d) "Contribution" shall mean a contribution for which a call has been issued pursuant to Section 4.5.

(e) "Board of Directors" or "Board" shall mean the governing body of the Authority as established in Section 3.2 of this Agreement.

(f) "Bonds" shall mean any bonds, loans, notes or other evidences of indebtedness of the Authority (excluding warrants and checks), authorized and issued pursuant to the Joint Powers Act (as defined in Section 1.1(h), below).

(g) "Director" shall mean any member of the Authority's Board of Directors and any alternate when serving as a member of the Authority's Board of Directors, including those directors selected by each Member Entity pursuant to Section 3.2(a) and the At-Large Director selected by the Board pursuant to Section 3.2(b).

(h) "Joint Powers Act" shall mean the Joint Exercise of Powers Act, California Government Code § 6500, *et seq.*, as may be amended from time to time.

(i) "Operating Rules and Regulations" shall have the meaning set forth in Section 2.4(m).

(j) "Project" shall have the meaning set forth in Section 5.1.

ARTICLE II

CREATION OF THE SOUTH VALLEY WATER BANKING AUTHORITY

Section 2.1 Creation: There is hereby created, pursuant to the Joint Powers Act, a public entity to be known as the "South Valley Water Banking Authority", referred to herein as the "Authority", which shall constitute the implementing agency designated to implement this Agreement.

Section 2.2 Term: This Agreement shall be effective from the date first above-written and remain in effect until terminated by mutual agreement of all Parties, or otherwise as described in this agreement. The Authority shall continue in existence until dissolved or until this Agreement is otherwise terminated and all property distributed pursuant to Section 6.6 or distributed otherwise pursuant to mutual agreement of all Parties; provided, however, that the Authority shall continue to exist and no termination will be effective until the following have been satisfactorily completed: disposition of all claims; payment of debt service with respect to Bonds which have been issued or which have been authorized for issuance, and satisfaction of other covenants of the Authority contained in the resolution and trust indenture relating to said Bonds; reimbursement owed to financial institutions which have secured such Bonds or other parties advancing funds to the Authority; and other covenants contained in reimbursement agreements with such financial institutions, and distribution of assets and all other functions necessary to conclude the affairs of the Authority have been satisfactorily completed.

Section 2.3 Purpose: The purpose of this Agreement is to provide for the joint exercise, through the Authority, of powers common to each of the Parties to study and participate in the acquisition, financing, construction, and operation of the Project.

Section 2.4 Powers: The Authority shall have and may exercise any powers within or outside the boundaries of the Authority as permitted by law from time to time. Such powers shall include, but not be limited to, the power in its own name to do any of the following:

(a) To study, plan for, acquire, improve, construct, manage, operate, maintain, repair, lease, sell, exchange, replace, or transfer the Project.

(b) To make and enter contracts necessary to the full exercise of its powers.

(c) To contract for the services of engineers, attorneys, planners, financial consultants, biologists, environmental consultants, accountants, and other consultants, and separate and apart from that, to employ such other persons as it deems necessary.

(d) To enter into agreements with the Member Entities, the United States of America, the State of California, or any other public or private entity for any purpose authorized by this Agreement.

(e) To acquire, by eminent domain or otherwise, and to hold and dispose of property necessary to the full exercise of its powers, and, subject to the limitations set forth herein, to dispose of property and any other assets.

(f) Subject to the limitation set forth herein, to incur debts, liabilities, or obligations; to issue bonds, notes, certificates of participation, guarantees, equipment leases, reimbursement obligations, and other indebtedness; to pledge, mortgage, assign, encumber, and hypothecate assets and revenues of the Authority; to call for contributions from Member Entities; to impose and collect user fees and charges and to enter into leases, installment sales, and installment purchase contracts, all as hereinafter provided.

(g) To sue and be sued in its own name.

(h) To apply for, accept, and receive licenses, permits, approvals, agreements, grants, loans, gifts, contributions, donations, or other aid from any agency of the United States of America, the State of California or other public or private person or entity necessary for the Authority's full exercise of its powers.

(i) To acquire, own, sell, transfer, and otherwise dispose of water which is or is to be banked in the Project.

(j) To take possession of any water which is or is to be banked in the Project, and to enter into, perform, and enforce agreements for such purpose.

(k) To perform all acts necessary or proper to carry out fully the purposes of this Agreement.

(l) To appoint agents;

(m) To adopt rules, regulations, policies, bylaws, and procedures governing the operation of the Authority ("Operating Rules and Regulations").

In accordance with Government Code § 6509, the foregoing powers shall be subject to the restrictions upon the manner of exercising such powers, pertaining to both PIXID and DEID as specified in the Irrigation District Law, California Water Code § 20500 *et seq.*

ARTICLE III

INTERNAL ORGANIZATION

Section 3.1 Membership:

The Member Entities of the Authority shall be the entities which have executed or hereafter execute this Agreement, or amendment thereto, and which have not withdrawn from this Agreement pursuant to its provisions.

Section 3.2 Governing Body:

(a) The business of the Authority shall be conducted by a Board of Directors consisting of five Directors, constituted as follows: two directors appointed by each Member Entity plus one At-Large Director selected as provided in paragraph (b) below. Each Member Entity shall appoint its two Directors from amongst its governing body. Each Member Entity also shall appoint from amongst its governing body at least one alternate director for each Director representing such Member Entity. The Director and alternate directors, shall from time to time be selected from and designated in writing by the governing body of each of the Parties. The governing body of each Party shall also designate the order in which the alternates shall serve in the absence of the Director—i.e., the first alternate, the second alternate, etc. The role of an alternate director shall be to assume the duties of the Director appointed by his or her Member Entity, in case of the absence or unavailability of such Director. The Directors and the alternates so named shall serve at the pleasure of their appointing governing body and shall continue to serve until the respective successors are appointed.

(b) The At-Large Director shall be selected by unanimous vote of all the other Directors and shall be appointed to serve a four-year term. The At-Large Director may be removed at any time by a vote of at least three of the other Directors, in which case a successor At-Large Director shall again be selected by unanimous vote of all the other Directors.

(c) Each Director shall have equal voting rights and powers.

Section 3.3 Meetings:

(a) The Board shall hold at least one regular meeting each year, and, by resolution, may provide for the holding of regular meetings at more frequent intervals. The date upon which, and the hour and place at which, each such regular meeting shall be held shall be fixed by resolution of the Board. Special meetings of the Board may be called in accordance with the provisions of California Government Code § 54956, as may be amended from time to time. All meetings of the Board shall be called, held, noticed, and conducted subject to the provisions of the

Brown Act. Compensation and reimbursable expenses of the Directors shall be set from time to time by resolution of the Board.

(b) A quorum of the Board for the transaction of business shall consist of at least three members, except that less than a quorum may adjourn from time to time. The concurring votes of at least three Directors present at a duly called meeting at which a quorum is present and eligible to vote on the matter shall be required for any action of the Board of Directors, except that the following actions shall require an affirmative vote of at least four of the Directors:

(1) incur any indebtedness (other than debts incurred in the ordinary course of business) or make a discretionary distribution of any income, except for distributions upon termination of this Agreement or dissolution of the Authority;

(2) sell, exchange, or transfer any real or personal property exceeding \$100,000.00 in value;

(3) modify or amend the Project referenced in Section 5.1 and described at Exhibit A hereto,

(4) adopt, amend, or repeal bylaws and Operating Rules and Regulations;

(5) as a debtor, file a petition for relief or voluntarily seek the benefit of any bankruptcy law; seek the appointment of a trustee, receiver, or liquidator for all or substantially all the Authority's assets; or make a general assignment for the benefit of creditors;

(6) initiate litigation or other judicial arbitration or administrative actions where the amount claimed exceeds \$50,000.00; settle or compromise any claim by the Authority where the amount claimed exceeds \$50,000.00; or settle or compromise any claim against the Authority where the settlement or compromise exceeds \$50,000.00, unless a different number of affirmative votes is otherwise required by law;

(7) call for a contribution as provided at Section 4.5, and,

(8) adopt a budget.

(c) The Board shall select from among the Directors a chair who shall be the presiding officer at all Board meetings and a vice chair who shall serve in the absence of the chair. The terms of office of the chair and the vice chair shall be set by the Board; provided, however, that the office shall be declared vacant if the person serving dies, resigns, or is removed by his or her Member Entity as its representative on the Authority, or if his or her Member Entity withdraws from this Agreement pursuant to any of the provisions hereof. The Board shall also appoint a secretary, who shall be responsible for keeping and providing to all Member Entities a copy of the minutes of all meetings of the Board and all other official records of the Authority, and the Board may also appoint or employ such other officers and employees as it deems necessary to carry out the purposes of this Agreement, including, but not limited to, a Treasurer as provided in Section 4.2(c) below. Such offices may be held by separate officers or employees or may be combined and held by one such officer or employee, as provided by the Board of Directors. Each officer shall hold office for a period of one year, and the Board shall determine the

appointment of officers in January of each year. Any officer, employee, or agent of the Board may also be an officer, employee, or agent of any of the Parties. The appointments by the Board of such person shall be evidence that the two positions are compatible.

(d) The Board may from time to time adopt an official seal for the Authority and may adopt such Operating Rules and Regulations as it deems necessary to regulate the affairs of the Authority in accordance with this Agreement. The Operating Rules and Regulations may be amended from time to time by the Board as it may deem necessary.

(e) The Board may, as it deems appropriate, appoint committees to accomplish the purposes set forth herein. Any meeting of such a committee shall be deemed to be a meeting of the Authority for compensation purposes only and all such meetings shall be open to all Directors. All meetings of committees shall be called, held, noticed, and conducted subject to the provisions of the Brown Act, to the extent applicable.

Section 3.4 Principal Office: The principal office of the Authority shall be: 357 E. Olive Avenue, Tipton, CA 93272. The Board may change the principal office from one location to another that is in Tulare County and is within the boundaries of any of the Member Entities, which shall not constitute an amendment of this Agreement.

Section 3.5 Liability of Board and Officers: The funds of the Authority may be used to defend, indemnify, and hold harmless the Authority and/or any Director, alternate director, officer, or employee for actions taken within the scope of the authority of the Authority. Nothing herein shall limit the right of the Authority to purchase insurance to provide such coverage as is hereinabove set forth.

Section 3.6 Status of Officers and Employees: All of the privileges and immunities from liability; exemptions from laws, ordinances, and rules; all pension, relief, disability, worker's compensation, and other benefits which apply to officers, agents, or employees of any of the Parties when performing functions for their respective Parties shall apply to such persons to the same degree and extent while they are engaged in the performance of any of the functions and duties under this Agreement. None of the officers, agents, or employees appointed by the Authority shall be deemed, by reason of their employment by the Authority, to be employed by any of the Parties or, by reason of their employment by the Authority, to be subject to any of the requirements of such Parties.

ARTICLE IV

FINANCIAL PROVISIONS

Section 4.1 Fiscal Year: The fiscal year of the Authority shall be established by resolution of the Board of Directors as soon as practical after the effective date of this Agreement.

Section 4.2 Depositary:

(a) The Board shall designate the Treasurer of the Authority, who shall be the depositary and have custody of all money of the Authority, from whatever source, subject to the applicable provisions of any indenture or resolution providing for a trustee or other fiscal agent. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with funds of any Member Entity or any other person or entity.

(b) The Treasurer shall perform the duties of the Treasurer and of the Auditor as specified in California Government Code §§ 6505 and 6505.5.

(c) The Board may transfer the responsibilities of Treasurer to any person or entity as the Joint Powers Act may provide from time to time.

(d) All funds of the Authority shall be strictly, and separately, accounted for and regular reports shall be rendered of all receipts and disbursements at least quarterly during the fiscal year. The books and records of the Authority shall be open to inspection by the Member Entities at all reasonable times, and by bondholders and lenders as and to the extent provided by resolution or indenture. The Treasurer shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of the Authority, which shall be conducted, at a minimum, in accordance with the requirements of the State Controller under California Government Code § 26909, and shall conform to those standards published by the Government Accounting Standards Bureau, as they pertain to special districts.

(e) All expenditures within the designations and limitations of the applicable approved budget shall be made upon the approval of any officer so authorized by the Board in accordance with the Operating Rules and Regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the approval and written order of the Board. The Board shall requisition the payment of funds only upon approval of claims or disbursements and requisition for payment in accordance with rules, regulations, policies, procedures, and bylaws adopted by the Board.

Section 4.3 Fidelity Bonds: The Board shall from time to time designate the officers and persons, in addition to those specified in Section 4.2 above, who shall have charge of, handle, or have access to, any property of the Authority. Each such officer or person, including those specified in Section 4.2, shall file a fidelity bond in an amount designated by the Board. Such designations shall be subject to ratification by the Parties, in compliance with Government Code § 6505.1. Should the existing fidelity bond or bonds of any such officer or person be extended to cover the obligations provided herein, said bond shall be the official bond required herein. The premiums on any such fidelity bonds attributable to the coverage required herein shall be appropriate expenses of the Authority. In lieu of a fidelity bond, the Authority may, in accordance with the law, purchase insurance providing substantially the same coverage as a fidelity bond.

Section 4.4 Annual Budgets:

(a) As soon as practical after the execution of this Agreement, and thereafter at least thirty (30) days prior to the commencement of each fiscal year, the Board shall adopt for the ensuing fiscal year appropriate budgets, which may be more specifically identified and the method of apportionment described in the Operating Rules and Regulations, including budgets for administration, fixed operation and maintenance costs, variable operation and maintenance costs, and capital improvement costs, including debt service for such improvements, and so long as applicable for start-up costs.

(b) It is the intended policy of the Member Entities that the annual operations and maintenance costs of the Authority associated with Project be paid by Banking Partners as described in Article V and Exhibit A.

Section 4.5 Contributions. Contributions from the treasuries of the Member Entities shall be made to the Authority for the purposes, and on the terms, set forth in this Agreement, and in any amendments hereto. Payments of public funds may be made to defray the costs incurred in carrying out such purposes, and advances of funds may be made for such purposes, to be repaid as provided in this Agreement, or in amendments hereto. Personnel, equipment, or property of one or more of the parties to this Agreement may be used in lieu of other contributions or advances, upon approval of the Board of Directors. The Board of Directors may from time to time as it deems necessary and appropriate, and subject to Section 3.3(b)(7) of this Agreement, make a call for contributions from the Member Entities, which contributions shall be for all costs within the adopted budgets not paid for by Banking Partner fees or other Project income. It is the intent of the Parties that all project costs be paid through income from the Project, including but not limited to Banking Partner share sales, subscription fees, and maintenance fees, and that contributions from Member Entities be utilized only to the extent the Board may deem such contributions necessary due to the temporary insufficiency of such Project income to cover Project costs, or the extent that other Authority projects that are identified and approved by the Member Entities, acting through the Board, require such contributions.

Section 4.6 Repayment or Return of Contributions; Disposition of Revenues: In accordance with Government Code § 6512.1, repayment or return to the Parties of all or any part of any contributions made by the Parties and any revenues received by the Authority may be directed by the Board at such time, and upon such terms, as the Board may decide. The Authority shall hold title to all funds, property, and works acquired by it during the term of this Agreement.

Section 4.7 Reimbursement of Member Entities.

(a) The Authority shall reimburse to each Member Entity, on a monthly basis or such less frequent basis as the Authority and the Member Entity may agree upon, all reasonable and necessary expenses incurred by the Member Entity or on its behalf, for services rendered or labor or materials supplied to the Authority, pursuant to a written request or agreement. Reimbursable items may include, but are not limited to, expenses incidental to the operation and management of the Project, fees and charges for legal and accounting services, including those rendered in connection with the formation of the Authority, reasonably allocable salary and benefits of a Member Entity's employee for time spent in rendering services specifically for or on behalf of the Authority (excluding time spent acting in the capacity of a Director of the Authority), and such other items as are necessary and appropriate to the conduct of the Authority's affairs and properly allocable to the Authority.

(b) The Authority shall have the right to inspect and audit those books and records of any Member Entity which pertain to amounts for which the Member Entity seeks reimbursement under subsection (a) above. Such inspection and audit may be requested at any time within one year after reimbursement is requested or paid. The Member Entity shall make such books and records available for inspection within ten business days after receiving the Authority's written request to inspect or audit.

ARTICLE V

THE PROJECT

Section 5.1 Description of the Project: The Project which the Authority intends to implement is the financing, construction, operation, and maintenance of a groundwater banking project as more specifically described in Exhibit A attached hereto and incorporated herein by reference. It is intended that the Authority act as the party responsible for planning, construction, operation, and maintenance of the Project as described in Exhibit A, but unless otherwise agreed by the Member Entities the Authority is not intended to use the banking program for its own water storage purpose. Instead, unless specifically approved by the Board or agreed by the Member Entities pursuant to separate agreement, the Authority intends to provide water banking services to third party entities who purchase the right to use the storage created by the Project, described in Exhibit A as "Banking Partners". The Banking Partners will pay subscription fees and maintenance and operation fees to the Authority in exchange for use of the groundwater bank for seasonal storage of water. The Member Entities shall have an opportunity, but not a right or obligation, to participate in the Project as Banking Partners. A Member Entity shall have no right by virtue of being a Member Entity to use the services of the Project unless the Member Entity elects to become a Banking Partner by paying the required fees and costs, or otherwise by agreement of the Authority. It is the intent of the Member Entities that financing of the Project be accomplished through collection of advance subscription fees from Banking Partners, grant funds, or other such funds as may be identified, and not by contributions from the Authority's Member Entities.

Section 5.2 Development of Project: Its understood and agreed that the aforementioned description of the Project represents the present intention and agreement of the Parties, but that the exact details of the Project will be developed as it progresses.

Section 5.3 Participation in Other Projects: The Authority may participate in or develop other projects unrelated to the Project only pursuant to a written amendment to this Agreement executed by all Member Entities.

Section 5.4 Allocation of Interests in the Project: The Member Entities shall each have an equal (50%) interest in the Project including its profits and losses. Such proportions shall be adjusted by agreement upon the addition of any new Member Entity pursuant to Section 6.3 of this Agreement.

Section 5.5 Ownership of Water: Consistent with the terms and conditions of agreements that the Authority anticipates entering into with Banking Partners as part of the Project, the Authority does not intend, unless otherwise specifically agreed by the Member Entities, to provide or sell water to Banking Partners to be banked in the Project or to take title to water that Banking Partners deliver to the Project. Member Entities hereby agree that they do not have any expectation of gaining any water or water rights as a result of creating the Authority or participating through the Authority in the Project, unless doing so is a term or condition of a separate transaction. Water left in the underground aquifer as "percentage" or "leave behind" water as described in the Project shall be considered accrued to the underground aquifer and dedicated to the benefit of the local lands, and not to be under the ownership or control of the Authority, the Member Entities, or the contributing Banking Partner.

ARTICLE VI

RELATIONSHIP OF THE AUTHORITY AND ITS MEMBER ENTITIES

Section 6.1 Separate Entity: The Authority shall be a public entity separate from the Member Entities. All property, equipment, supplies, funds, and records of the Authority shall be owned by the Authority, except as otherwise provided in this Agreement. The Parties to this Agreement do not intend hereby to be, and shall not be, obligated either jointly or severally for the debts, liabilities, or obligations of the Authority, except as may be specifically provided for in California Government Code § 895.2 as amended or supplemented. Provided, however, if the Member Entities of the Authority are, under such applicable law, held liable for the acts or omissions of the Authority caused by negligent or wrongful acts or omissions occurring in the performance of this Agreement, such Parties shall be entitled to contribution from each of the other Parties so that after said contribution each Party shall bear a portion of such liability in proportion to its interest as established by Section 5.4 as may be amended from time to time.

Section 6.2 Indemnification: Each Member Entity shall indemnify, defend, protect, and hold harmless the Authority and the other Member Entities, and their respective directors, officers, agents, employees, contractors, subcontractors, and volunteers, and each of them, from and against any and all claims, causes of action, debts, demands, obligations, liabilities, losses, costs, and expenses (collectively a "Claim"), and shall assume responsibility for payment of any settlements, judgments, costs, and attorneys' fees arising out of or resulting from the following:

(a) The negligent acts or omissions of the indemnifying Member Entity or its directors, officers, agents, or employees; provided that this indemnity excludes acts or omissions of such persons in his or her capacity of an officer or employee of the Authority;

(b) Control, carriage, handling, use, disposal, or distribution of water conveyed or stored in facilities of the indemnifying Member Entity, to the extent the Claim relates to use of such facilities to implement this Agreement.

(c) The legality or appropriateness of the Member Entity entering into or performing this Agreement; provided that this indemnity excludes any Claim against the Authority challenging the authority for or the validity or enforceability of the Project under this Agreement;

(d) Construction, operation, repair, modification, or replacement of any of the facilities of the indemnifying Member Entity; and

(e) Any other activities under the exclusive control of the indemnifying Member Entity and related to the Agreement, the Authority, or the Project.

Section 6.3 Additional Parties: Additional Parties may join in this Agreement and become additional Member Entities only if accepted and approved by all Member Entities, and if the additional Member Entity is a public agency, as defined in Government Code § 6500, or a mutual water company as defined in Public Utilities Code § 2725, having powers related to the Project common to all other Member Entities. The terms and conditions of such joinder shall be set forth in an amendment to this Agreement, signed by all of the then-existing and the joining Parties, and shall be consistent with any contracts, resolutions, indentures, or other obligations of the Authority then in effect.

Section 6.4 Termination:

(a) This Agreement may be terminated by the express written agreement of all Member Entities then existing.

(b) This Agreement may terminate as described in Section 6.5(b), below.

(c) If this Agreement is terminated as provided in this Section 6.4, the Authority shall be dissolved, subject to the limitations in Section 2.2, above.

(d) Upon termination of this Agreement, any property owned by the Authority shall be disposed of pursuant to Section 6.5(b), if applicable, or else pursuant to Section 6.6, below, or otherwise by mutual agreement of all then-existing Parties.

Section 6.5 Withdrawal:

(a) It is fully anticipated that each Party hereto shall participate in the Authority until the purposes set forth in Section 2.3 above are accomplished. The withdrawal of any Party, either voluntarily or involuntarily, pursuant to this Agreement or the Operating Rules and Regulations, unless otherwise approved by all of the Member Entities, shall be conditioned as follows: (i) in the case of a voluntary withdrawal, written notice shall be given at least 90 days prior to the intended date of withdrawal; (ii) said withdrawal shall not relieve the Party of its proportionate share of any debts or other liabilities incurred by the Authority in the ordinary course of business prior to the effective date of the Party's withdrawal, nor of any liabilities imposed upon or incurred by the Party pursuant to this Agreement prior to the effective date of the Party's withdrawal; (iii) said withdrawal shall result in the forfeiture of that Party's rights and claims relating to Project assets, including accumulated income, and the withdrawing party's interest in such assets shall be redistributed to the remaining Member Entities in proportion to their then existing interests.

(b) In the event that a withdrawal of a Member Entity would result in there being only one remaining Member Entity, the Agreement shall be deemed terminated and the remaining Member Entity shall, at its sole option, elect to either (i) assume individually all property, works, rights, interests, obligations, and assets of the Authority consistent with the forfeiture of the withdrawing Party of its assets, rights, and claims in accordance with Section 6.5(a)(iii) above or (ii) elect for the provisions of Section 6.6, regarding distribution of property upon termination, to apply, in which case the forfeiture provisions of Section 6.5(a)(iii) shall not apply. The remaining Member Entity shall provide notice of election under this Section 6.5(b) prior to the expiration of the 90 day notice as provided in Section 6.5(a)(i).

Section 6.6 Disposition of Property Upon Termination:

(a) Upon termination of this Agreement, provided that the election in Section 6.5(b)(i) has not been made, and subject to the limitations in Section 2.2, any money on hand shall be used first to pay or provide reasonable reserves for the payment of all fixed and contingent debts, obligations, and liabilities of the Authority and any balance remaining shall be returned to the then Member Entities of the Authority in proportion to their then existing interests in the Project as established by Section 5.4. The Board shall first offer any other property, works, rights, interests, and assets of the Authority for sale to the Member Entities, and if no such sale is

consummated, then the Board shall offer the property, works, rights, interests, and assets of the Authority for sale to any governmental agency, private entity, or persons for good and adequate consideration. The net proceeds from any sale shall be used first to pay or provide reasonable reserves for the payment of all fixed and contingent debts, obligations, and liabilities of the Authority, and second, distributed among the Member Entities in proportion to their respective interests in the Project.

(b) If no such sale is consummated, then all property, works, rights, interests, assets, obligations, and liabilities of the Authority shall be allocated to the Member Entities in the same manner as a sale, unless otherwise agreed to by all of the Member Entities.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 Amendment of this Agreement: This Agreement may be amended only by a written agreement approved and executed by all Parties, subject to any conditions or restrictions established by resolution or indenture authorizing the issuance of Bonds. Approval of the Board of Directors shall not be required for the amendment of this Agreement.

Section 7.2 Assignment; Binding on Successors: Except as otherwise expressly provided in this Agreement, the rights and duties of the Parties to this Agreement may not be assigned or delegated without the advance written consent of all of the other Parties, and any attempt to assign or delegate such rights or duties in contravention of this Section shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties hereto. This Section does not prohibit a Member Entity from entering into an independent agreement with another agency, person, or entity regarding the financing of that Member Entity's contributions to the Authority, or the disposition of proceeds which that Member Entity receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of the Authority or the Parties under this Agreement.

Section 7.3 Notices: Any notice authorized or required to be given pursuant to this Agreement shall be in writing and shall be deemed to have been given when mailed, postage prepaid, or delivered during working hours to the following addresses, or to such changed addresses as are communicated to the Authority and Member Entities in writing:

Pixley Irrigation District
357 E. Olive
Tipton, CA 93272

Delano-Earlimart Irrigation District
14181 Avenue 24
Delano, CA 93215

Section 7.4 Withdrawal by Operation of Law: Should the participation of any Party to this Agreement be decided by the courts or the legislature to be illegal or in excess of that Party's authority or in conflict with any law, the Parties shall cooperate in good faith to attempt to reorganize and/or formulate another entity in which all the Member Entities may participate and carry out the Project in a manner similar to that herein provided for; provided, however, if such effort is unsuccessful and/or pending such reorganization, the validity of the Agreement as to the remaining Parties shall not be affected thereby.

Section 7.5 Multiple Originals: This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 7.6 Choice of Law: This Agreement shall be governed by the laws of the State of California.

Section 7.7 Severability: If one or more clauses, sentences, paragraphs, or provisions of this Agreement shall be held to be unlawful, invalid, or unenforceable, it is hereby agreed by the Parties that the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs, or provisions shall be deemed reformed so as to be lawful, valid, and enforce to the maximum extent possible.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year first written above.

PIXLEY IRRIGATION DISTRICT

By: Frank E. Jern 11/26/13
Its: President Dated

By: [Signature] 11/24/13
Its: Secretary Dated

DELANO-EARLIMART IRRIGATION DISTRICT

By: [Signature]
Its: President Dated

By: [Signature]
Its: Secretary Dated

EXHIBIT A

Pixley Groundwater Bank

MASTER PROJECT DESCRIPTION

Overview

The South Valley Water Banking Authority is offering shares of long-term water banking services through the development of a groundwater banking program in Southern Tulare County, the Pixley Groundwater Bank ("Bank" or "Project").

Project Owners/Developers

Pixley Irrigation District

Pixley ID is an agricultural irrigation district which covers approximately 70,000 acres in southern Tulare County, California. Deer Creek, a local ephemeral stream, flows from east to west through the district. The District enjoys excellent groundwater quality. Depths to static groundwater within Pixley ID average approximately 300 feet. Thus, there is significant groundwater storage potential within the District.

Delano-Earlimart Irrigation District

Delano-Earlimart ID is an agricultural irrigation district which borders Pixley ID to the immediate south in southern Tulare County and northern Kern County. Delano-Earlimart ID has a Friant Division CVP water contract that includes the largest Class One water supply entitlement in the Friant Division. Delano-Earlimart ID encompasses approximately 56,500 acres.

South Valley Water Banking Authority

The South Valley Water Banking Authority is a Joint Powers Authority formed pursuant to the California Joint Powers Authority Law by Pixley ID and Delano-Earlimart ID for the purpose developing, owning, operating, managing and maintaining the Pixley Groundwater Bank.

Project Description

The Bank is a 30,000 acre-feet per year dry year return water bank. The Bank's primary facilities will be located in Pixley ID, north of Deer Creek, northwest of the Avenue 80 (alignment) and Road 160 intersection. It is strategically located to be able to accept and return water from/to the Friant-Kern Canal. It is accessible from major eastside streams including the San Joaquin, Kings, Kaweah, and Tule rivers. It is upstream of major potential exchange entities including the largest entitlement holders of Class 1 water in the Friant Division as well as the Kern County Water Agency, the second largest entitlement holder in the State Water Project. Friant Division long-term contractors are the preferred Banking Partners and will be provided the first opportunity to participate in the Bank (priority status will be provided until January 1, 2014).

Pixley Groundwater Bank Facilities

The total groundwater storage currently available from the Project is 90,000 acre-feet. The Project includes 560 acres of dedicated recharge basins with a well field of eleven (11) recovery wells located within the boundaries of this facility. The basins are estimated to have a recharge capacity of approximately 45,000 acre-feet per year (4,000 acre-feet per month) and a recovery capacity of 25,400 acre-feet over an 8 month period.

The Project also includes 2,200 acres of in-lieu banking area with five (5) groundwater recovery wells within the in-lieu service area. The in-lieu service area has a recharge capacity of approximately 6,500 acre-feet per year following a normal irrigation demand. The four wells have a recovery capacity of 8,500 AF over an 8-month period.

A 4.5 mile, 48-inch diameter concrete pipeline will support recovery from the Bank and will convey water from both the

well field at the recharge basins and the in-lieu service area back to the Friant-Kern Canal. The 48-inch pipeline will also provide gravity delivery of supplies from the Friant-Kern Canal to growers in the in-lieu service area for irrigation and to the recharge basins for direct recharge. Deer Creek can also be used for delivery of water to the basins and for recharge. The Project will recover banked groundwater supplies with delivery of those supplies to the Friant-Kern Canal to meet demands of CVP contractors and/or Kern County interests that can receive water from the Friant-Kern or Cross Valley canals.

Banking Operations and Rate Structure

Banking Partners will provide water for recharge in the Bank and pay all cost of acquisition and delivery of water to the Bank. Effective delivery of water is canal-side in the Friant-Kern Canal at the new turnout location near the Road 80 crossing or at the Deer Creek turnout when available.

Firm Banking Shares

The Banking Program has 30,000 shares that will provide firm dry year return of water. Each share entitles the Banking Partner to:

- One(1) acre-foot per year of scheduled recharge capacity
- One (1) acre-foot per year of scheduled recovery capacity
- Three (3) acre-feet of storage capacity in the Bank

The delivery point of water returned to Banking Partners can be either Millerton Lake or at the Bank's Friant-Kern Canal turnout.

Losses

Water left behind for loss purposes and for the benefit of the groundwater basin is ten (10) percent of the water placed into the Bank.

Capital Payments

The cost to purchase shares in the Bank will be due prior to construction. Shares are currently offered at \$1,750 per share. 500 shares is the minimum amount to be sold and 10,000 shares is the maximum amount to be sold to any one Banking Partner. A non-refundable deposit of \$100 per share will be required immediately to hold position and terms as a Banking Partner. This deposit will be applied against the share cost.

RWA Account Offset

15,000 shares in the Bank were partially developed with federal funding provided to assist in offsetting San Joaquin River Restoration impacts to long-term Friant Division CVP contractors. Delano-Earlimart ID has already purchased 10,000 of these shares. The Bank is offering the first right of refusal to Friant Division long-term contractors for the purchase of the balance of the 5,000 shares. Friant long-term contractors exercising this first right of refusal by October 1, 2013, will receive a proportionate amount of the 5,000 shares based upon their total requested share subscription. Participants in RWA Offset will be required to extinguish one (1) RWA credit for each acre-foot of water delivered to the Bank. Use of Settlement Article 16(b) water (often referred to as "\$10 Water") for the Bank will not require the extinguishment of an additional RWA credit when using the Bank. Friant long-term contractors willing to commit RWA credits with water to be stored in the Bank will receive an initial buy-in credit for Firm Shares in the Bank in the amount of \$250 per share. The credit can be applied to the Capital Payment or held in trust and applied to Annual Management Fees.

Annual Management Fee

The fee for the first three years following completion of the Bank has been set at \$21 per share per year and includes:

- Administration
- Water quality monitoring
- Annual reporting to Banking Partners
- Half of estimated long-term rehabilitation and replacement funding of Bank facilities

- Regular maintenance of Bank facilities

This fee will be subject to adjustment on an annual basis after the first three years.

Usage Fees

The initial fee or its estimate are as follows:

- Recharge Fee – There is no fee charged when water is deposited in the Bank. This is a unique feature of the Pixley Groundwater Bank as compared to other regional groundwater banks.
- Recovery Fee – \$30 per acre-foot recovered from the Bank to cover costs of recovery operations and approximately half of the estimated long-term rehabilitation and replacement funding.
- Recovery Energy Fee – Currently estimated at \$105 per acre-foot recovered from the Bank. The Recovered Energy Fee will be pass-through energy costs only.

Development Schedule

Subscription of Project Shares	October 2013 – June 2014
Develop Plans/CEQA & NEPA	August 2013 – October 2014
Property Acquisition	June 2014 – January 2015
Facility Construction	June 2015 – October 2017
Project Operational for Recharge	November 2016
Project Operational for Recovery	November 2017