

November 21, 2006

Paul Brunner
Three Rivers Levee Improvement Authority
915 8th Street
Marysville, CA 95901

**Subject: Three Rivers Levee Improvement Authority Second Funding Administration
Contract; EPS #16497**

Dear Mr. Brunner:

Economic & Planning Systems, Inc., (EPS) appreciates having worked with the Three Rivers Levee Improvement Authority (TRLIA) over the past several years providing and implementing an overall financing strategy for levee improvements being constructed by TRLIA. This financing strategy work has included providing a Tax Formula Strategy, two Rate and Method of Apportionments, a Levee Improvement Development Impact Fee, ad hoc Technical Support for the development of the Flood Control Funding Options, as well as assisting in the review, preparation and initial administration of two Advance Funding Agreements. As requested, EPS is providing this letter, a contract and scope of work for the ongoing administration of the Second Agreement for Advanced Funding and Reimbursement of Costs for Levee Improvements (Second Funding Agreement).

The scope of work under this proposal has been attached to the contract as **Exhibit A**. This scope reflects EPS's understanding of the work required to assist TRLIA in the administration of the Second Funding Agreement. The proposed budget is EPS's best guess estimate of the level of effort required to perform the described scope of work. There is a level of uncertainty associated with providing the proposed scope that could cause the proposed budget to be in excess of or lack the funds required to perform the requested work. It is EPS's opinion that the budget associated with this scope of work will allow EPS to provide the associated services for the remainder of fiscal year 2006-07. The proposed budget amount for the remainder of fiscal year 2006-07 is **\$70,000**. It is EPS's expectation that if this contract is approved, and TRLIA desires to extend the contract at the completion of fiscal year 2006-07 and subsequent years, this contract could be extended on an annual basis for additional years with revised budgets and contract amendments.

The goal of the scope of services is to provide a comprehensive approach in assisting TRLIA with the administration of all of the provisions contemplated by the Second Funding Agreement which was executed by the TRLIA Board, the County of Yuba (County) and landowners in Southern Yuba County in August, 2006. In developing this proposal, EPS has

SACRAMENTO

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phone: 510-841-9190
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worked with TRLIA, the landowners and their representatives, as well as County representatives to develop a matrix outlining the provisions of the agreement and the responsibilities those provisions impart on the parties involved in the agreement. This matrix has been provided to you as an attachment to **Exhibit A**. Where TRLIA is expected to perform a task, provide information or review a specific item, and EPS has been requested to perform this task, the matrix indicates what will happen and when it will happen. Generally, the matrix is broken up into 4 major categories which are these:

1. Capital Call Administration & Participant Administration;
2. Building Permit Administration & Impact Fee Program;
3. Impact Fee Bond & CFD/Builder Bond Administration; and
4. Miscellaneous / Levee Improvement Project Cash Flow / Insurance Requirement Administration.

The scope of work outlined in **Exhibit A** has been organized in this same categories.


Generally, the services associated with activities included within the scope of work include the following:

1. Participate in and organize conference calls;
2. Prepare materials for presentation to the County, TRLIA, and the landowners;
3. Assist with reviewing documents;
4. Preparing and reviewing spreadsheet analyses;
5. Preparing tax roll amounts for the levy of CFD taxes;
6. Preparing Studies and reports as required;
7. Providing adhoc technical support as requested.

Again, EPS appreciates the opportunity to continue working with TRLIA on the levee improvement program. Please call Seth Wurzel, the project manager, at (916) 649-8010 if you have questions or if you require changes to this proposal.

Sincerely,

ECONOMIC & PLANNING SYSTEMS, INC.



Tim R. Youmans
Managing Principal

/ms
Enclosures



Economic & Planning Systems

Public Finance
Real Estate Economics
Regional Economics
Land Use Policy

AGREEMENT FOR CONSULTING SERVICES
EPS # 16497

- 1. PARTIES. The parties to this Agreement are:
CLIENT: Three Rivers Levee Improvement Authority
CONSULTANT: Economic & Planning Systems, Inc.
2. SCOPE OF SERVICE. CONSULTANT shall assist CLIENT in the administration of the Three Rivers Levee Improvement Authority Phase IV Funding Agreement...
3. BUDGET. CONSULTANT shall be entitled to fees and expenses set forth in Exhibit A...
4. PAYMENT. CONSULTANT shall be compensated in the manner indicated in Exhibit A. Invoices are due and payable upon receipt.
5. TIME FOR PERFORMANCE. CONSULTANT shall commence work upon mutual approval of this agreement.
6. STANDARD TERMS AND CONDITIONS. Exhibit B is the Standard Terms and Conditions that are incorporated by reference as though set out in full.
7. APPROVAL. Dated this ___ day of November, 2006.

Accepted:

Three Rivers Levee Improvement Authority
[Signature]

Economic & Planning Systems
A California Corporation
[Signature]
Managing Principal
[Signature]
Managing Principal



EXHIBIT A

SCOPE OF SERVICES AND BUDGET

1. PROJECT UNDERSTANDING

Economic & Planning Systems, Inc., (EPS) has been requested to provide financial consulting services and support to the Three Rivers Levee Improvement Authority (TRLIA) for the purpose of administering a funding program for Levee Improvements. These services are required to assist TRLIA in meeting its contractual obligations under the "Second Agreement for Advanced Funding and Reimbursement of Costs for Levee Improvements" (Second Funding Agreement).

2. SCOPE OF SERVICES

TRLIA's contractual obligations with respect to the Second Funding Agreement have been outlined in a responsibility matrix that included as **Attachment 1** to this **Exhibit A**. In general terms, the responsibility matrix outlines the tasks and activities that need to be performed as indicated in the Second Funding Agreement. The matrix also, in general terms, outlines the roles and responsibilities of parties to the agreement associated with each item and/or activity. Where EPS plays a role in assisting with these obligations, the matrix indicates a brief description of the role EPS will play in meeting the obligation. The general scope of the administration of the Agreement has been broken into 4 major categories. Each category is listed below with a more comprehensive description of the role EPS will play.

Task 1: Capital Call Administration & Participant Administration

This portion of the administration program deals with the participants obligations to deposit funds into an escrow account to advance fund levee improvements. The Agreement contemplates that based upon a funding proforma developed by the participating landowners, each individual landowner will deposit funds into the escrow account based upon the amounts indicated in the proforma. EPS will review this proforma for its accuracy and consistency with the original methodology under which the proforma was developed. The proforma will be periodically updated as additional funds for levee improvements are received from outside sources and new participants are added to the program. Based upon the amount of funds each participant deposits into escrow, they will be authorized to pull permits based upon a building permit authorization plan that links back to the funding proforma. EPS will also review this plan to ensure its accuracy and consistency with the methodology under which it was originally developed.

Task 2: Building Permit Administration & Impact Fee Program

The funding agreement contemplates that Public Works Department and Community Development Department of the County will limit the number of building permits that can be issued based upon certain terms in the agreement. EPS will work with TRLIA and its staff to help provide Public Works and Community Development the proper information so that building permit issuances do not exceed authorizations for the entities participating in the Second Funding Agreement. In addition, per the Agreement, further limitations are placed on building permit issuance for those entities not a party to the agreement. EPS will work with TRLIA and County staff to ensure that these limitations are upheld by providing support on an as needed basis.

EPS helped develop a Development Impact Fee program which was adopted by the County in May of 2006. Since the Fee was adopted, EPS has help the County administer the fee on an as needed basis. EPS will continue to provide this support which includes providing semi-annual updates to the fee as contemplated per the nexus study, and determining applicable fee amounts for project subject to the fee.

Task 3: Impact Fee Bond & CFD/Builder Bond Administration

The funding program contemplated in the Second Funding Agreement includes the formation of two CFD's to issue Builder Bonds and the issuance Impact Fee Bonds secured by impact fee revenues. The implementation of the funding programs will require various tasks be completed.

Task 3.1: CFD Administration, Initial Setup

Part of the administration of the CFDs will require the assignment of taxes to parcels owned by homeowners based upon the bonding capacity of homes proposed by the land owner. The bonding capacity analysis will require review by TRLIA. Part of this includes the independent analysis of the proposed average home prices by a third party. EPS will contract with the Gregory Group to perform this review and they will provide the information directly to the JPA. In addition, EPS will review the overall methodology and accuracy of the bonding capacity analysis provided by the landowners.

Task 3.2: CFD Administration, Ongoing Annual Tax Roll Preparation

The ongoing administration of the CFDs will require the maintenance of the attachments to Rate & Method of Apportionments and the annual preparation of the list of taxes to be levied on an ongoing basis. This scope will applicable be for one year's administration/preparation of the annual tax roll. Subsequent years tax roll preparation will be in addition to this scope of work.

This scope of work, as it pertains to CFD Administration, does not include work related to the technical support associated with Conventional Bond Issuance. Any analysis required by a special tax consultant as it relates to the preparation of an Official Statement for the issuance of Conventional Bonds would take place under a separate or amended contract.

Task 4: Miscellaneous / Levee Improvement Project Cash Flow / Insurance Requirement Administration

The Second Funding Agreement has numerous additional provisions that outline the responsibilities of TRLIA, the County and the land owners. This portion of the scope encompasses those additional responsibilities. The following subtasks address each individual portion of the work that will be performed by EPS.

Task 4.1: Development of Levee Maintenance Funding Plan

EPS has been, and will continue to assist with development of a permanent funding plan for ongoing levee maintenance. The scope Second Funding Agreement contemplates that money generating through the agreement can be used to fund maintenance for an interim period of time until a more permanent financing plan is put into place. The Agreement also indicates that the the permanent financing plan will work to incorporate the financial support of the existing population benefiting from the levee improvements. This notion lends itself to the implementation of an Assessment District. EPS will work with TRLIA, the County and the landowners to aid in the development of a plan that incorporates the financial support of the current population in Southern Yuba County.

Task 4.2: TRLIA Accounting Support

EPS will work with TRLIA staff to help implement and maintain accounting systems to track levee improvement and administrative costs along with revenues received from various funding sources. As contemplated in the Second Funding Agreement, TRLIA is to contract with an outside consulting firm to assist in the preparation of monthly reports. EPS will work with TRLIA staff to help set these systems up provide technical support in meeting this contractual requirement.

Task 4.3: Reimbursements & Fair Share Funding Study

The Second Funding Agreement contemplates that a study will be produced that ultimately indicates how the participants in the agreement will be reimbursed the difference between their fair allocated share of levee improvements and the amounts they funded through the agreement. EPS will work with the landowner's financial consultants to prepare and review this study.

Task 4.4: Communications with Development Community

EPS will work with the County and TRLIA to provide information to the development community on an as needed basis. EPS will assist TRLIA in preparing pertinent development related information that can be disseminated electronically.

3. PROPOSED SCHEDULE

EPS understands the critical nature of the work involved and is prepared to begin work on all components of this assignment immediately. The performance period of this contract is from the date of execution of this contract through June 30, 2007 (the remainder of Fiscal Year 2006-07).

4. PROPOSED BUDGET AND PAYMENT

The work defined in the scope of this proposal will be performed on a time and materials basis up to a specific maximum amount for the remainder of Fiscal Year 2006-07 until June 31, 2007.

The initial budget to provide the the above listed scope of work for the contract period is \$70,000. This is EPS's estimate, based upon previously completed work, of the amount of budget that may be required to perform the above listed scope of work. Inherently, with this type of work, there is a moderate level of uncertainty and this uncertainty is reflected within this budget. As such, the estimated budget may be in excess of or lack the funds required to perform the requested work. EPS charges for its services on a direct cost (hourly billing rates and direct expenses) not-to-exceed basis; therefore, EPS will only bill for the work completed up to the authorized budget amount. If additional work is required and/or requested, EPS will request authorization for additional budget with the understanding that terms would be negotiated in good faith. It is expected that this budget may be increased on an as needed basis through a contract amendment process.

The following is a break down of the budget for each component of the proposed scope of work and an allocation of the budget into the various funding sources available to TRLIA. The allocation of the various task budgets has been provided to help assist TRLIA in accounting for these consultant costs.

Proposed Budget & Allocation to Funding Mechanisms

	Budgeted Amount Remainder of FY 06-07	Allocation to Funding Mechanisms		
		Agreement Payments	CFD's	Impact Fee Program
Task 1: Capital Call Administration & Participant Administration	\$24,500	100%		
Task 2: Building Permit Administration & Impact Fee Program	\$17,500	60%		40%
Task 3: Impact Fee Bond & CFD/Builder Bond Administration	\$10,500	20%	80%	
Task 4: Miscellaneous / Levee Improvement Project Cash Flow / Insurance Requirement Administration	\$17,500	100%		
Total Budget for Remainder of FY 06-07	\$70,000			

EPS will send request for payment to TRLIA on a monthly basis after the completion of services. EPS will request payment for services by the Tasks indicated above.

Request for payment will be sent to the following address;

Three Rivers Levee Improvement Authority
 915 8th Street, Suite 125
 Marysville, CA 95901
 Attn: Accounts Payable



Economic
Planning Systems
Public Finance
Real Estate Economics
Regional Economics
Land Use Policy

EXHIBIT A—ATTACHMENT 1

RESPONSIBILITY MATRIX

Table 1 Responsibility Matrix for Second Funding Agreement

Table 1
Responsibility Matrix for Second Funding Agreement
16497 Three Rivers Levee Improvement Authority - Proposal for Phase IV Funding Administration

Revision Date: 11/3/2006

Items to Track	Responsibilities				
	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
Task 1 CAPITAL CALL ADMINISTRATION / PARTICIPANT ADMINISTRATION 1-A Maintenance of Participant List Task: - Per Agreement, maintain list of all projects and classify the projects as either participants, deferred participants & future participants.	YC - PW	By: YC - PW To: TRLIA PEC	PEC	YC-PW	PEC
1-B Receive/Disburse Escrow Deposits per Agreement Task: - Account for Funds & Report Transactions	PEC	By: PEC To: TRLIA DTA	TRLIA	YC-PW	PEC
1-C Capital Call Amounts / Funding Proforma Maintenance Task: - Report Capital Call Amounts - Update Proforma with Levee Obligation vs. Deferred Participant Obligation based upon revenue entering into program through; Advance Funded Capital Calls, Impact Fee Revenue, Additional Outside Funding, etc.	PEC / DTA	By: DTA To: TRLIA PEC	EPS Review Funding Proforma Accuracy & Consistency	EPS / PEC In the event there are issues, determine sources of errors and provide guidance for correction.	DTA

Legend:
 FATCO = First American Title Company
 FISC = Fiscal Agent
 PEC = Participant Escrow Committee
 TRLIA = Three Rivers Levee Improvement Authority
 YUBA = Yuba County Administrator's Office
 YC - PW = Yuba County Public Works
 YC - TREAS = Yuba County Treasurer/Tax Collector
 DTA = David Taussig & Associates
 Prepared by EPS

Attachment B

Revision Date: 11/3/2006

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Items to Track	Responsibilities				
	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
1-D Catch Up Capital Calls / Update Funding Proforma Task: - Compute Catch-up Capital Call Amounts for new participants or participants that miss capital calls.	DTA	By: DTA To: TRLIA PEC	EPS Review for Proforma Accuracy & Consistency	EPS In the event there are issues, determine sources of errors and provide guidance for correction.	DTA
1-E Building Permits Authorizations Task: - Track number of Building Permits Authorizations allowed based on Capital Call Funding	PEC / DTA	By: PEC To: YC - PW EPS DTA	TRLIA	EPS * Check DTA Analysis and provide corrections in the event of errors.	DTA

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	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
Task 2 BUILDING PERMIT ADMINISTRATION & IMPACT FEE PROGRAM 2-A Building Permit Issuance Task: - Tracking the Number of Building Permits Issued to date and ensuring that issuances do not exceed Authorizations	YC - PW	By: YC - PW To: PEC DTA EPS	PEC	DTA / EPS * Provide assistance and review of the amount of permits issued and the amount of fee revenue recorded in the	DTA / EPS Provide assistance and review of the amount of permits issued and the amount of fee revenue recorded in the
2-B Impact Fee Revenue Collection Task: - Collect Impact Fee Revenue - Maintain Accounting of Fee Payees - Account for Impact Revenue not collected through waivers.	YC - PW	By: YC - PW To: TRLIA PEC DTA EPS	PEC / DTA	EPS * Check and verify the amount of Levee Impact Fees in the event there are issues regarding fee amounts.	YC - PW
2-C Impact Fee Program Administration & Implementation Task: - Continuously Update the Impact Fee Amounts Bi-Annually per the Nexus Study - Produce Statutory required Accounting of Program per study & AB1600 - Ensure use of funds is only for levee related costs & improvements.	YC - PW / EPS *Provide assistance to YC-PW to produce a semi-annual Memo updating the Levee Impact Fees.	By: YC - PW / EPS To: TRLIA PEC DTA	PEC / DTA	EPS * Provide Ad-Hoc Support to PW regarding the use of Levee Impact Fees.	YC - PW

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Items to Track	Responsibilities				
	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
Task 3 IMPACT FEE BOND & CFD/BUILDER BOND ADMINISTRATION 3-A Bonding Capacity Analysis Task: - Provide an analysis of the project Bonding Capacity or Bonding Capacity Utilization of a project within the allowable tax rate or levee obligation for Participants in either CFD.	DTA	By: DTA To: EPS PEC FISC	EPS * * Includes market review of base home prices with The Gregory Group in the event of errors.	EPS * Check DTA Analysis and provide corrections in the event of errors.	DTA
3-B Builder Bond Issuance Task: - Issue Builder Bonds - Prepare Agreements and Disclosure documents, etc...	TRLIA / FISC	By: TRLIA / FISC To: PEC DTA EPS	PEC	PEC / DTA	EPS * Provide Ad Hoc support to TRLIA/PEC for Builder Bond Issuance
3-C Builder Bonds Outstanding Task: - Track Amount of Builder Bonds Issued - Track Accrued Value to Date - Track Prepayments either through prepayment by Builder or Prepayment from proceeds of other issuances of debt.	FISC	By: FISC To: PEC DTA EPS	PEC	PEC / DTA	EPS * Provide Ad Hoc Support for Builder Bonds and answer questions regarding the tracking of Builder Bonds amounts.

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	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
3-D Impact Fee Bond Issuance Task: - Issue Impact Fee Bonds - Agreements - Disclosures	YC - TREAS / FISC	By: YC - TREAS / FISC To: TRLJA EPS PEC DTA	PEC	PEC / DTA	DTA
3-E Impact Fee Bonds Outstanding Task: - Track Amount of Impact Fee Bonds Issued - Track Accreted Value to Date - Track Prepayments either through entrance of Deferred Participants and Impact Fee Revenue Collected	FISC	By: FISC To: YC - TREAS PEC DTA EPS	YC - TREAS	PEC / DTA	DTA
3-F CFD Administration - Base CFD (TRLJA CFD 2006-1) Task: - Update of attachments to RMA including, setting of initial maximum annual taxes, tracking of restricted parcels.	EPS * Determine Tax Amounts and provide annual Tax Rolls	By: EPS To: YC - TREAS PEC DTA	YC - TREAS	PEC / DTA	DTA
3-G CFD Administration - Overlay CFD (YUBA CFD 2006-1) Task: - Update of attachments to RMA including, setting of initial maximum annual taxes, tracking of restricted parcels.	EPS * Determine Tax Amounts and provide annual Tax Rolls	By: EPS To: YC - TREAS PEC DTA	YC - TREAS	PEC / DTA	DTA

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Prepared by EPS

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Revision Date: 11/3/2006

Items to Track	Responsibilities				
	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
3-H Conventional/Private Placement Bond Issuance Task: - Issue Conventional CFD or Private Placement Debt	TRLIA / FISC	By: TRLIA / FISC To: PEC DTA EPS YC-TREAS	TRLIA / PEC	PEC / DTA	YC-TREAS
3-I Conventional/Private Placement Debt Outstanding Task: - Track Amount of Debt Issued - Track Prepayments	FISC	By: FISC To: YC - TREAS PEC DTA EPS	DTA	PEC / DTA / EPS	EPS * Provide Ad Hoc support regarding requests for information for prepayment amounts and debt outstanding.

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	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
Tsk 4 MISC. / LEVEE IMPROVEMENT PROJECT CASH FLOW / INSURANCE REQUIREMENT ADMINISTRATION 4-A Develop & Implement Levee Maintenance Funding Plan (Including Interim Levee Maintenance Until Levee Certification) Task: - Maintain Improved Levees Until Implementation of Permanent Levee Maintenance Program - Formulate Permanent Levee Maintenance Financing Plan - Coordinate Efforts to Implement Plan Financing Mechanisms (IE Assessment District)	TRLIA / YUBA By: YUBA / TRLIA To: State Reclamation Board PEC	EPS * Provide Ad Hoc support regarding funding plan	N/A	N/A	
4-B Condition New Project Submissions to Fund Levee Improvements Task: - Ensure that all new tentative maps or extended or amended tentative maps have appropriate conditions regarding required levee funding participation	YUBA By: YUBA To: PEC	PEC	N/A	N/A	
4-C Maintenance of Project Cash Flow & TRLIA Books Task: - Maintain Levee Improvement Program Project Cash Flow spreadsheet - Update the Project Cash Flow projections with actual expenses as they occur - Maintenance of TRLIA Financial Books & Records - Preparation of Monthly Reports by outside Accounting Firm - Preparation of Independent Annual Audit by Auditor	TRLIA * Monthly Reports would be prepared by Consulting Firm (Accountant) * Annual Audit would be prepared by independent Auditing Firm (report prepared for PEC/Participants)	PEC	Independent Firm	TRLIA	

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Items to Track	Responsibilities				
	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
<p>4-D Preparation of a Development Agreement w/ Participants Task: - Prepare & Execute a Development Agreement between County, TRLIA & Participants</p>	YUBA	By: YUBA To: PEC	PEC	N/A	N/A
<p>4-E Reimbursements / Fair Share Funding Study Task: - Track the payoff of impact Fee Bonds by Builder. - Track Reimbursements of out of pocket expenses by Builders when no debt is issued. - Determine applicable reimbursements.</p>	DTA / EPS	By: DTA To: PEC EPS TRLIA	EPS * Review reimbursement amounts prepared by DTA	PEC / TRLIA	EPS * Provide Ad Hoc support regarding reimbursement amounts.
<p>4-F Track Flood Insurance Requirements Task: - Track the payment of flood insurance by Builder's on behalf of the Homeowner's on an annual basis per the terms of the funding agreement.</p>	TRLIA / YC - Comm Dev	By: TRLIA / YC - Comm Dev To: State Reclamation Board PEC	PEC	N/A	N/A
<p>4-G Develop & Maintain Communications Plan w/ Development Community Task: - Prepare development community information regarding the requirements for the funding flood control improvements (This could include the development of a website content, a development information packet / guideline, etc....) - Purpose would be to encourage participation in funding program and compile all relevant information regarding development requirements with respect to flood control funding.</p>	TRLIA	N/A	EPS * Review communications material prepared by TRLIA for the development community, assist in its preparation.		

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	Primary [1]	Notification [2]	Review [3]	Audit [4]	Technical Assistance [5]
4-H Additional Revenue Collection Task: - Pursue and account for additional non-funding agreement sources of revenue. - Report additional revenue to interested parties	TRLIA/YUBA	By: TRLIA / YUBA To: PEC EPS DTA	PEC	N/A	N/A
4-I Evacuation & Pre-Hazard Mitigation Plan Task: - Improve County Plans for Evacuation and Pre-Hazard Mitigation, Continue to inform residents in affected area of flood risk. - Prepare and distribute time inundation maps to support evacuation plans.	TRLIA/YUBA	By: TRLIA / YUBA To: PEC	PEC	N/A	N/A

Source: Second Funding Agreement, RMA & Economic & Planning Systems

[1] Primary responsibility indicates this is the entity responsible for performing the Tasks associated with item as indicated.
 [2] Notification responsibility indicates who the primary responsible party will notify with information regarding the tasks completed. Timing of notification is indicated in Table 2.
 [3] Review responsibility indicates the party responsible for verifying the information prepared by the primary responsible party in order for the acceptance of the information. The review should include a check for errors and conformance with agreed upon methodologies.
 [4] Audit responsibility is the responsible party in charge of reviewing or obtaining information in the event there is non conformance or information not properly distributed.
 [5] Technical Assistance responsibility is the party responsible for providing Ad Hoc information when information is needed beyond the required notification times outlined.

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EXHIBIT B

TERMS AND CONDITIONS, EPS PROJECT #16497

1. AUTHORITY.

Each party has full power and authority to enter into and perform this contract, and the person signing this contract on behalf of each has been properly authorized and empowered to enter into this contract. Each party further acknowledges that it has read this agreement, understands it, and agrees to be bound by it.

2. INDEPENDENT CONTRACTOR.

It is specifically understood and agreed that in the creation and performance of this Agreement, CONSULTANT is an independent contractor, and is not and shall not be construed to be an employee or agent of the CLIENT.

3. INSURANCE.

CONSULTANT shall maintain the following insurance:

- Workers Compensation as required by law;
- General Liability insurance policy of \$1,000,000 for personal injury and property damage;
- Auto Liability insurance of \$1,000,000, combined single limit for bodily injury and property damage covering all vehicles including hired cars, owned and non-owned vehicles;
- Errors and Omissions/Professional Services Liability insurance in the amount of \$1,000,000.

4. PERSONNEL.

The CONSULTANT represents that it is an equal opportunity employer and has, or will secure at its expense, all personnel required in performing the services under this Agreement. All personnel engaged in the work shall be authorized or permitted under State and Local law to perform such services.

5. INTEREST OF CONSULTANT.

Consultant covenants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement.

6. PUBLICATION, REPRODUCTION, AND USE OF MATERIAL.

CLIENT may publish, distribute or otherwise use any data, information, reports, or other materials prepared under this Agreement by EPS ("EPS work product"), in whole or in part, for purposes of this Project (as described in an attached Work Order). This authority does not apply to any computer models or software used or developed as a result of this contract, unless a separate agreement is signed concerning the disposition of such materials. CLIENT acknowledges that EPS work product was prepared by EPS solely for contemporaneous use by CLIENT for this Project and that it is not intended for use at any other time, location, purpose or by any other party. Accordingly, CLIENT shall not, without the prior written consent of EPS (which EPS may withhold in its sole discretion), (i) use EPS work product for purposes unrelated to the Project, (ii) modify EPS work product, or (iii) disclose or distribute any EPS work product to any other person, firm or entity. EPS shall be entitled to indemnification by CLIENT, pursuant to paragraph 13 hereof, if CLIENT breaches this provision, in addition to all other available remedies at law or in equity.

7. CONFIDENTIALITY.

Any reports, information or data given to or prepared or assembled by the CONSULTANT under this Agreement which the CLIENT requests in writing to be kept confidential shall not be made available to any individual or organization by the CONSULTANT without the prior written approval of the CLIENT. CONSULTANT is entitled to retain copies of all data, working papers, interim documents, memoranda, and reports produced under this Agreement. However, nothing contained herein shall prevent the disclosure of such information if compelled by legal process, and in the event thereof, only after notice to CLIENT.

8. AMENDMENTS TO THE CONTRACT.

No amendment to this agreement shall be effective unless it is in writing and signed by duly authorized representatives of both parties.

9. DISPUTED INVOICES.

In the event that CLIENT disputes any item on an invoice, CLIENT shall notify the CONSULTANT of this disputed item within five working days of receipt of the invoice. CLIENT will approve payment of items on an invoice that are not in dispute and CLIENT and CONSULTANT will proceed to negotiate or arbitrate the disputed items as specified elsewhere in this Agreement.

10. AUDITS AND INSPECTIONS.

Upon reasonable notice, CLIENT may inspect any books, records or other materials that pertain directly to this Agreement.

11. COMPENSATION FOR TESTIMONY AND PREPARATION THEREOF.

If any legal action is brought in connection with the Agreement, other than an action that is solely the result of the incompetence or malfeasance by CONSULTANT, by or against a third party, and CLIENT requests that Consultant or a Subconsultant, (or if CONSULTANT or a Subconsultant is otherwise required) to testify, provide information, produce materials or otherwise spend time on such action, then CLIENT shall pay CONSULTANT or Subconsultant for time expended at their standard rates then in effect, plus advance all related expenses and costs, including, but not limited to, reasonable attorneys' fees. Such compensation shall be in addition to the maximum charge for services defined in the Agreement.

12. TERMINATION OF AGREEMENT.

The CLIENT may, at its option, elect to cancel the contract at any time, by notice to CONSULTANT, upon completion of any task described in the scope of services. In such event the CLIENT will pay to the CONSULTANT the amount due by virtue of completion of the products therefore delivered. If such cancellation is not based upon any claim of CONSULTANT default such payment shall include any sums withheld pursuant to this Agreement. In addition, the CONSULTANT shall be reimbursed (in addition to the payment) for that portion of the actual out-of-pocket costs not otherwise reimbursed under this Agreement incurred by the CONSULTANT during the period of the Agreement which are directly attributable to the incomplete portion of the services covered by this Agreement.

13. INDEMNIFICATION/LIMITATION OF LIABILITY.

CONSULTANT shall defend, indemnify, and hold harmless the CLIENT, its elected and appointed councils, boards, commissions, officers, agents, and employees from any liability for damage or claims for damage for personal injury, including death, as well as for property damage, which may arise from the intentional or negligent acts or omissions of CONSULTANT in the performance of services rendered under this Agreement by CONSULTANT, or any of CONSULTANT'S officers, agents, employees, contractors or subcontractors.

14. STANDARD OF PERFORMANCE.

All work performed by CONSULTANT for CLIENT pursuant to this Agreement shall be performed by qualified persons, and shall be performed in accordance with standards of performance generally applicable to the work in the community in which the work is performed.

As in all projects of this type, the estimated results are based upon the continued competent and efficient management by CLIENT. In addition, the conclusions reached by EPS assume that no significant changes in Project conditions will occur beyond those expressly discussed in EPS work product. EPS shall be able to rely on information provided to it by the CLIENT and EPS shall have no responsibility to audit or otherwise verify such information.

15. FORCE MAJEURE.

Neither party shall be responsible for delays or failures in performance resulting from acts beyond the control of such party. Such acts shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations superimposed after the fact, fire, power failures, earthquakes or other disasters.

16. ARBITRATION AND ATTORNEYS FEES.

In the event of a dispute in any manner relating to or arising out of this Agreement, the parties shall meet, confer and negotiate in good faith in an attempt to resolve the dispute. In the event the parties are unable to resolve the dispute themselves, the dispute shall be resolved through binding arbitration in the County of Sacramento, State of California, under the Construction Industry Arbitration Rules of the Judicial Arbitration and Mediation Services, Inc. ("JAMS"). In Arbitrating any issue arising under this Agreement, the power and authority of the arbitrator shall include the power and authority to grant such equitable relief (including injunctive relief) as may be appropriate under the circumstances, in accordance with applicable law. The decision or award of the arbitrator shall be binding upon the parties and shall be enforceable by judgment entered in a court having jurisdiction. In the event the arbitrator determines there is a prevailing party in the arbitration, the prevailing party shall recover from the losing party all costs of arbitration, including all fees of the arbitrator and all attorneys' fees reasonably incurred by the prevailing party. The arbitrator shall have authority to order such limited discovery as the arbitrator shall deem relevant and appropriate.

17. GOVERNING LAW.

This contract will be governed by and construed in accordance with the laws of the State of California.

18. NOTICE.

Notice given under the terms of this Agreement shall be in writing and shall be effective the day it is mailed, properly addressed, to the party to receive such notice. Notice delivered other than by mail shall be effective when received. Any change of address of either of the parties shall be effective upon receipt of notice of such change by the opposite party.