

August 16, 2004

## **PVID-MWD FORBEARANCE AND FALLOWING PROGRAM**

### **Term Sheet for Forbearance and Fallowing Program Agreement**

- Documents required for the Program: (1) a Forbearance and Fallowing Program Agreement between the District and Metropolitan, draft dated August 13, 2004 (“Program Agreement”); (2) a Landowner Agreement between each participating individual District landowner and the District and Metropolitan, draft dated August 13, 2004 (“Landowner Agreement”); (3) a Fallowing Easement Deed that will encumber landowner-owned Program qualified land in favor of the District and Metropolitan, draft dated August 13, 2004 (“Fallowing Easement Deed”); (4) a Tenant Subordination Agreement by which tenants of Program-encumbered land will subordinate their rights in favor of the District and Metropolitan under the Fallowing Easement Deed, draft dated August 13, 2004 (“Tenant Subordination Agreement”); and (5) a Subordination of Encumbrance Agreement by which holders of liens and other encumbrances on Program encumbered land will subordinate their interest to the District and Metropolitan under the Fallowing Easement Deed, draft dated August 13, 2004 (“Subordination of Encumbrance Agreement”).
- Participation in the Program will be open to all land in PVID eligible to receive Priority One water from PVID and that has a history of irrigated crop production for two out of the five years (1999-2003) preceding enrollment in the Program.
- The Program will have a duration of thirty-five years, unless terminated earlier under conditions specified in the Program Agreement. The most significant is that Metropolitan may terminate the agreement on five years’ notice given on or after July 31, 2010.
- Total fallowing under the Program will be limited to a maximum of approximately 26,500 acres (full subscription). However, the Program will not be undertaken unless a minimum of 13,250 acres are subscribed as participating acreage.
- Under full subscription, a base load area of approximately 6,000 acres will be fallowed each of the 35 years.
- Under full subscription, up to a maximum of 24,000 acres will be fallowed in any 25 years and up to a maximum of 26,500 acres in any 10 years will be fallowed during the 35-year Program (such years need not be consecutive).
- Within the foregoing limits, the amount of fallowing will be determined by Metropolitan and specified in fallowing calls which, once made, may not be rescinded or diminished. However, Metropolitan will manage its calls such that,

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at full subscription, the average fallowed land over the 35 years will equal at least 12,000 acres per year (approximately 13 percent of irrigated Valley lands).

- Fallowing as described above will be allocated proportionately among landowners according to the maximum amount of land each landowner proposes to fallow during any 10 years of the Program (maximum fallowing commitment).
- Landowners will grant PVID and Metropolitan a fallowing easement on owned land equivalent in acreage to the landowner's maximum fallowing commitment. Landowners must subordinate any other encumbrances and tenant leases to the fallowing easement. Rights under the easement may be exercised only on a landowner's default in fallowing, and Metropolitan will have responsibility for enforcing the easement.
- Land actually fallowed by a landowner under the Program may be either owned or leased by the landowner.
- Landowners (or their lessees) will be responsible for payment of all taxes, PVID water toll payments, vegetation abatement, dust control, and all other costs related to the encumbered lands.
- Metropolitan will make a one-time sign-up payment of \$3,170 per acre times the landowner's maximum fallowing commitment. Landowners may elect to receive this payment over two to five years (subject to additional interest payment). Assuming maximum subscription, the sign-up payment will total \$84 million.
- Metropolitan will make an annual payments of \$602 per acre multiplied by the acreage to be fallowed in that year. Annual payments will be adjusted by 2.5 percent per year during the first 10 years and between 2.5 and 5 percent in subsequent years.
- Metropolitan is eligible to participate in the Program as to its land in PVID on same terms as other landowners.