

**PURCHASE AND SALE AGREEMENT
FOR
LONG TERM STORAGE CREDITS
BETWEEN CAWCD AND
LITCHFIELD PARK SERVICE COMPANY**

This Purchase and Sale Agreement is made this 6th day of June, 2013, 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 Litchfield Park Service Company ("Seller"), organized and existing under the laws of the State of Arizona.

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

C. Seller has authority and is willing to sell and transfer certain Long-Term Storage Credits in the amounts, at the delivery times and for the prices specified below.

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.
- 1.3 "CAWCD" means the Central Arizona Water Conservation District.
- 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. 70-411120.0001; (ii) the conservation district account established pursuant Arizona Revised Statutes § 45-859.01 for the Phoenix Active Management Area, Account No. 75-411120 and/or the (iii) the conservation district replenishment reserve subaccount for the Phoenix Active Management Area, account No 70-411120.0002.

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

1.6 "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.

1.7 "Seller" means Litchfield Park Service Company.

1.8 "Seller's Long-Term Storage Account" means the account established pursuant to Arizona Revised Statutes § 45-852.01 in Seller's name, account No. 70-441139.

ARTICLE 2 PURCHASE OF LONG-TERM STORAGE CREDITS

2.1 Sale and Purchase. In consideration of the promises and undertakings contained herein, the adequacy of which is agreed by both CAWCD and Seller to be sufficient, CAWCD and Seller agree as follows:

2.1.1 2013 Purchase. In 2013, Seller agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for 2,296 acre-feet of Long-Term Storage Credits in accordance with the terms of this Agreement.

2.1.2 2014 Purchase. In 2014, Seller agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for all Long-Term Storage Credits credited to Seller's Long-Term Storage Account in calendar year 2013 as a result of storage in 2012 or 2013, not to exceed 5,000 acre-feet, in accordance with the terms of this Agreement.

2.1.3 2015 Purchase. In 2015, Seller agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for all Long-Term Storage Credits credited to Seller's Long-Term Storage Account in calendar year 2014 as a result of storage in 2013 or 2014, not to exceed 5,000 acre-feet, in accordance with the terms of this Agreement.

2.1.4 2016 Purchase. In 2016, Seller agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for all Long-Term Storage Credits credited to Seller's Long-Term Storage Account in calendar year 2015 as a result of storage in

2014 or 2015, not to exceed 5,000 acre-feet, in accordance with the terms of this Agreement.

2.1.5 2017 Purchase. In 2017, Seller agrees to sell, transfer and assign and CAWCD agrees to purchase, accept and pay for all Long-Term Storage Credits credited to Seller's Long-Term Storage Account in calendar year 2016 as a result of storage in 2015 or 2016, not to exceed 5,000 acre-feet, in accordance with the terms of this Agreement.

2.2 Type of Water. Seller covenants that all of the Long-Term Storage Credits to be sold pursuant to this Agreement were accrued, or will be accrued, through storage of effluent at the underground storage facility identified in Article 2.3.2 below. 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.

2.3.1 The Long-Term Storage Credits to be sold by Seller in 2013 are from Seller's Long-Term Storage Account. The Long-Term Storage Credits to be sold by Seller in 2014, 2015 and 2016 will be from Seller's Long-Term Storage Account.

2.3.2 The Long-Term Storage Credits to be sold by Seller were stored, or will be stored, at the Roosevelt Irrigation District Groundwater Savings Facility, pursuant to ADWR Facility Permit No. 72-572386.0200, such facility being located in the Phoenix Active Management Area.

2.3.3 The Long-Term Storage Credits to be sold by Seller were stored, or will be stored, pursuant to ADWR Water Storage Permit No. 73-572386.0200.

2.3.4 The source of water used to generate the Long-Term Storage Credits to be sold by Seller is effluent.

2.4 Purchase Prices.

2.4.1 The purchase price for the Long-Term Storage Credits to be transferred in 2013 pursuant to Article 2.1.1 above is \$316,848.00. The per acre-foot price for Long-Term Storage Credits to be transferred in 2013 is \$138.00. ($\$138.00 \times 2,296 \text{ acre-feet} = \$316,848.00$).

2.4.2 The purchase price for the Long-Term Storage Credits to be transferred in 2014 pursuant to Article 2.1.2 above will be equal to the per acre-foot purchase price times the sum of Long-term storage credits to be transferred in 2014. The per acre-foot price for Long-Term Storage Credits to be transferred in 2014 is \$ 147.

2.4.3 The purchase price for the Long-Term Storage Credits to be transferred in 2015 pursuant to Article 2.1.3 above will be equal to the per acre-foot purchase price times the sum of Long-term storage credits to be transferred in 2015. The per acre-foot price for Long-Term Storage Credits to be transferred in 2015 is \$ 159.

2.4.4 The purchase price for the Long-Term Storage Credits to be transferred in 2016 pursuant to Article 2.1.4 above will be equal to the per acre-foot purchase price times the sum of Long-term storage credits to be transferred in 2016. The per acre-foot price for Long-Term Storage Credits to be transferred in 2016 is \$ 165.

2.4.5 The purchase price for the Long-Term Storage Credits to be transferred in 2017 pursuant to Article 2.1.5 above will be equal to the per acre-foot purchase price times the sum of Long-term storage credits to be transferred in 2017. The per acre-foot price for Long-Term Storage Credits to be transferred in 2017 is \$ 170.

ARTICLE 3 TIME AND MANNER OF TRANSFER

3.1 Long-Term Storage Credit Transfer Form. Seller and CAWCD shall complete, sign and deliver the Long-Term Storage Credit Form as prescribed below in this Article 3.1 to evidence the transfer of Long-Term Storage Credits pursuant to this Agreement. A copy of the Long-Term Storage Credit Transfer Form is attached as Exhibit A to this Agreement.

3.1.1 2013 Purchase. To evidence the transfer of Long-Term Storage Credits in 2013 pursuant to Article 2.1.1 above, CAWCD and Seller shall complete, sign and deliver the Long-Term Storage Credit Transfer Form no later than June 1, 2013. After Seller 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.

3.1.2 2014 Purchase. To evidence the transfer of Long-Term Storage Credits in 2014 pursuant to Article 2.1.2 above, CAWCD and Seller shall complete, sign and deliver the Long-Term Storage Credit Transfer Form no later than June 1, 2014. After Seller 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.

3.1.3 2015 Purchase. To evidence the transfer of Long-Term Storage Credits in 2015 pursuant to Article 2.1.3 above, CAWCD and Seller shall complete, sign and deliver the Long-Term Storage Credit Transfer Form no later than June 1, 2015. After Seller 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.

3.1.4 2016 Purchase. To evidence the transfer of Long-Term Storage Credits in 2016 pursuant to Article 2.1.4 above, CAWCD and Seller shall complete, sign and deliver the Long-Term Storage Credit Transfer Form no later than June 1, 2016. After Seller 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.

3.1.5 2017 Purchase. To evidence the transfer of Long-Term Storage Credits in 2017 pursuant to Article 2.1.5 above, CAWCD and Seller shall complete, sign and deliver the Long-Term Storage Credit Transfer Form no later than June 1, 2017. After Seller 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.

3.2 Additional Actions and Documentation. 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, PAYMENT and TERMINATION

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

4.2 Payment and Termination.

4.2.1 Payment for 2013 Purchase. CAWCD shall pay the amounts specified in Article 2.4.1 above no later than twenty (20) business days after ADWR Acceptance of credits transferred pursuant to Article 2.1.1.

4.2.2 Payment for 2014 Purchase. CAWCD shall pay the amounts specified in Article 2.4.2 above no later than twenty (20) business days after ADWR Acceptance of credits transferred pursuant to Article 2.1.2.

4.2.3 Payment for 2015 Purchase. CAWCD shall pay the amounts specified in Article 2.4.3 above no later than twenty (20) business days after ADWR Acceptance of credits transferred pursuant to Article 2.1.3.

4.2.4 Payment for 2016 Purchase. CAWCD shall pay the amounts specified in Article 2.4.4 above no later than twenty (20) business days after ADWR Acceptance of credits transferred pursuant to Article 2.1.4.

4.2.5 Payment for 2017 Purchase. CAWCD shall pay the amounts specified in Article 2.4.5 above no later than twenty (20) business days after ADWR Acceptance of credits transferred pursuant to Article 2.1.5.

In the event that ADWR Acceptance has not occurred within sixty (60) days after submission of the Long-Term Storage Credit Transfer Form(s), either CAWCD or Seller may terminate this Agreement by giving ten (10) days' written notice to the other party. In the event that the Long-Term Storage Credits are transferred out of Seller's account by ADWR, but CAWCD is unable to obtain approval, for any reason, of a transfer of the credits into CAGR's Account(s), CAWCD shall cooperate with and assist the Seller in efforts to obtain approval of a transfer of the Long-Term Storage Credits back into Seller's Long-Term Storage Account.

CAWCD and LPSCO are currently proposing to jointly develop an Effluent Recharge Project for effluent discharged from LPSCO's Palm Valley Wastewater Reclamation Facility. Upon approval, construction and operation of such Effluent Recharge Project, this Agreement shall be immediately terminated by the Parties and any obligation for Seller to sell long-term storage credits to CAWCD shall be governed by the agreement between LPSCO and CAWCD for the purchase and sale of long term storage credits relating to the Effluent Recharge Project

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, Seller 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 prices are established in Articles 3.1.1 through 3.1.4 above. Seller shall refund such amount within 20 (twenty) business days after either CAWCD or Seller receives any notice of rejection or invalidation from ADWR. CAWCD shall transfer and assign back to Seller the number of credits affected by any such rejection or invalidation. Seller's 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's Account(s).

ARTICLE 6

MISCELLANEOUS PROVISIONS

- 6.1 Interpretation, Waiver of Jury Trial. 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. The parties agree to waive all rights to a jury trial.
- 6.2 Time of the Essence. Time is of the essence in the performance of this Agreement.
- 6.3 Seller's Warranty of Title. Seller warrants that 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. Seller shall warrant and defend title against all persons whomsoever.
- 6.4 Specific Performance. The parties agree that if a party fails to perform its obligations under this Agreement, other remedies will not be sufficient and the parties agree that, in addition to other available remedies, the remedy of specific performance shall be available to the aggrieved party.
- 6.5 Amendments. This Agreement may be modified, amended or revoked only by the express written agreement of the parties hereto.
- 6.6 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.
- 6.7 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.
- 6.8 Survival After Termination. The provisions of Articles 6.1, 6.2, 6.3, and 6.4 shall survive the completion or termination of this Agreement.
- 6.9 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.
- 6.10 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.

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. Rickard

Its: President

ATTEST: Diana A. Atkins
Secretary

SELLER:

LITCHFIELD PARK SERVICE COMPANY

BY: [Signature]

ITS: VP & GM

DATE: 5/22/13

ATTEST:

Exhibit A
Purchase and Sale Agreement for Long-Term Storage Credits

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:

Contact Person/Telephone Number

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

Mailing Address

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

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