

**EXHIBIT F**

Program Account

## **Exhibit F – Program Account: *Financial Accounts, Fee Schedule, and Financial Reporting***

### **FINANCIAL ACCOUNTS**

#### **ILF Program Account**

Upon establishment of the ILF Program, the Program Sponsor will establish a dedicated ILF Program Account for the management and administration of funds received from the Sale or Pre-Transfer Sale of Advance Credits. Funds deposited into the overarching ILF Program Account will subsequently flow into the following three types of sub-accounts, as applicable and as more fully described in Sections IV.B. and V.E. of the Instrument: (1) Service Area-specific Sub-Accounts; (2) the Unallocated Program Area Sub-Account; and (3) the Program Contingency Sub-Account. The Sponsor will establish, maintain, and monitor the ILF Program Account and various Sub-Accounts using the following systems and tools:

***Deltek-Costpoint:*** The Program Sponsor uses the term “funding sources” to describe all the various uniquely-identifiable financial accounts under its management. These funding sources are established within the Program Sponsor's accounting system (Deltek-Costpoint) as Funding Source Projects (FSPs). Each Credit type within each Service Area will be a designated FSP and receive a unique identifying code. This enables a multi-dimensional relation of the *inflow* of funds (e.g., permit, permittee, wetlands impacted, etc.) to the *outflow* of funds (e.g., for recipient ILF Projects and the associated project costs, Program Administrative costs, or other costs provided by the 2008 Rule).

***Customer Relationship Management (CRM):*** This system provides a database to comprehensively capture FSP attributes and is established with the same unique identifying code established in Deltek-Costpoint as indicated above.

***EasyGrants:*** This system is the Program Sponsor’s project management database for all recipient ILF Projects, each of which is assigned a unique identifying code distinct from an FSP code. Third parties performing work on ILF Projects as part of the ILF Program will have their progress tracked and their disbursements processed through the EasyGrants system.

#### **Service Area-Specific Sub-Accounts and the Unallocated Program Area Sub-Account**

ILF Projects will be developed and implemented with funds deposited into Service Area-specific Sub-Accounts and/or the Unallocated Program Area Sub-Account. These Sub-Accounts shall be tracked separately from all other Sub-Accounts within the Program Account. The Service Area-specific Sub-Accounts and the Unallocated Program Area Sub-Account shall be funded with a portion of the price of each Credit Sale or Pre-Transfer Sale as set forth in Tables 1, 2, 3 and 4, the current versions of which are set forth below. Funds from the Sale or Pre-Transfer Sale of Aquatic

Resource Credits or Vernal Pool Credits within a particular Service Area will be deposited into the applicable Service Area-specific Sub-Account for such Service Area. Funds from the Sale or Pre-Transfer Sale of Unallocated Program Area Advance Credits will be deposited into the Unallocated Program Area Sub-Account. With respect to both Service Area-specific Sub-Accounts and the Unallocated Program Area Sub-Account, the funds on deposit will only be used to pay for ILF Project development, design, management, and implementation activities including, without limitation, the following:

- Land Acquisition
- Project Planning and Design
- Technical Studies
- Construction
- Materials
- Labor
- Monitoring
- Long-term Management
- Securing a Conservation Easement
- Project Management, and
- Other costs necessary to complete ILF Projects.

### **Program Contingency Sub-Account**

Contingencies that may arise from time to time in implementing the ILF Program will be addressed using funds deposited into the Program Contingency Sub-Account. The Program Contingency Sub-Account shall serve as a reserve fund and financial security for the Program. Contingencies that may be addressed through funding from the Program Contingency Sub-Account may include, without limitation, such circumstances as funding unanticipated costs associated with ILF Project implementation, funding to accelerate ILF Project implementation to address temporal concerns, and other unforeseen funding needs. The use of these funds shall be subject to the approval of the IRT, based upon written proposals submitted by the Program Sponsor. The Program Contingency Sub-Account shall be tracked separately from all other Sub-Accounts within the Program Account.

The Program Contingency Sub-Account shall be generated with a portion of the price of each Credit Sale or Pre-Transfer Sale as set forth in Tables 1, 2, 3 and 4, and from investment income as it accrues to the Program Contingency Sub-Account. A three-million-dollar (\$3,000,000) target, adjusted upward for inflation annually following establishment of the ILF Program, shall be placed on the Program Contingency Sub-Account. This target may be adjusted in writing if agreed to by all Parties. Funds in excess of the three-million-dollar (\$3,000,000) target may be used to fund or contribute to an ILF Project. Credits created with Program Contingency Sub-Account funds through the development and implementation of an ILF Project in a Service Area may be used to compensate shortfalls in Credits within the ILF Program; should no Credit shortfalls exist, the authorized Credits would become unallocated Released Credits within the Service Area of the ILF Project.

### **Financial Investment**

Funds in the Program Account and all Sub-Accounts will be invested pending disbursement in

accordance with the Program Sponsor's then-prevailing investment policy statement on cash management, which at all times will be available for review upon request by the IRT. The Program Sponsor believes this is the appropriate investment strategy for Program Account funds since the funds will generally be expected to be disbursed or obligated within three years of receipt. Accordingly, the cash management investment policy will generally seek to achieve investment returns at least equal to the rate of inflation such that the "purchasing power" of the funds will be maintained. At the same time, the cash management investment policy will reflect a relatively conservative asset allocation profile so as to minimize risk while seeking the relevant return. As between the objective to maintain purchasing power and the objective to preserve the principal of all Program Account funds, the latter (i.e., preservation of principal) shall take precedence in order to best ensure the financial security of the ILF Program.

### **CREDIT PRICING SCHEDULES**

As stated in the 2008 Rule, "The cost of compensatory mitigation credits provided by a mitigation bank or in-lieu fee program is determined by the sponsor." (See 33 CFR Part 332.8(o)(5) and 40 CFR Part 230.98(o)(5).) The Program Sponsor has determined that the prices for Advance Credits under the ILF Program are as set forth in the price schedules provided in Tables 1 and 2, the current versions of which are set forth below. The Program Sponsor may modify the price schedules from time to time by providing revised versions of Table 1 and/or 2, as the case may be, to the IRT at least thirty (30) days prior to the date on which the Program Sponsor proposes to begin using the new price schedules.

The price schedules are premised on the fundamental principle that adequate funding is essential to the ILF Program's ability to function and to develop, implement, and provide for long-term protection of ILF Projects, and address contingencies. The ILF Program is intended to be fully funded by the Sale and/or Pre-Transfer Sale of Advance Credits, and to the extent the Program Sponsor has invested its own resources in the development of the ILF Program, such investments will be recovered through a portion of the proceeds from the Sale and/or Pre-Transfer Sale of Advance Credits. Therefore, the Advance Credit prices are intended to cover the full cost of Program expenses in accordance with the 2008 Rule. An additional critical factor is that the pricing of Advance Credits within an in-lieu fee program is, by necessity, based on modeling and estimates. (This reflects the very nature of in-lieu fee programs, in which funds are generated through Advance Credit sales *prior to* the identification and implementation of actual projects with actual budgets.) In an attempt to best ensure the financial viability of the ILF Program, the Program Sponsor has established prices for Advance Credits that rest on conservative assumptions regarding the anticipated project costs, administrative costs, and contingency costs that will arise through the Program's operation.

The Advance Credit price schedules establish a minimum fraction of one-hundredth (0.01) of an Advance Credit that is available for Sale or Pre-Transfer Sale, and include three components that comprise the total price of an Advance Credit to be deposited into the ILF Program Account: (1) Base Price for ILF Project development, implementation, and long-term management and monitoring, which shall be deposited into the applicable Service Area-specific Sub-Account or the Unallocated Program Area Sub-Account; (2) Contingency Amount for contingencies, which shall be deposited into the Program Contingency Sub-Account; and (3) Administrative Fee Amount, for

general administration of the Program as described in this Exhibit F, which shall be assessed and collected by the Program Sponsor. The collection of the Administrative Fee will be reflected as a debit from the ILF Program Account.

**Base Price**

The Base Price is intended to reflect the reasonably foreseeable unit cost of the Program Sponsor’s development and creation of Released Credits through the implementation of ILF Projects. There are numerous variables that affect ILF Project costs, including but not limited to: the size and location of the ILF Project site; the land, labor, and material costs in that area; the acreage that may be restored, established, enhanced and/or preserved; the wetland type; and the complexity of the ILF Project. The Base Prices for Advance Credits in Tables 1, 2, 3 and 4 reflect the Program Sponsor’s current informed estimate of these variables. If, in the future, the Program Sponsor determines that its estimate of these variables should be adjusted, the Program Sponsor will provide to the IRT revised versions of Table 1, 2, 3 and/or 4, as the case may be, incorporating the applicable adjustments in accordance with the procedure described above.

**Contingency Amount**

A portion of the price of each Advance Credit Transfer, as set forth in Tables 1, 2, 3 and 4 will be deposited into the Program Contingency Sub-Account to address contingencies in the Program and individual ILF Project development and implementation. The Contingency Amount ranges from 10% to 30% of the Base Price as set forth more specifically in the Tables.

**Administrative Fee Amount**

A portion of the price of each Advance Credit Transfer, as set forth in Tables 1 and 2, will be assessed and collected by the Program Sponsor as an administrative fee for the general administration of the Program, which includes tasks associated with the planning and operation of the overall ILF Program. The Administrative Fee Amount ranges from 15% - 20% of the Base Price, subject to a minimum floor of ten thousand dollars (\$10,000), as set forth more specifically in the Tables. Administrative tasks funded with the Administrative Fee Amount may be performed by the Program Sponsor or by third parties under professional services contracts. The activities may focus on the overall ILF Program or may be associated with activities related to undifferentiated ILF Projects. They include, without limitation, the following:

- Fiduciary Functions
- Accounting Functions
- Investment Oversight
- Human Resources Management
- Office Management
- Internet Technology Management
- Contract Management and Oversight
- Internal and External Audits
- Agency Coordination
- Legal Support or Enforcement
- Stakeholder and Partner Coordination
- ILF Project Site Selection Process
- Reporting

As this is a programmatic ILF Program involving 29 Service Areas over 37 counties, the administration and management of implementing the Program will be significant. The Program Sponsor is a not-for-profit organization and cannot subsidize mitigation costs with staffing

contributions or other funding sources. Therefore, the Administrative Fee must fully cover all costs each fiscal year, including certain fixed administrative costs that are associated with each Sale and Pre-Transfer Sale regardless of size, as well as other fixed and variable costs of administration and management of implementing the Program. The Administrative Fee Amount was sized by the Program Sponsor in a manner that attempts to account for all of these costs.

**Advance Credit Pricing Tables**

**Table 1. Aquatic Resource Credits – Sale Price**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
No. of Credits Purchased	Unit Price Per Credit	Base Price (\$) (# Credits x B)	Contingency Amount (\$)	Administrative Fee Amount (\$)	Total Price (\$) (C + D + E)
0.01 – 0.25	\$335,000		(0.30 x C)	\$13,250	
0.26 – 0.50	\$335,000		(0.30 x C)	(0.15 x C)	
0.51 – 1.00	\$335,000		(0.25 x C)	(0.15 x C)	
1.01 – 5.00	\$335,000		(0.20 x C)	(0.15 x C)	
5.01 – 10.00	\$335,000		(0.15 x C)	(0.15 x C)	
10.01 +	\$335,000		(0.10 x C)	(0.15 x C)	

**Table 2. Vernal Pool Credits – Sale Price**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
No. of Credits Purchased	Unit Price Per Credit	Base Price (\$) (# Credits x B)	Contingency Amount (\$)	Administrative Fee Amount (\$)	Total Price (\$) (C + D + E)
0.01 – 0.15	\$625,000		(0.30 x C)	\$13,250	
0.16 – 1.00	\$625,000		(0.30 x C)	(0.15 x C)	
1.01 – 3.00	\$625,000		(0.20 x C)	(0.15 x C)	
3.01 – 5.00	\$625,000		(0.15 x C)	(0.15 x C)	
5.01 +	\$625,000		(0.10 x C)	(0.15 x C)	

**Table 3. Aquatic Resource Credits – Pre-Transfer Sale Price**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
No. of Credits Purchased	Unit Price Per Credit	Base Price (\$) (# Credits x B)	Contingency Amount (\$)	Administrative Fee Amount (\$)	Total Price (\$) (C + D + E)
0.01 – 0.25	\$335,000		(0.30 x C)	\$13,250 + \$2,500	
0.26 – 0.50	\$335,000		(0.30 x C)	(0.15 x C) + (# Credits x \$5,000)	

0.51 – 1.00	\$335,000		(0.25 x C)	(0.15 x C) + (# Credits x \$5,000)	
1.01 – 5.00	\$335,000		(0.20 x C)	(0.15 x C) + (# Credits x \$5,000)	
5.01 – 10.00	\$335,000		(0.15 x C)	(0.15 x C) + (# Credits x \$5,000)	
10.01 +	\$335,000		(0.10 x C)	(0.15 x C) + (# Credits x \$5,000)	

**Table 4. Vernal Pool Credits – Pre-Transfer Sale Price**

A	B	C	D	E	F
No. of Credits Purchased	Unit Price Per Credit	Base Price (\$) (# Credits x B)	Contingency Amount (\$)	Administrative Fee Amount (\$)	Total Price (\$) (C + D + E)
0.01 – 0.15	\$625,000		(0.30 x C)	\$13,250 + \$2,500	
0.16 – 1.00	\$625,000		(0.30 x C)	(0.15 x C) + (# Credits x \$5,000)	
1.01 – 3.00	\$625,000		(0.20 x C)	(0.15 x C) + (# Credits x \$5,000)	
3.01 – 5.00	\$625,000		(0.15 x C)	(0.15 x C) + (# Credits x \$5,000)	
5.01 +	\$625,000		(0.10 x C)	(0.15 x C) + (# Credits x \$5,000)	

The price schedules for the Sale of Advance Credits set forth in the tables above-were developed through financial modeling, based on research and experience, and represent the anticipated Advance Credit prices necessary to fully cover associated ILF Program administration and implementation. The price schedules set forth in Tables 1 and 2 set forth the price range within which the Program Sponsor may offer Advance Credits for Sale. The price schedules set forth in Tables 3 and 4 set forth the price range within which the Program Sponsor may offer Advance Credits for Pre-Transfer Sale. Advance Credit Sale and Pre-Transfer Sale price schedules will be re-evaluated at least bi-annually (every other year) with more frequent reviews/updates as necessary and may be adjusted in accordance with the procedure described above to ensure Advance Credit Sale and Pre-Transfer Credit Sale prices are adequate and appropriate given the objectives of the ILF Program. Program data and relevant information from other sources (e.g., cost data from similar programs such as regional Habitat Conservation Plans, or expert opinion) will be collected and used to inform this process. As described above, the Program Sponsor may begin using the pricing set forth in adjusted price schedules after providing thirty (30) days' advance written notice to the IRT. Changes in the Advance Credit Sale and Pre-Transfer Credit Sale price schedules effected through this process shall be self-executing and shall constitute neither a modification nor a formal Amendment to the ILF Instrument.

## **FINANCIAL ASSURANCES**

Financial assurances will be provided for ILF Projects and ILF Program operations. These include:

- ILF Project related financial assurances (e.g., contractor bonds, letters of credit); and/or
- ILF Program operational assurances (e.g., contingency funding Program-wide)

Advance Credit Sale and Pre-Transfer Sale pricing was modeled to be sufficient to fund the necessary ILF Project(s) and any required financial assurances. An ILF Project generally will not begin to be implemented until all necessary funds for completion of the ILF Project have been collected, which minimizes the financial risk that an ILF Project will not be successfully completed.

ILF Program operational assurances will be secured with funding from the Program Contingency Sub- Account.