

_____, 2012

Re: Sonoma County Efficiency Financing Program

Dear _____,

The Sonoma County Water Agency (SCWA) is pleased that _____ (the Participant) has expressed an interest in participating in the Sonoma County Efficiency Financing program (formerly known as the Sustainable Energy Bond financing program). SCWA has implemented the Program to assist local governmental agencies and non-profit organizations in Sonoma County with the purchase, installation and financing of eligible energy and water conservation measures (Conservation Measures). This letter outlines the steps for the Participant to become eligible for the Program, and describes the operation of the Program if you elect to participate.

After the Participant signs this Letter of Interest, we will assist the Participant in selecting an energy services company (the ESCO) from those companies on the enclosed list (Exhibit A, page 4), which have been prequalified by the Program to perform an initial pre-contract audit. The pre-contract audit is free, and does not commit the Participant to implementing any project, although the Participant must cooperate with its selected ESCO by providing data and information necessary to complete the audit.

The purpose of the pre-contract audit is to allow the ESCO to identify a suite of energy and water conservation measures (the Project) that will generate more in energy and water savings than the debt service cost of financing the Project during the Program participation period. If after reviewing the pre-contract audit, the District decides it wishes to proceed with the Program, the ESCO will perform a more detailed Investment Grade Energy Audit (IGEA). If the IGEA identifies a feasible project that the Participant wishes to implement, the Participant and the ESCO will sign a Guaranteed Savings Agreement (GSA). The GSA will not only set out the terms under which the ESCO will construct the Project (including the specific measures to be installed and their price), but will also contain a guarantee by the ESCO that the Project will reduce the Participant's energy and water bills by a specific dollar amount.

This means that the Participant's Conservation Measures will be paid for entirely out of the dollar savings guaranteed by the ESCO. If at any time during the Program participation period, the guaranteed savings are not realized, the ESCO must cover the difference through cash payments or by implementing, at its own expense, additional Conservation Measures sufficient to raise the needed savings. In brief, the Participant cannot lose (so long as its use of the upgraded buildings is not materially changed).

If a sufficient number of ESCOs and Participants enter into GSAs, SCWA intends to sponsor a pooled bond program or similar type of financing (the Bonds), in which bonds are issued on behalf of Participants and proceeds are made available to finance the costs of the Projects. The financing involves the following elements:

- The Participant will sign an Installment Payment Agreement, at the same time it signs the GSA, obligating the Participant to make installment payments to the

Bond Trustee to pay the principal and interest expense on the total amount borrowed by the Participant, as well as other program expenses (such as monitoring and verification of the energy savings of the Project), beginning on the guaranteed completion date of the Project.

- At no time will a Participant pay more than the cost of its own Project. No Participant subsidizes the Project of another Participant in the financing pool. The Participant retains all remedies against the ESCO for failure to complete the Project or to achieve the guaranteed dollar savings.
- Proceeds from the issuance of the Bonds will be held by the Trustee, which will advance the proceeds to the ESCO at the direction of the Participant pursuant to a Construction Funding Agreement (also known as a Program Agreement) upon the ESCO's successful completion of construction milestones for the Project.
- If for any reason (including non-issuance of the Bonds), the Participant does not proceed with the Project after commissioning a full investment grade energy audit, the Participant will be required to compensate the ESCO for a pre-agreed upon portion of the costs of performing the IGEA. If the Participant does proceed with the Project, the Participant may elect to pay the cost of the IGEA from its own funds, or have it financed as part of the cost of the Project (in which case the Installment Payments will include the cost of the IGEA).

In order to obtain financing under the Bonds for a number of different agencies and projects in Sonoma County, the terms of the underlying agreements must be the same for each agency. However, the specific conservation measures to be implemented, and the pricing and performance guarantees, may differ for each project. In fact, the Program will customize the Conservation Measures and the financing schedule to meet the unique characteristics of the Participant's Project – again, at no time, does a Participant subsidize work at another facility or for other participants.

If the Participant moves forward with a Project, the Participant will be required to provide financial statements and deliver an opinion of counsel, certificates, and other documentation customary in finance transactions. The Program has prepared forms of the GSA, the Construction Funding (or Program) Agreement, the Installment Payment Agreement, and other documents described above, and participants in the Program must all use those standard forms. The Issuer selected by the Program will receive a customary issuer's fee at the time the Bonds are issued. A Program Administrative Fee will also be included to cover the expenses of SCWA in setting up and carrying out the Program. Both fees will be included the overall Program borrowing so the Participant will not have no out of pocket costs for its participation in the Program. These fees will be payable by all Program participants on a pro rata basis, based on their share of the costs of the pool of projects.

We look forward to working with you to achieve a successful Project. The Program stands ready to help the Participant to qualify for the Program and to provide a full array of services, including, among other things, procurement management, technical assistance, and organization

of the financing, in order to ensure Project success. Please do not hesitate to contact the Program for additional information.

Please sign in the space provided below to confirm the Participant's interest in participating in the Program as outlined above.

Sincerely,

Sonoma County Water Agency

By: _____

Name:

Title:

Agreed to by:

[PARTICIPANT]

By: _____

Name:

EXHIBIT A
PRELIMINARY LIST OF INTERESTED ENERGY SERVICES COMPANIES

Ameresco

Chevron Energy Solutions

Constellation Energy

Honeywell Building Solutions

Johnson Controls

Noresco

OpTerra Energy Group

Pepco Energy Services

Seiberlich/Trane

Siemens Building Technologies USA

Syserco

Resource Solutions Group