

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

This Purchase and Sale Agreement is made this 7th day of November, 2013, (the "Effective Date"), between the Central Arizona Water Conservation District ("CAWCD"), a multi-county water conservation district organized and existing under the laws of the State of Arizona, and the Mojave Ventures, LLC ("Mojave Ventures"), a Delaware limited liability company. CAWCD and Mojave Ventures are sometimes referred to herein, collectively, as the "Parties".

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 Mojave Ventures pursuant to Arizona Revised Statutes Title 45, Chapter 3.1, for the benefit of CAGR member lands and member service areas.

C. Mojave Ventures 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 "Annual Long-Term Storage Credit Volume" means for any given year during the term of this Agreement, the annual volume of Long-Term Storage Credits to be acquired by CAWCD in that year pursuant to Articles 2.1 and 2.2 below, which shall be 14,311 acre-feet of Phoenix AMA Long-Term Storage Credits and 4,043.7 acre-feet of Tucson AMA Long-Term Storage Credits.
- 1.4 "CAWCD" means the Central Arizona Water Conservation District.

1.5 "CAGRD" means the Central Arizona Groundwater Replenishment District, the replenishment authority operated by CAWCD.

1.6 "CAGRD'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 Arizona Revised Statutes § 45-859.01 for the Phoenix Active Management Area, Account No. 75-441120; (iii) the conservation district replenishment reserve subaccount for the Phoenix Active Management Area, account No. 70-441120.0002; (iv) the long-term storage account established pursuant to Arizona Revised Statutes § 45-859.01 for the Tucson Active Management Area, account No. 70-411120.0001; (v) the conservation district account established pursuant Arizona Revised Statutes § 45-859.01 for the Tucson Active Management Area, Account No. 75-411120; and/or the (vi) the conservation district replenishment reserve subaccount for the Tucson Active Management Area, account No 70-411120.0002.

1.7 "Long-Term Storage Credit" is as defined in Arizona Revised Statutes § 45-802.01(11).

1.8 "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.

1.9 "Mojave Ventures" means Mojave Ventures, LLC.

1.10 "Mojave Ventures' Long-Term Storage Account(s)" means (i) the Long-Term Storage account established pursuant to Arizona Revised Statutes § 45-852.01 in Mojave Ventures' name for the Phoenix AMA, account No. 70-441222.0000; and/or (ii) the Long-Term Storage account established pursuant to Arizona Revised Statutes § 45-852.01 in Mojave Ventures' name for the Tucson AMA, account No. 70-411420.0000.

1.11 "Phoenix Annual Purchase Price" means the total annual purchase price for the Phoenix AMA Long-Term Storage Credits to be transferred pursuant to the terms of this Agreement as calculated pursuant to Article 2.3.1 below.

1.12 "Tucson Annual Purchase Price" means the total annual purchase price for the Tucson AMA Long-Term Storage Credits to be transferred pursuant to the terms of this Agreement as calculated pursuant to Article 2.3.2 below.

ARTICLE 2 PURCHASE OF LONG-TERM STORAGE CREDITS

2.1 Sale and Purchase of Long-Term Storage Credits Accrued in Phoenix AMA. Subject to the terms and conditions of this Agreement, beginning in 2014, and each year thereafter through 2020, Mojave Ventures agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for 14,311 acre-feet of Long-Term Storage Credits accrued in the Phoenix AMA ("Phoenix AMA Long-Term Storage Credits"). Excepting any Phoenix AMA Long-Term Storage Credits the transfer of which ADWR rejects or invalidates pursuant to Arizona Revised Statutes § 45-854.01(C), the total volume of Phoenix AMA Long-Term Storage Credits that

Mojave Ventures agrees to sell and CAWCD agrees to purchase during the term of this Agreement is 100,177.81 acre-feet.

2.2 Sale and Purchase of Long-Term Storage Credits Accrued in Tucson AMA. Subject to the terms and conditions of this Agreement, beginning in 2014, and each year thereafter through 2020, Mojave Ventures agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for 4,043.7 acre-feet of Long-Term Storage Credits accrued in the Tucson AMA ("Tucson AMA Long-Term Storage Credits"). Excepting any Tucson AMA Long-Term Storage Credits the transfer of which ADWR rejects or invalidates pursuant to Arizona Revised Statutes § 45-854.01(C), the total volume of Tucson AMA Long-Term Storage Credits that Mojave Ventures agrees to sell and CAWCD agrees to purchase during the term of this Agreement is 28,306 acre-feet.

2.3 Annual Purchase Price.

2.3.1 Phoenix AMA Long-Term Storage Credits. The Phoenix Annual Purchase Price for the Phoenix AMA Long-Term Storage Credits to be transferred in 2014 is based on components of the CAP published rate schedule, and shall be \$150.00 per acre-foot multiplied by 14,311 acre-feet, for a total Phoenix Annual Purchase Price of \$2,146,650.00 in 2014. The Phoenix Annual Purchase Price for the Phoenix AMA Long-Term Storage Credits to be transferred pursuant to this Agreement in each year after 2014, through and including 2020, shall be either the Phoenix Annual Purchase Price for the immediately preceding year plus 4%, or shall be based on components of the CAP published rate schedule, calculated as follows, whichever is greater:

$$\text{AP (Phoenix AMA)} = (\text{CAP Fixed OM\&R Charge}^* + \text{CAP Pumping Energy Charge}^* + \text{CAP Underground Water Storage O\&M Charge for the Phoenix AMA}^*) \times 14,311 \text{ acre-feet}$$

where

AP (Phoenix AMA) = the Phoenix Annual Purchase Price for Phoenix AMA Long-Term Storage Credits transferred in the applicable year

*As published in CAP's Annual Rate Schedule for the year in which the Parties submit the Long-Term Storage Credit Transfer Form pursuant to Article 3.1.

2.3.2 Tucson AMA Long-Term Storage Credits. The Tucson Annual Purchase Price for the Tucson AMA Long-Term Storage Credits to be transferred in 2014 is based on components of the CAP published rate schedule, and shall be \$157.00 per acre-foot multiplied by 4,043.7 acre-feet for a total Tucson Annual Purchase Price of \$634,860.90 in 2014. The Tucson Annual Purchase Price for the Tucson AMA Long-Term Storage Credits to be transferred pursuant to this Agreement in each year after 2014, through and including 2020, shall be either the Tucson Annual Purchase Price for the immediately preceding year plus 4%, or shall be based on components of the CAP published rate schedule, calculated as follows, whichever is greater:

AP (Tucson AMA) = (CAP Fixed OM&R Charge* + CAP Pumping Energy Charge* + CAP Underground Water Storage O&M Charge for the Tucson AMA*) x 4,043.7 acre-feet

where

AP (Tucson AMA) = the Tucson Annual Purchase Price for Tucson AMA Long-Term Storage Credits transferred in the applicable year

*As published in CAP's Annual Rate Schedule for the year in which the Parties submit the Long-Term Storage Credit Transfer Form pursuant to Article 3.1.

2.4 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.

2.5 Long-Term Storage Credits.

2.5.1 The Long-Term Storage Credits to be sold by Mojave Ventures are or will be from Mojave Ventures' Long-Term Storage Account(s) and shall be transferred to CAGRCD's Account(s) subject to the terms and conditions of this Agreement.

2.5.2 The Long-Term Storage Credits to be sold by Mojave Ventures were stored at the underground storage facilities, under the ADWR Facility Permit and ADWR Storage Permits set forth on Exhibit A.

ARTICLE 3 TIME AND MANNER OF TRANSFER

3.1 Long-Term Storage Credit Transfer Form. On or before February 15, 2014, and on or before February 15 of each year thereafter during the term of this Agreement, Mojave Ventures and CAWCD shall complete, sign and deliver the Long-Term Storage Credit Transfer Form to evidence the transfer of 14,311 acre-feet of Phoenix AMA Long-Term Storage Credits and 4,043.7 acre-feet of Tucson AMA Long-Term Storage Credits for the then-applicable year. A copy of the Long-Term Storage Credit Transfer Form is attached as Exhibit B to this Agreement. If ADWR adopts a different Long-Term Storage Credit Transfer form, then the Parties shall utilize that form instead. On or before February 15, 2014, and on or before February 15 of each year thereafter during the term of this Agreement, CAWCD shall submit the fully executed Long-Term Storage Credit Transfer Form to ADWR.

3.2 Additional Actions and Documentation. CAWCD shall pay any administrative fees established by ADWR to effectuate the transfer of Long-Term Storage Credits into CAGRCD'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 Annual Long-Term Storage Credit Volume for a particular year 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 all or a portion of the 14,311 acre-feet of Phoenix AMA Long-Term Storage Credits and all or a portion of the 4,043.7 acre-feet of Tucson AMA Long-Term Storage Credits from Mojave Ventures' Long-Term Storage Account(s) to CAGR D's Account(s).

4.2 Payment. Each year during the term of this Agreement, within 30 (thirty) days after receiving written notification from ADWR that it has received and accepted the Long-Term Storage Credit Transfer Form and intends to transfer all or a portion of the 14,311 acre-feet of Phoenix AMA Long-Term Storage Credits and all or a portion of the 4,043.7 acre-feet of Tucson AMA Long-Term Storage Credits from Mojave Ventures' Long-Term Storage Account(s) to CAGR D's Account(s), CAWCD shall pay Mojave Ventures the Phoenix Annual Purchase Price and the Tucson Annual Purchase Price as calculated pursuant to Articles 2.3.1 and 2.3.2 above. ADWR may issue its written notification of acceptance separately for the Phoenix AMA Long-Term Storage Credits and Tucson AMA Long-Term Storage Credits. In that case, CAWCD's obligation to pay the Phoenix Annual Purchase Price shall become effective when CAWCD receives ADWR's written notice of acceptance for the Phoenix AMA Long-Term Storage Credits, and CAWCD's obligation to pay the Tucson Annual Purchase Price shall become effective when CAWCD receives ADWR's written notice of acceptance for the Tucson AMA Long-Term Storage Credits.

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. In that event, CAWCD shall pay for number of Long-Term Storage Credits transferred by ADWR into CAGR D's Accounts pursuant to Article 4.2 above, based on the price per acre foot established in Article 2.3.1 or 2.3.2 above, as applicable. If such rejection or invalidation by ADWR occurs after payment has been made by CAWCD, Mojave Ventures 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 2.3.1 or 2.3.2, above. Mojave Ventures shall refund such amount within 30 (thirty) business days after either CAWCD or Mojave Ventures receives any notice of rejection or invalidation from ADWR. CAWCD shall transfer and assign back to Mojave Ventures the number of credits affected by any such rejection or invalidation. Mojave Ventures' obligation to refund any payments under this Article 5 shall expire thirty (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 D'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. Notwithstanding anything to the contrary stated in this Agreement, the number of Long-Term Storage Credits that Mojave Ventures is obligated to transfer to CAWCD shall be reduced by the number of Long-Term Storage Credits that are rejected or invalidated by ADWR pursuant to Arizona Revised Statutes § 45-854.01(C).

**ARTICLE 6
EFFECTIVE DATE AND TERM**

This Agreement shall be effective as of the date set forth in the introductory paragraph of this Agreement (the "Effective Date") and shall expire on December 31, 2020.

**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 Mojave Ventures' Warranty of Title. Mojave Ventures warrants that to the best of its actual knowledge it has good and marketable title, or will obtain good and marketable title through transfer from its affiliate, Hassayampa Ventures, LLC, 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. Mojave Ventures shall warrant and defend title against all persons claiming by or through Mojave Ventures 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 Assignment. No Party may assign, delegate, or otherwise transfer this Agreement, or any interest therein, or the Party's rights or obligations under this Agreement without the prior written consent of the other Party which shall not be unreasonably withheld.

8.9 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, return receipt requested. 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

MOJAVE VENTURES, LLC:

For delivery and
for U.S. Mail use: c/o Regional Director
9191 Towne Centre Drive, Suite 210
San Diego, CA 92122

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. Notwithstanding the foregoing, written notifications from ADWR shall be deemed received when actually received or refused, even if the notifications are given by United States first class mail, or by e-mail, or by other method selected by ADWR.

8.10. Counterparts. This Agreement and each of the Long-Term Storage Credit Transfer Forms referenced in Article 3.1 may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Fax or e-mail copies of this Agreement and each of such Long-Term Storage Credit Transfer Forms and fax/e-mail signatures thereon shall have the same force, effect and status as original signatures.

IN WITNESS WHEREOF, the Parties to this Agreement have executed this Agreement as of the date first set forth above.

CAWCD: **CENTRAL ARIZONA WATER CONSERVATION DISTRICT**

By: Pamela J. Pickard

Its: President

ATTEST: Sandra A. Atkinson
Secretary

MOJAVE VENTURES: **MOJAVE VENTURES, LLC**

By: [Signature]

Its: manager

ATTEST: [Signature]

By: [Signature]

Its: Manager

ATTEST: [Signature]

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.	Credits (AF)	Year(s) Earned	Water Source
Kai-Red Rock	72-558092	73-558092.0301	16,017	2009	CAP
CMID	72-538100	73-538100.0101	12,289	2010	CAP
W. Maricopa Combine	71-578112	73-578112.0200	66,045.34	2009-11	CAP
TDRP	71-593305	73-593305.1300	5,942.35	2011	CAP
TID	72-534439	73-534439.0001	30	2011	CAP
Hassayampa	71-216387	73-216387.0200	28,160.12	2012	CAP

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]

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:

Name of Buyer

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

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

City/State/Zip

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. § 45-853.01 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