

**Klamath Irrigation District
Board of Directors
Special Meeting of March 31, 2016**

Statement to the Press

It is the primary objective of the Klamath Irrigation District Board of Directors to ensure water deliveries to the District for the 2016 irrigation season, and a reasonable financing arrangement to fund the replacement of the C Flume that does not compromise District member interests.

During late February 2016, KID District members voted overwhelmingly in favor of replacing the C Flume and securing funding for this purpose. While Adkins Engineering has diligently performed the preparatory work for which it was hired in 2014 to ensure that construction of the C Flume proceeds as scheduled (i.e., commencing in early July 2016), the only funding alternative that has been sought to-date and that has been made available is that which the Bureau of Reclamation ("BOR") has offered.

The BOR has offered to lend to the KID \$7.45 million, and potentially, based on BOR discretion, up to \$10 million, to finance the replacement of the C Flume on a fully reimbursable basis. The offer was set forth in a proposed financing contract presented to the KID at the March 24, 2016 meeting convened at BOR's Klamath Falls offices. As those who attended that meeting are aware, this contract was provided to the KID Board Chairman with the proviso that, unless it was executed immediately *as-is* (by March 31, 2016), there would be no guarantee that water would be delivered to the Project for the 2016 irrigation season and that the offered funding would remain available on or after April 1, 2016.

Many persons have questioned the one-sidedness of the proposed BOR financing contract, the inability of the KID Board to negotiate the contract's terms and conditions, and whether the Board has been provided an adequate amount of time to conduct its due diligence review of the contract in fulfillment of its legal and fiduciary responsibilities to District members. The purpose of this morning's special meeting is to discuss the terms and conditions of that contract, and to consider whether the Board should accept the contract *as-is*, or request from the BOR's legal and field representatives reasonable modifications, consistent with the 1954 BOR-KID contract and the Reclamation laws, that would enable the Board to protect District members' legal and economic interests.

To aid the KID Board in its deliberation, and to educate District members and the general public, the Board's counsels, Lawrence Kogan and Nathan Reitmann, have prepared a number of documents for review and consideration. These documents endeavor to explain the discussions that took place during the March 16, 2014 meeting and the reasons why certain modifications to the proposed BOR financing contract have been requested.

These documents include:

- A Clean Version of the Modified BOR Financing Contract;
- An Edited Redlined Version of the Modified BOR Financing Contract;
- The BOR Take-Or-Leave-It Repayment Contract;
- A Memorandum to the KID Board and Members Explaining the Modifications to the BOR Financing Contract;
- A Memorandum to the KID Board and Members Explaining the Proceedings of the March 24, 2016 BOR Meeting;
- Exhibit 1 to Memo Explaining the Proceedings of the March 24, 2016 BOR Meeting;
- Exhibit 2 to Memo Explaining the Proceedings of the March 24, 2016 BOR Meeting;
- 1954 KID-BOR Contract;
- 1930 Right-of-Way BOR Granted to the Burlington Northern Railway (now owned by Warren Buffet);
- 1940 Right-of-Way BOR Granted to the Oregon Department of Transportation for OR Highway 39; and
- 2014 GAO Report (copy and distribute only cover page and pp. 12, 13-14, 38-39, 42-43).

We trust that all members of the KID Board, District members and the general public will be informed and enlightened by these documents and the discussion of them at the KID Board special meeting.