

**TERM OF AGREEMENT**

2. (a) This Agreement is effective on the date hereinabove written and will remain in full force until terminated.

(b) If the Contracting Officer determines that the Authority is in substantial breach of the Agreement or otherwise in violation of Federal law related to the implementation of this Agreement, the Contracting Officer shall first notify the Authority in writing of, the specific purported deficiencies of the Authority in carrying out the terms and conditions of this Agreement. It is the intent of the Parties that disputes be resolved pursuant to this subarticle 2(b) as expeditiously as is reasonably possible without the necessity of other relief at law or in equity. If after the designated representative of the Authority has met with the Contracting Officer or his or her designated representative and attempt in good faith and with the use of best efforts to resolve any dispute arising from the purported deficiency an agreement is not reached, the Contracting Officer may issue a notice of proposed termination, which includes the specific deficiencies of the Authority's performance under this Agreement. The Authority shall have at least one hundred and twenty (120) days from receipt of the written notice of proposed termination to correct all deficiencies referred to in said written notice. Any termination pursuant to this Article shall be subject to the rights and obligations of the Parties as more specifically set forth in this Agreement.

(1) Termination Prior to a Determination of Substantial Completion of Construction of the Expansion Project.

(i) Authority-Initiated. The Authority may terminate this Agreement by sending notice of termination to Reclamation, prior to Reclamation awarding the construction contract.

(ii) Reclamation-Initiated. Reclamation may terminate this Agreement if the Authority is in substantial breach of the Agreement or otherwise in violation of Federal law related to the implementation of this Agreement, consistent with the procedures described in subarticle 2(b) above.

(iii) If termination occurs pursuant to subarticles 2(b)(1)(i) or 2(b)(1)(ii) above, the Parties will meet and confer to review the appropriate recognition of the Authority's contributed funds, as documented in applicable Exhibits to this Agreement, including any outstanding financial obligations.

(2) Termination Following a Determination of Substantial Completion of Construction of the Expansion Project.

(i) Mutual Agreement. The Parties may agree to terminate this Agreement for convenience; in such event, Reclamation will, in a timely manner, reimburse the Authority's contributed funds in an amount mutually agreeable to the Parties.

(ii) Violation of Federal Law. Reclamation may terminate this Agreement if the Authority is in violation of Federal law related to the implementation of this Agreement, and the Authority does not correct the violation<sup>1</sup> consistent with the procedures described in subarticle 2(b) above. In such event, Reclamation will, in a timely manner, reimburse only those verifiable outstanding financial obligations associated specifically with the Project, as documented in applicable Exhibits to this agreement.

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<sup>1</sup> If the notice of deficiency identifies an Investor as having violated Federal law related to implementation of this Agreement, the Authority may elect to remove that Investor from participation in the Authority's Activity Agreement or other binding agreement, and such removal will be deemed to have corrected the violation.

(iii) Substantial Breach of Agreement. Reclamation may terminate this Agreement if the Authority is in substantial breach of this Agreement, and the Authority does not correct the breach consistent with the procedures described in subarticles 2(b) above. In such event, Reclamation will, in a timely manner, reimburse the Authority's contributed funds, as documented in applicable Exhibits to this Agreement, including any remaining financial obligations, in varied amounts based on the number of years following the determination of Substantial Completion of construction of the Expansion Project:

- (a) 0 – 25 years: 100%
- (b) 26 – 50 years: 50%
- (c) 51 – 75 years: 25%
- (d) 76+ years: 0%

(iv) If this Agreement is terminated pursuant to subarticles 2(b)(2)(i)-(iii) above, Reclamation will manage the Authority-Managed Share of Expanded Reservoir per interim agreement(s) based on provisions of subarticles 4(e)-(h) of this Agreement until Reclamation provides the agreed-upon reimbursement or a new agreement for the management of the expanded San Luis Reservoir and cost share of charges associated with the raising of the B.F. Sisk Dam and increased storage capacity of the federally administered San Luis Reservoir is executed. If full reimbursement occurs, Reclamation would assume full benefits of the Project.

(3) Repayment. Pursuant to Reclamation Law, Reclamation intends to recover any costs incurred by Reclamation resulting from the termination of this Agreement.

(c) As an alternative to termination of this Agreement, Reclamation and the Investors, or a successor-in-interest to the Authority, may mutually agree to negotiate a new agreement for the management of the expanded San Luis Reservoir and cost share of charges associated with the raising of the B.F. Sisk Dam and increased storage capacity of the federally administered San Luis Reservoir. Such new agreement would allow the Investors to retain the final storage benefits documented in Exhibit F to this Agreement.

(d) The United States and the Authority jointly shall review this Agreement, which review shall be performed at least every five (5) years. A more frequent review will occur if determined to be appropriate by the Contracting Officer, or if requested by the Authority. The review shall compare the relative success which each Party has had in meeting its objectives, including, but not limited to, the Contributed Funds Agreement, an OM&R Agreement, a Repayment Contract, a Spend Plan, and a Coordination Agreement, which agreements will be exhibits to this Agreement. Exhibits to this Agreement, excluding Final Storage Benefits, will be mutually agreed to and signed by the Parties and will be incorporated into this Agreement. As a precondition to the granting of any benefits or performance of obligations in this Agreement, the Parties must successfully execute the Spend Plan and the Contributed Funds Agreement, and the Authority must deposit all funds identified as necessary in the Spend Plan which shall be executed no later than one hundred and twenty (120) days after the execution of this Agreement. Exhibits to this Agreement may require modification which may be accomplished without amendment to this Agreement.

(e) This Agreement may be modified, amended, or terminated upon mutual agreement of the Parties in writing. All duties and obligations of the Parties under this

Agreement will cease upon termination except as to any provisions that expressly survive the termination of the Agreement.