



Rabobank

June 16, 2014

Monterey Peninsula Water Management District
Suresh Prasad
5 Harris Court
Monterey, CA 93940

Address Post Office Box 450
Salinas, CA 93902

Dear Mr. Prasad

Rabobank, N.A. ("Lender") is pleased to present you with this expression of interest as outlined below. The terms and conditions set forth in this letter are to be used as a basis for continued discussions and do not constitute a commitment by Lender to extend credit or an agreement of Lender to prepare, negotiate, execute or deliver such a commitment. Rather, negotiations adding to or modifying these terms may occur and Lender's decision to finance your request is contingent on completion of Lender's due diligence in accordance with its policies and procedures, and the decision to lend is at Lender's sole discretion once all relevant information has been received and evaluated.

This summary is not to be released to or discussed with any third party without the prior written consent of Lender. All figures, terms and conditions contained herein are subject to change at any time.

SUMMARY OF TRANSACTION TERMS AND CONDITIONS

Borrower: Monterey Peninsula Water Management District

Guarantor: None

Lender: Rabobank, N.A., a national banking association, or any affiliate

Loan Type: Three year (3) Line of Credit that can be terminated annually by the Bank in its sole discretion.

Amount: \$500,000.00.

Purpose: Line of credit will be used for timing differences in cash flow.

Interest Rate: LIBOR:
Interest: The 30 day LIBOR rate plus 2.75%, adjusted monthly, indicative rate is 2.90% today

Fees: \$2,500.00 loan fees and estimated \$750-\$1000 in legal fees/expenses.
Bank Counsel: Best Best & Krieger LLP

Required Payments: Interest Only:
Required Payments Prior to Maturity:

- All accrued interest on the 15th day of each month after the closing date to the Maturity Date.

Maturity Date:	<u>Maturity Date:</u> All previously unpaid principal, interest and other charges shall be due on or before fiscal year end 6/30/xx and extended at Bank's sole discretion for a three year period maturing on 6/30/17. (" <u>Maturity Date</u> ").
Collateral:	N/A
Conditions Precedent:	<p>Customary for transactions of this type, as determined by Lender, including, but not limited to:</p> <ul style="list-style-type: none"> • Final Credit Approval • Completion of transaction documents acceptable to Lender • Opinion of District Counsel: The bank shall receive an opinion of counsel to the District acceptable to the Bank, including among other things an opinion that the loan and the loan documents under which the loan is issued have been duly and validly authorized by the District and constitute legal valid and binding obligations of the District, enforceable in accordance with their terms.
Financial Covenants:	<p>So long as Lender has any obligation to make loans or any loan obligations are outstanding:</p> <ul style="list-style-type: none"> • District must maintain a Debt Coverage Ratio of not less than of 1.25: 1.00, determined annually; • District may issue additional debt subject to an additional debt test of 1.25: 1.00 maximum annual debt service on all parity debt;
Reporting Requirements:	<p>The loan documents will contain reporting requirements which are customary for this type of transaction including, but not limited to:</p> <ul style="list-style-type: none"> • As soon as available but no later than 180 days after the end of each fiscal year end, a copy of the audited financial statement. • As soon as available but no later than 60 days after the end of each quarter fiscal period, a copy of the company prepared financial statement.
Other Covenants:	<ul style="list-style-type: none"> • Other standard covenants as may be customary for this type of loan. • Cross defaulted with other RNA loan to Borrower. • Out of debt period: Borrower shall maintain a zero balance prior to or on the District's fiscal year end (6/30/xx).
Closing:	<p>The closing will occur upon execution of the definitive documentation containing the terms and conditions governing the transaction and the satisfaction of all conditions precedent.</p> <p>Interest will begin to accrue on the date of any advance of the principal amount of the Loan, even if prior to the date of the closing.</p>
Lender's Expenses:	All Lender's expenses in connection with the underwriting, documentation, and closing of the transaction, due on the closing date.
Governing Law:	The loan documents shall be governed by the laws of the State of California.

Absence of Fiduciary Relationship: The District acknowledges that the transactions described in this document are arms-length commercial transactions and that the Bank is acting as principal and in its best interests. The District is relying on its own experts, lawyers and advisors to determine whether the transactions described in this document are in its best interests. The District agrees that the Bank will act under this document as an independent contractor and that nothing in this documents, the nature of the Bank's services or in any prior relationship will be deemed to create an advisory, fiduciary, or agency relationship between the Bank, on the one hand, and the District, on the other hand. In addition, the Bank may employ the services of its affiliates in providing certain services in connection with the transactions described in this document and may exchange with such affiliates information concerning the District that may be subject of the transaction described in this proposal.

Please note that the Bank and its affiliates do not provide tax, accounting or legal advise. The Bank and its advisors are not serving as a municipal advisor to the District.

This letter and its contents are only an expression of interest on the part of Lender. It is not a commitment to grant any financial accommodations of any kind or nature to the Borrower or any person or entity related to the Borrower. Lender's approval will be subject to a complete submission by you of a loan package and such other data, financial statements and other information as Lender and its counsel shall require. Any financial accommodations that will be extended by Lender, if any, shall be subject to Lender's underwriting policies and procedures and approval of Lender's appropriate delegated authority. All loan documents and submissions are to be in form and content satisfactory to Lender in its sole discretion.

This letter and its contents are furnished as a guideline for future discussions. Only formal written documents in a form and content approved by Lender will bind Lender in any manner. This letter supersedes all prior correspondence and conversations regarding the proposed financial accommodation(s) just have requested.

Sincerely,



Sherry Farson
VP, Relationship Manager
Rabobank, N.A.

ACKNOWLEDGEMENT

If the terms expressed in this letter meet your needs and you wish to continue please indicate your acceptance of the above terms by executing this letter in the space provided below, which upon execution will be considered a part of your loan application, and return it to me by no later than 10 days from date of letter [along with your check for \$0.]

Proposal accepted and agreed to as of this ____ day of _____, 2014.

Suresh Prasad, Chief Financial Officer