

**PURCHASE AND SALE AGREEMENT
FOR
LONG TERM STORAGE CREDITS**

This Purchase and Sale Agreement is made this 3rd day of November, 2016, (the "Effective Date"), between and among the Central Arizona Water Conservation District ("CAWCD"), a multi-county water conservation district organized and existing under the laws of the State of Arizona, Del Webb Corporation, a Delaware corporation ("Del Webb").

RECITALS

A. CAWCD operates the Central Arizona Project ("CAP"). CAWCD also provides replenishment services to member lands and member service areas under authorities provided in Title 48, Chapter 22, Article 4 of the Arizona Revised Statutes. These replenishment authorities are commonly referred to as the Central Arizona Groundwater Replenishment District or CAGR. CAGR is not a separate legal entity, but functions within and is operated by CAWCD.

B. CAWCD desires to purchase Long-Term Storage Credits developed by Del Webb pursuant to Arizona Revised Statutes Title 45, Chapter 3.1, for the benefit of CAGR member lands and member service areas.

C. Del Webb is willing to sell and transfer certain Long-Term Storage Credits to CAWCD under the price, terms and conditions set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the parties hereby agree as follows:

**ARTICLE 1
DEFINITIONS**

As used in this Agreement, the following terms, when capitalized, shall mean:

- 1.1 "ADWR" means the Arizona Department of Water Resources.
- 1.2 "Agreement" means this Purchase and Sale Agreement for Long-Term Storage Credits.
- 1.3 "CAGR" means the Central Arizona Groundwater Replenishment District, the replenishment authority operated by CAWCD.
- 1.4 "CAGR's Account(s)" means (i) the long-term storage account established pursuant to Arizona Revised Statutes § 45-859.01 for the Phoenix Active Management Area, account No. 70- 441120.0001; (ii) the conservation district account established pursuant to Arizona Revised Statutes § 45-859.01 for the Phoenix Active Management Area, Account No. 75-441120.0000 and/or the (iii) the conservation district replenishment reserve subaccount for the Phoenix Active Management Area, account No. 70-441120.0002.

- 1.5 "CAWCD" means the Central Arizona Water Conservation District.
- 1.6 "Del Webb" means Del Webb Corporation.
- 1.7 "Del Webb's Long-Term Storage Account(s)" means the Long-Term Storage account established pursuant to Arizona Revised Statutes § 45-852.01 in the name of Del Webb Corporation, account No. 70-441178.
- 1.8 "Long-Term Storage Credit" is as defined in Arizona Revised Statutes § 45-802.01(11).
- 1.9 "Long-Term Storage Credit Transfer Form" is a form, approved by ADWR, to effectuate the assignment of Long-Term Storage Credits, as defined in Arizona Revised Statutes § 45-854.01(B), and more specifically described in Article 3 below.

ARTICLE 2 PURCHASE OF LONG-TERM STORAGE CREDITS

- 2.1 Sale and Purchase. Subject to the terms and conditions of this Agreement, Del Webb agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for 2,112.20 acre-feet of Long-Term Storage Credits.
- 2.2 Type of Water. It is the intent of the parties that all Long-Term Storage Credits purchased and sold under this Agreement shall retain the identity of the source of water used to generate such Long-Term Storage Credits.
- 2.3 Long-Term Storage Credits. The Long-Term Storage Credits to be sold by Del Webb were stored at the underground storage facilities, under the ADWR Facility Permit and ADWR Storage Permits set forth in Exhibit A hereto.
- 2.4 Purchase Price. The Purchase Price for the Long-Term Storage Credits to be sold by Del Webb under this Agreement is \$435,113.20. The per-credit price for Long-Term Storage Credits to be transferred pursuant to this Agreement is \$206, which is equivalent to the cost of accruing Phoenix AMA Long-Term Storage Credits at a constructed underground storage facility using Excess CAP water in 2016. (\$206 x 2,112.20 credits = \$435,113.20.) The Purchase Price for Long-Term Storage Credits was calculated as follows: Purchase Price = [(CAP Long Term Subcontract Capital Charge + CAP Fixed OM&R Charge + CAP Pumping Energy Charge + CAP Underground Water Storage O&M Charge for the Phoenix AMA) / 0.94] x Volume of Long-Term Storage Credits Purchased. As expressed in numbers, the formula is as follows: \$435,113.20 = [(\$23 + \$85 + 76 + \$10) / 0.94] x 2,112.20.

ARTICLE 3 TIME AND MANNER OF TRANSFER

- 3.1 Execution of Lease Agreement. This Agreement is contingent upon Del Webb executing an agreement with a Tribal entity for a lease of CAP water that will be delivered in 2017.

3.2 Long-Term Storage Credit Transfer Form. To evidence the transfer of Long-Term Storage Credits, Del Webb and CAWCD shall complete, sign and deliver the Long-Term Storage Credit Transfer Form to ADWR within 30 days of the full execution of this Agreement. A copy of the Long-Term Storage Credit Transfer Form is attached as Exhibit B to this Agreement. After Del Webb has executed and delivered the Long-Term Storage Credit Transfer Form to CAWCD, CAWCD shall promptly deliver the fully executed Long-Term Storage Credit Transfer Form to ADWR.

3.3 Additional Actions and Documentation. CAWCD shall pay any administrative fees established by ADWR to effectuate the transfer of Long-Term Storage Credits into CAGR's Account(s). The parties shall cooperate to take such further actions and execute such further documents as may be determined by either party to be necessary or advisable in order to complete the transfer of the Long-Term Storage Credits contemplated by this Agreement.

ARTICLE 4 COMPLETION OF DELIVERY AND PAYMENT

4.1 Completion of Delivery. Delivery of the Long-Term Storage Credits to be transferred pursuant to this Agreement shall be deemed complete when ADWR notifies CAWCD in writing that it has received and accepted the Long-Term Storage Credit Transfer Form and intends to transfer the Long-Term Storage Credits pursuant to this Agreement or when evidence of such transfer is otherwise reflected in ADWR's records ("ADWR Acceptance"), whichever first occurs. CAWCD and Del Webb shall cooperate with ADWR to facilitate completion of such transfer by ADWR.

4.2 Payment. CAWCD shall pay the full amount of \$435,072.00, as specified in Article 2.4 above, no later than 20 business days after ADWR Acceptance or by December 26, 2016, whichever is earlier.

ARTICLE 5 REJECTION OR INVALIDATION OF TRANSFER

If ADWR, pursuant to Arizona Revised Statutes § 45-854.01(C), rejects or invalidates any transfer or assignment of Long-Term Storage Credits made hereunder before CAWCD has paid for such Long-Term Storage Credits, CAWCD shall not be obligated to pay for the number of Long-Term Storage Credits affected by such rejection or invalidation. If such rejection or invalidation occurs after payment has been made by CAWCD, Del Webb shall refund an amount equal to the number of Long-Term Storage Credits affected by such rejection or invalidation times the price per acre-foot for the affected Long-Term Storage Credits, as such price is established in Article 2.4 above. Del Webb shall refund such amount within 20 business days after either CAWCD or Del Webb receives any notice of rejection or invalidation from ADWR. CAWCD shall transfer and assign back to Del Webb the number of credits affected by any such rejection or invalidation. Del Webb's obligation to refund any payments under this Article 5 shall expire 30 days after ADWR has issued a non-appealable final agency decision approving the transfer and assignment of the Long-Term Storage Credits into CAGR's Account(s). The Parties' rights and obligations under this Article 5 shall remain in full force and effect, and shall survive termination

of this Agreement for purposes of addressing a circumstance where ADWR rejects or invalidates any transfer of Long-Term Storage Credits made hereunder.

ARTICLE 6 EFFECTIVE DATE

This Agreement shall be effective as of the date set forth in the introductory paragraph of this Agreement (the "Effective Date").

ARTICLE 7 DEFAULT AND REMEDIES

7.1 Default. The occurrence of any of the following events constitutes an event of default by a party to this Agreement:

7.1.1 The failure of either party to perform any term, covenant, or condition of this Agreement, if that failure continues for thirty days following the receipt of written notice from the other party.

7.1.2 (i) The filing by or against either party of a petition to have the party adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against a party, the same is dismissed within 60 days); (ii) the making by a party of any general assignment for the benefit of creditors; (iii) the appointment of a trustee or receiver to take possession of substantially all of the party's assets, when possession is not restored to the party within 60 days; or (iv) the attachment, execution, or other judicial seizure of substantially all of a party's assets, where such seizure is not discharged within 60 days.

7.2 Remedies. If an event of default occurs, the non-defaulting party may immediately terminate this Agreement by written notice to the defaulting party and/or may pursue any other rights available to it in law or equity. The obligation of the defaulting party to pay any amounts due but unpaid as of the date of termination under this provision shall survive such termination.

ARTICLE 8 MISCELLANEOUS PROVISIONS

8.1 Interpretation. This Agreement is governed by and must be construed and interpreted in accordance with and in reference to the laws of the State of Arizona, without regard to its conflicts of laws provisions. Any action to resolve any dispute regarding this Agreement shall be taken in a state court of competent jurisdiction located in Maricopa County, Arizona.

8.2 Del Webb's Warranty of Title. Del Webb warrants that to the best of its actual knowledge it has good and marketable title to the Long-Term Storage Credits that are the subject of this Agreement and agrees to convey marketable title to such Long-Term Storage Credits free and clear of all liens and encumbrances. Del Webb shall warrant and defend title against all persons claiming by or through Del Webb and no other.

8.3 Amendments. This Agreement may be modified, amended or revoked only by the express written agreement of the parties hereto.

8.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties and no understandings or obligations not expressly set forth in this Agreement are binding upon the parties.

8.5 Waiver. No delay in exercising any right or remedy shall constitute a waiver unless such right or remedy is waived in writing signed by the waiving party. A waiver by any party of any right or remedy hereunder shall not be construed as a waiver of any other right or remedy, whether pursuant to the same or a different term, condition or covenant.

8.6 Captions. All captions, titles, or headings in this Agreement are used for the purpose of reference and convenience only and do not limit, modify, or otherwise affect any of the provisions of this Agreement.

8.7 Rules, Regulations and Amendment or Successor Statutes. All references in this Agreement to the Arizona Revised Statutes include all rules and regulations promulgated by ADWR under such statutes and all amendment statutes and successor statutes, rules, and regulations to such statutes, rules, and regulations.

8.8 Notices. Except as otherwise required by law, any notice given in connection with this Agreement must be in writing and must be given by personal delivery, overnight delivery, facsimile, or United States certified or registered mail. Any such notice must be addressed to the appropriate party at the following address (or at any other address as a party may hereafter designate by written notice given as required by this paragraph):

CAWCD:

For delivery use: c/o General Manager
23636 N. 7th Street
Phoenix, AZ 85024

For U.S. Mail use: c/o General Manager
P.O Box 43020
Phoenix, AZ 85080-3020

Del Webb: Del Webb Corporation
16767 N. Perimeter Drive
Scottsdale, Arizona 85260
Attn: Area General Counsel

Notice is deemed to have been given on the date on which notice is personally delivered, delivered to an overnight delivery service, transmitted by facsimile or mailed. Notice is deemed to have been received on the date on which the notice is actually received or delivery is refused.

EXHIBIT A
to
Purchase and Sale Agreement for Long Term Storage Credits

LONG-TERM STORAGE CREDITS

Facility Name	ADWR Facility Permit No.	ADWR Water Storage Permit No.	ADWR Long-Term Storage Account No.	Credits (AF)	Water Source
Hassayampa Recharge Facility	71-216387.0002	73-216387.0600	70-441178	2097.20	CAP
Maricopa County Water Conservation District No. 1 Groundwater Savings Facility	72-558246.0007	73-558246.0701	70-441178	15.00	CAP

2,112.20

EXHIBIT B
to
Purchase and Sale Agreement for Long Term Storage Credits

ADWR LONG-TERM STORAGE CREDIT TRANSFER FORM A.R.S. § 45-854.01

ARIZONA DEPARTMENT OF WATER RESOURCES
Water Management Section
3550 North Central Ave, Phoenix, Arizona 85012
Telephone (602) 771-8585
Fax (602) 771-8689

**LONG-TERM STORAGE CREDIT
TRANSFER FORM A.R.S. § 45-854.01**

For Official Use Only

DATE RECEIVED: _____

[FOR SELLER]

Name of Seller

Long-Term Storage Account No.

Contact Person/Telephone Number

Facility Permit Number (where source water was stored)

Mailing Address

Water Storage Permit Number (authority to store source water)

City/State/Zip

Number of long-term storage credits (in acre-feet) transferred by type(s) of water and year credits were earned.

Type: _____ acre-feet _____ year earned _____
Type: _____ acre-feet _____ year earned _____

[FOR BUYER]

Name of Buyer

If the transfer includes long-term storage credits earned from the storage of Central Arizona Project (CAP) water in an Active Management Area (AMA), please state:

1. The date of Buyer's formation (if Buyer is a legal entity): _____

Contact Person/Telephone Number

2. The amount of groundwater withdrawn by Buyer in the AMA during the calendar year that the credits were earned:

Mailing Address

City/State/Zip

a. The groundwater right number(s) the Buyer withdrew the groundwater pursuant to:

Long -Term Storage Account No. (if any)

Pursuant to A.R.S. § 45-854.01(C), the director of the Arizona Department of Water Resources may reject and invalidate any assignment of long-term storage credits in which the stored water would not have met the requirements for long-term storage credits as prescribed by A.R.S. § 45-852.01 if the assignee had stored the water.

The undersigned hereby certify, under penalty of perjury, that the information contained in this report is, to the best of their knowledge and belief, correct and complete and that they are authorized to sign on behalf of the party for whom their signature appears.

Authorized Signature for Seller DATE

Authorized Signature for Buyer DATE

Title

Title

