Request for Consultation
With The Director of the Arizona Department of Water Resources
On the Proposed Transfer of a
Priority Four Mainstream Lower Colorado River Water Entitlement

Pursuant to A.R.S. § 45-107(D) and Substantive Policy Statement CR10 dated January 16, 2019 entitled “Policy and Procedure for Transferring an Entitlement of Colorado River Water” within the State of Arizona

August 1, 2019

Thomas Buschatzke, Director
Arizona Department of Water Resources
1100 West Washington, Suite 310
Phoenix, Arizona 85007

Dear Director Buschatzke:

Pursuant to A.R.S. § 45-107(D) and the Substantive Policy Statement described above, GSC Farm, LLC, a Delaware limited liability company (Seller) and Town of Queen Creek, Arizona, a political subdivision of the State of Arizona (Buyer), request consultation and advice on the transfer of a portion of that certain Colorado River entitlement currently held in the name of GSC Farm, LLC under contract issued by the United States Department of the Interior, Bureau of Reclamation (“USBR”), Contract No. 13-XX-30-W0571, as amended, dated December 3, 2014 (the “GSC Contract”).

Seller and Buyer have entered into a purchase and transfer agreement whereby Seller agrees to sell, and Buyer agrees to buy the entire amount of Priority Four water in the GSC Contract, subject to approval of the transfer to Buyer by the Arizona Department of Water Resources and recommendation to USBR, quantification of the transferrable quantity of that entitlement, and wheeling contract issued under the System Use Agreement between USBR and the Central Arizona Water Conservation District (CAWCD). Buyer intends to use the transferred entitlement within its municipal water service territory. The place of use, type of use and point(s) of diversion will change from Seller’s existing use to meet the Buyer’s proposed new location and use.
Seller and Buyer have agreed to cooperate in this request to your office, and with CAWCD and USBR, to process this transfer of the GSC Contract entitlement to a new contract for the Town approved and issued by USBR.

The names and addresses of the contact persons to this transaction are listed below. We appreciate your attention to this matter, and look forward to a successful conclusion to this transaction.

Sincerely,

Michael J. Pearce
MAGUIRE, PEARCE & STOREY, PLLC

Contact Information

<table>
<thead>
<tr>
<th>Seller:</th>
<th>Buyer:</th>
</tr>
</thead>
</table>
| GSC Farm, LLC  
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c/o Michael Malano  
2999 N 44th Street, Suite 518  
Phoenix, AZ 85018  
Telephone: 602-464-9668  
Email: mschlehuber@greenstonerp.com  
mmalano@greenstonerp.com | Town of Queen Creek  
c/o Town Manager  
22358 South Ellsworth Road  
Queen Creek, Arizona 85142  
Office 480-358-3000  
John.kross@queencreek.org  
with copy to:  
Dickinson Wright PLLC  
1850 N. Central Ave., Suite 1400  
Phoenix, AZ 85004  
Attn: Scott A. Holcomb  
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E-mail: SHolcomb@dickinsonwright.com |

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Request for Consultation  
On the Proposed Transfer of a  
Priority Four Lower Colorado River Water Entitlement  

GSC Farm, LLC to Queen Creek of Queen Creek, Arizona

**DOCUMENTS TABLE OF CONTENTS**

<table>
<thead>
<tr>
<th>Tab</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A....</td>
<td>Water Management Plan.</td>
</tr>
<tr>
<td>A-1...</td>
<td>Map of GSC Farm Service Area</td>
</tr>
<tr>
<td>A-2...</td>
<td>Map of Town of Queen Creek Water Service Planning Area</td>
</tr>
<tr>
<td>A-3...</td>
<td>Letters from Roosevelt Water Conservation District to Town of Queen Creek regarding Water Storage at Groundwater Savings Facility</td>
</tr>
<tr>
<td>C....</td>
<td>Purchase and Transfer Agreement for Mainstream Colorado River Entitlement between GSC Farm, LLC and Queen Creek of Queen Creek, dated December 17, 2018.</td>
</tr>
</tbody>
</table>
Tab A

Water Management Plan

This Water Management Plan is submitted in accordance with the Arizona Department of Water Resources ("ADWR") Substantive Policy Statement CR10 dated January 16, 2019 entitled "Policy and Procedure for Transferring an Entitlement of Colorado River Water" within the State of Arizona ("ADWR Policy Statement").

GSC Farm, LLC ("GSC Farm") owns certain agricultural land in the Cibola Valley, La Paz County, Arizona. The land is currently in agricultural production. GSC Farm holds a Contract for the Delivery of Colorado River Water issued by the United States Department of the Interior, Bureau of Reclamation, Contract No. 13-XX-30-W0571 originally dated December 23, 2013 and amended by Amendment No. 1 dated December 3, 2014 (collectively the "GSC Contract").

The total diversion quantity of Arizona Fourth Priority Colorado River water under the GSC Contract is 2,913.3 acre feet per year. A complete copy of the GSC Contract is attached under Tab B to this Request for Consultation.

Town of Queen Creek, Arizona ("Queen Creek") is a municipal corporation that was incorporated in 1989 with an initial population of approximately 2,600. At the last decennial census in 2010, Queen Creek's population was 26,631. As of 2019, the annexed limits of Queen Creek encompass approximately 39 square miles and its larger planning area encompasses approximately 61 square miles. Most of this area is in Maricopa County, but the Queen Creek planning area also extends into Pinal County. Over the last decade, Queen Creek has been one of the fastest growing municipalities, both regionally and nationally.

Queen Creek is currently able to receive Central Arizona Project ("CAP") water from the CAP canal, and does receive and distribute CAP water today under its CAP M&I Priority CAP Subcontract No. 09-XX-30-W0542 dated November 2, 2009. That Subcontract is only for 495 acre feet per year, comprised of allocations originally made to the Queen Creek Water Company and H2O Water Company. Because of the relatively recent incorporation of Queen Creek and the timing of the acquisition of these water systems, the population and geography of Queen Creek’s future water service area was not a consideration during the major municipal and industrial CAP water allocations. As a result, Queen Creek is almost completely reliant on groundwater, and the use of the Central Arizona Groundwater Replenishment District, to meet its present and future water resource obligations.

To provide resiliency and stability for its long term municipal water needs, Queen Creek desires to augment its current water supplies with additional Colorado River water delivered through the CAP canal. Queen Creek’s strategic vision is to develop, to the greatest extent
possible, a diverse portfolio of sustainable, resilient water supplies while reducing its reliance on groundwater.

To that end, Queen Creek and GSC Farm entered into an agreement entitled “Purchase and Transfer Agreement for Mainstream Colorado River Water Entitlement” dated December 17, 2018. That agreement, a complete copy of which is attached under Tab C to this Request for Consultation, provides that Queen Creek may acquire all of the Arizona 4th Priority Colorado River entitlement held by GSC Farm under the GSC Contract. GSC Farm will retain ownership of the agricultural land in Cibola Valley, and will seek to develop that land for non-irrigation uses using water supplies available at the local level.

GSC Farm and Queen Creek recognize that the transfer of the GSC Contract entitlement will be based on the quantification of the historic consumptive use at GSC Farm. The quantity of water available for conveyance under the ADWR Policy Statement is defined as the “Transferable Quantity” in the GSC Farm-Queen Creek transfer agreement (see Tab C).

GSC Farm and Queen Creek also recognize that although the Central Arizona Water Conservation District (CAWCD) has entered into the Central Arizona Project System Use Agreement Between the United States and the Central Arizona Water Conservation District, Agreement No. 17-XX-30-W0622 dated February 2, 2017, the details of the Standard Terms and Conditions for Reclamation Wheeling Contracts to Transport Non-Project Water will be subject to review under the National Environmental Policy Act. Queen Creek and GSC Farm recognize that they must work with CAWCD and the United States Bureau of Reclamation to develop final approval of this type of agreement. GSC Farm and Queen Creek are prepared to do so.

Finally, GSC Farm, LLC and Queen Creek recognize that the United States Bureau of Reclamation (“USBR”) will need to review this request to transfer under applicable federal laws and Reclamation policies and ultimately make the final determination based on ADWR’s recommendations.

The details of this proposed transfer, and supporting documentation, are included in this Water Management Plan and the attachments to this Request for Consultation. The specific elements of the ADWR Policy Statement are addressed as indicated:

**Table of Contents**

Transferring Entity (GSC Farm, LLC)

a. Description and quantification of the proposed water use to be transferred.
b. Map depicting the contract area and the location of the retired use and associated points of diversion and return (TAB A-1).
c. Description of termination of existing use.
d. Demonstration that the transfer will not interfere or infringe upon any vested or existing water rights within the Transferor’s service area.
e. Explanation of expected changes to water provider operations and deliveries to remaining customers.

f. Explanation of consistency of transfer with local ordinances, rules and regulations.

g. Description and quantification of the proposed new use.

Receiving Entity (Queen Creek of Queen Creek, Arizona)

h. Map showing the service area, points of diversion and points of return associated with the new use *(Tab A-2)*.

i. Calculations of the amount of Colorado River water that will be diverted, consumptively used and returned to the river.

j. Demonstration of the ability to divert, convey and consumptively use water within a reasonable timeframe *(Tab A-3)*.

k. Demonstration that transfer will not interfere or infringe on vested or existing water rights within the transferred contract service area.

l. List identifying and quantifying water supplies currently available to meet current, committed and projected municipal and industrial demand.

m. Explanation of consistency of the conveyance with local area ordinances, rules and regulations, including those limiting use of potable water supplies for lakes, golf courses, etc.

**Water Management Plan for Transferring Entity**

a. **Description and Quantification of the proposed water use to be transferred.** The current water use is for farming operations within the Cibola Valley, La Paz County, Arizona. The GSC Contract allows 2,913.3 acre feet of annual diversion of Arizona 4th Priority Colorado River water. Currently, all of the water is put to beneficial use within the GSC Farm operations. Some quantity of water diverted and used on the GSC Farm returns to the Colorado River.

   USBR accounting of the use under the GSC Contract indicates that the consumptive use is 4.3 acre feet out of the 6 acre feet per acre diversion quantity. This accounting results in a net Transferrable Quantity of 71.66% of the total diversion amount or: 2,913.3 x .71667 = 2,087.865 acre feet of Transferrable Quantity.

b. **Map of the contract area and the location of the retired water use and associated points of diversion and return.** The contract area and location of the retired water use are shown on Exhibit A to the GSC Contract, which map is reproduced here under *(Tab A-1)*. As noted in the GSC Contract Exhibit A, GSC Farm utilizes approved points of diversion authorized under Contract No. 02-07-30-W0028 (Cibola Valley Irrigation and Drainage District). The return flow is not measured, and there is no point of return identified in the GSC Contract.
c. **Description of how the existing water use will be terminated.** The properties owned by GSC Farm, LLC (GSC) have been designated as areas of future growth by the La Paz County Comprehensive Plan. The land use designation on the GSC parcels is “Rural Community.” This designation allows up to 8 single family dwelling units per acre (DUAC), 10 townhome DUAC, or 15 condominium DUAC.

GSC is motivated to maintain and build the value of its retained real property in La Paz County. GSC will look to develop the property it holds to its highest and best value, although that will likely be of much lower density than that identified within the La Paz Comprehensive Plan’s land use designation.

As the property transitions out of agriculture, it is anticipated that the land will forego its current agricultural tax status, and La Paz County will actually collect more property tax per acre on the GSC properties than it currently collects.

d. **Demonstration that transfer will not interfere or infringe upon any vested or existing water rights within its contract service area.** The GSC Contract entitlement was originally part of the contract held by Cibola Valley Irrigation and Drainage District (CVIDD). GSC Farm still cooperates with CVIDD to deliver water to GSC Farm, and the GSC Farm land will remain within the boundaries of CVIDD after this transfer. Transfer of the GSC Contract entitlement will not interfere with any other vested or existing water rights held by CVIDD or others.

e. **Explanation of expected changes to water provider operations and deliveries to remaining customers.** No significant change is anticipated in the ongoing operations of CVIDD after this transfer is effective, other than a termination of all delivery of Arizona 4th Priority water under the GSC Contract.

f. **Explanation of how the transfer is consistent with local area ordinances, rules and regulations.** As noted in item (c) above, the GSC Farm land is already designated as an area of future growth. Termination of farming activities on the GSC Farm land will not violate, and is consistent with, all applicable local area ordinances, rules and regulations.

g. **Description and Quantification of the proposed new water use.** The proposed new use will be for municipal water supply purposes. The new use will be 100% of the Transferrable Quantity from the mainstream of the Colorado River. More detail on the proposed new use is provided in the Water Management Plan for the Receiving Entity, below.
Water Management Plan for Receiving Entity

h. **Map showing the service area, points of diversion and points of return associated with the new use.** The transferred mainstream water will be diverted at the Mark Wilmer Pumping Plant at the beginning of the CAP canal. Because the water will be transported in its entirety through the Central Arizona Project canal, there will be no return flow (or point of return) to the Colorado River.

Attached here, under **Tab A-2**, is a map depicting the water service territory of Queen Creek. This map shows the point of diversion from the Central Arizona Project canal through the Queen Creek Irrigation District turnout. Queen Creek proposes that the water planning service area as depicted on this map be incorporated into the ultimate “service area” of the USBR contract to be issued to Queen Creek.

i. **Calculations showing the amount of Colorado River water that will be diverted, consumptively used and returned to the river.** Queen Creek intends to divert the entire Transferrable Quantity as defined and calculated in item (a) above. 100% of this Transferrable Quantity will be the consumptive use from the river. Within the Queen Creek service territory, however, there will be return flow from the initial beneficial use of this water and that return flow will be captured, treated and again put to beneficial use by Queen Creek within its service territory.

j. **Demonstration of ability to divert, convey and consumptively use water within a reasonable time frame.** Queen Creek has existing arrangements with the Queen Creek Irrigation District (QCID) to divert and wheel CAP water from the CAP Canal at the existing QCID CAP turnout. Queen Creek/QCID can wheel the water through the QCID system to the Roosevelt Water Conservation District (RWCD). RWCD currently takes delivery of Queen Creek water into the RWCD Groundwater Savings Facility (ADWR GSF No. 72-545695). See map at **TAB A-2**. Queen Creek has discussed storing the full volume of this transfer water with RWCD in the near term, and RWCD has agreed, subject to final contracts, to accept this water as evidenced by the two letters from RWCD to Queen Creek attached here at **Tab A-3**. Queen Creek has several recovery wells already permitted within its service area, and has immediate capacity to recover the full volume of this stored water instead of the groundwater currently withdrawn by Queen Creek. By using this underground storage and recovery option, Queen Creek can begin immediately offsetting groundwater use within its service area with renewable Colorado River water.

Future plans for Queen Creek involve partnering with nearby cities and towns to share capacity in surface water treatment plants that would make this renewable water available for direct delivery.

k. **Demonstration that the transfer will not interfere or infringe upon any vested or existing water rights within the new contract service area.** Queen Creek’s water service territory (**Tab A-2 to this Request**) is currently within Queen Creek’s
exclusive authority to serve. Queen Creek will be the service area municipal provider, consistent with its statutory authorities as a municipal corporation.

1. **A list that identifies and quantifies all water supplies currently available to meet its current, committed and projected municipal and industrial demand.** Queen Creek completed its most recent water system master plan in 2017. The plan identified approximately 24,300 current connections with a current annual system demand of approximately 15,100 Acre Feet (AF). Queen Creek’s build out demand is expected to include approximately 78,800 connections with an annual system demand of 43,500 AF.

   To meet current, committed and projected demand, Queen Creek has the following water sources:

   42,241 AF of Groundwater (2011 ADWR Physical Availability Determination)
   495 M&I CAP Surface Water Allocation
   2,000 AF of Wastewater Effluent

   To meet build-out demand of 43,500 AF, an additional 12,100 AF of alternative (non-groundwater) supplies are anticipated through:

   4,100 AF NIA CAP Surface Water Allocation
   8,000 AF of Wastewater Effluent

   Although Queen Creek has sufficient groundwater available to meet its future demands, it is Queen Creek’s plan to preserve that groundwater for as long as possible.

m. **Explanation of how the conveyance is consistent with local area ordinances, rules and regulations, including those limiting the use of potable water supplies for lakes, golf courses, etc.** Except for the Town’s current CAP M&I allocation and reuse of treated effluent, the Town’s water system is reliant on groundwater. In keeping with the spirit and intent of the Groundwater Management Act, the Town is seeking to maintain safe groundwater yield by minimizing its reliance on groundwater as an ongoing water supply. The Town Council has established a strategic objective to minimize the system’s reliance on groundwater, achieve/acquire an assured water supply based on renewable supplies, and to become a designated water provider as soon as is practicably possible.

   In conformance with current rules and regulations, Queen Creek only provides recovered effluent to non-public lakes and golf courses. No Colorado River water will be used for this purpose.
Map of the GSF Farm Service Area
California

Legend

- **Yellow**: Area Permanently Retired from Irrigation and Not in GSC's Contract Service Area
- **Light Gray**: Cibola Valley Irrigation and Drainage District Boundary
- **Pink**: GSC Contract Service Area

**Legend Diagram**

- **North Arrow**
- **Mile Markers**: 0, 0.25, 0.5, 1, 1.5, 2

**California**

**Detail**

- **Sec 1**
- **Sec 2**
- **Sec 3**
- **Sec 4**
- **Sec 5**
- **Sec 6**
- **Sec 7**
- **Sec 8**
- **Sec 9**
- **Sec 10**
- **Sec 11**
- **Sec 12**
- **Sec 13**
- **Sec 14**
- **Sec 15**
- **Sec 16**
- **Sec 17**
- **Sec 18**
- **Sec 19**
- **Sec 20**
- **Sec 21**
- **Sec 22**
- **Sec 23**
- **Sec 24**
- **Sec 25**
- **Sec 26**
- **Sec 27**
- **Sec 28**
- **Sec 29**
- **Sec 30**
- **Sec 31**
- **Sec 32**
- **Sec 33**
- **Sec 34**
- **Sec 35**
- **Sec 36**

**Arizona**

**Map Details**

- **Cibola Valley Irrigation and Drainage District Boundary**
- **R 24 W**
- **R 23 W**

**Scale**

- **0 0.25 0.5 1 1.5 2 Miles**

**Name**: 13-XX-30-W0571 GSC Farm
Map of the Town of Queen Creek Water Service Planning Area
Letters from Roosevelt Water Conservation District to Town of Queen Creek Regarding Storage of Water at Groundwater Savings Facility
23 May 2019

VIA Email Only (to paul.gardner@queencreek.org)

To: Paul Gardner  
   Town of Queen Creek, Utilities Director  
   22358 S. Ellsworth Rd.  
   Queen Creek, AZ 85142

RE: RWCD GSF Storage 2020

Mr. Gardner,

Thank you for taking the time to visit with us on 14 May 2019. During our meeting, you mentioned that the Town of Queen Creek is in the process of acquiring approximately 2,000 AF of Colorado River Water from the Cibola Valley Irrigation and Drainage District. You asked if RWCD would be able to accept this water in RWCD’s groundwater savings facility in 2020.

This letter confirms that should Queen Creek acquire the CVIDD CAP water RWCD can store the water in its GSF in 2020, on a second priority basis. Storage terms would need to be worked out and confirmed in an agreement.

Please feel free to contact me if you have any questions regarding the information contained within and/or included with this letter.

Sincerely,

R. Brad Strader, PE  
District Engineer/Water Operations Manager

cc. Shane M. Leonard, General Manager
15 July 2019

VIA Email Only (to paul.gardner@queencreek.org)

To: Paul Gardner
Town of Queen Creek, Utilities Director
22358 S. Ellsworth Rd.
Queen Creek, AZ 85142

RE: RWCD GSF Storage 2020 - Cibola Water Clarification

Mr. Gardner,

This letter follows my letter of 23 May 2019.

To clarify, RWCD is willing, contingent upon a formal written agreement with the Town, to schedule 2,000 acre-feet of the Town’s CAP water (including Town water leased from Cibola) to be stored in RWCD’s Groundwater Savings Facility.

Please feel free to contact me if you have any questions regarding the information contained within and/or included with this letter.

Sincerely,

R. Brad Strader, PE
District Engineer/Water Operations Manager

CC: Shane M. Leonard, General Manager
Tab B

# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Preamble</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Explanatory Recitals</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Amendment No. 1 Purpose</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>Amendment to Contract</td>
<td>4</td>
</tr>
<tr>
<td>5.</td>
<td>Other Provisions Unaffected</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Officials Not to Benefit</td>
<td>5</td>
</tr>
<tr>
<td>7.</td>
<td>Contingent on Appropriation of Allotment of Funds</td>
<td>5</td>
</tr>
<tr>
<td>8.</td>
<td>Exhibits Made Part of the Contract</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Signature Page</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Exhibit A – Revision 1 – Entitlement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exhibit B – Revision 1 – GSC Farm, LLC Contract Service Area</td>
<td></td>
</tr>
</tbody>
</table>
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

BOULDER CANYON PROJECT

CONTRACT WITH GSC FARM, LLC FOR DELIVERY OF COLORADO RIVER WATER
FOR USE IN ARIZONA

1. **PREAMBLE:** THIS AMENDMENT NO. 1 is made this 3rd day of December, 2014, pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), and Acts amendatory thereof or supplementary thereto, including but not limited to the Boulder Canyon Project Act enacted December 21, 1928 (45 Stat. 1057), all of which are commonly known and referred to as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter called the “United States,” and the GSC FARM, LLC, a Delaware limited liability company hereinafter called “GSC;” the United States and GSC are each individually sometimes hereinafter called “Party” and sometimes collectively called “Parties”;

WITNESSETH THAT:

2. **EXPLANATORY RECITALS:**

2.1 WHEREAS, under Contract No. 13-XX-30-W0571, between GSC and the United
States (GSC Contract), GSC has an entitlement to an annual diversion of up to 2,673.3 acre-feet of Colorado River water of Arizona fourth-priority water for irrigation use within GSC’s Contract service area;

2.2 WHEREAS, GSC is a landowner that owns land within Cibola Valley Irrigation and Drainage District (CVIDD) contract service area under Contract No. 2-07-30-W0028, as amended, between CVIDD and the United States (CVIDD Contract);

2.3 WHEREAS, under the CVIDD Contract, CVIDD has an entitlement to an annual diversion of up to 12,866 acre-feet of Colorado River water, including (i) 9,366 acre-feet of Arizona fourth-priority water, of which up to 300 acre-feet can be used for irrigation use or domestic use, (ii) 1,500 acre-feet of Arizona fifth-priority water (unused Arizona entitlement) for irrigation use, and (iii) 2,000 acre-feet of Arizona sixth-priority water (surplus water) for irrigation use within CVIDD’s Contract service area;

2.4 WHEREAS, the land within the GSC Contract service area is also within CVIDD’s Contract service area for the purpose of CVIDD providing a portion of its Arizona fifth- and/or sixth-priority water to those lands, therefore, that portion of CVIDD’s Contract service area under its contract and the GSC Contract service area under its contract are coextensive and each entity accounts for its Colorado River water diversions for that land pursuant to its Colorado River water delivery contract;

2.5 WHEREAS, GSC has purchased more land within the CVIDD Contract service area and requested that CVIDD assign to GSC that portion of CVIDD’s Arizona fourth-priority Colorado River water entitlement for irrigation use associated with the additional land it purchased, namely, Parcel No. 302-01-004, consisting of 40 acres (GSC Additional Land);

2.6 WHEREAS, GSC will use the additional 240 acre-feet per year for irrigation use on the GSC Additional Land which is the same type of use, place of use, and quantity of use of Colorado River fourth-priority water previously made available to this parcel by CVIDD in accordance with the terms of the CVIDD Contract;

2.7 WHEREAS, GSC also requested that the GSC Additional Land continue to receive
a portion of CV IDD’s Arizona fifth- and/or sixth-priority Colorado River water entitlement, when such Arizona fifth- and/or sixth-priority water is available as is done with the other GSC lands within the CV IDD Contract service area;

2.8 WHEREAS, by letter to the Bureau of Reclamation dated April 9, 2014, and as provided in Resolution No. 01-07-14 dated January 7, 2014, CV IDD approved GSC’s request that the portion of CV IDD’s Arizona fourth-priority Colorado River water entitlement associated with the GSC Additional Land be assigned to GSC, namely the annual entitlement to divert up to 240 acre-feet of Arizona fourth-priority water for irrigation use;

2.9 WHEREAS, also as provided in CV IDD’s letter to Reclamation and its Resolution No. 01-07-14, CV IDD approved GSC’s request that the GSC Additional Land continue to be entitled to receive a portion of CV IDD’s Arizona fifth- and/or sixth-priority water entitlement for irrigation use when such Arizona fifth- and/or sixth-priority water is available;

2.10 WHEREAS, the GSC Additional Land will remain in CV IDD’s Contract service area and therefore that portion of the CV IDD Contract service area and the GSC Contract service area will be coextensive and each entity will account for its Colorado River water diversions for that land pursuant to its Colorado River water delivery contract;

2.11 WHEREAS, Contract No. 2-07-30-W0028, Partial Assignment No. 4 between CV IDD and GSC assigning 240 acre-feet of CV IDD’s Arizona fourth-priority Colorado River water entitlement to GSC for irrigation use was approved by the United States;

2.12 WHEREAS, the Bureau of Reclamation adopted a new policy (PEC P05) dated July 24, 2013, which includes a new definition of “Irrigation Use” to be used in new Colorado River water delivery contracts and/or amended Colorado River water delivery contracts that will be executed after the effective date of the new policy which is July 24, 2013;

2.13 WHEREAS, the GSC Contract will be amended to (1) increase GSC’s Arizona fourth-priority entitlement from an annual diversion of up to 2,673.3 acre-feet to an annual
diversion of up to 2,913.3 acre-feet for use within GSC’s Contract service area, (2) revise the map of GSC’s Contract service area to depict that the GSC Additional Land is part of GSC’s Contract service area, and (3) update the definition of irrigation use to conform it with current Bureau of Reclamation policy;

2.13 WHEREAS, CVIIDD’s boundary remains the same;

2.14 WHEREAS, GSC has consulted with the Arizona Department of Water Resources (ADWR), and ADWR by letter dated May 1, 2014, has recommended that this Amendment No. 1 be approved;

2.15 WHEREAS, in accordance with the National Environmental Policy Act, the United States completed Categorical Exclusion No. LC-14-23 for this action;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the Parties agree as follows:

3. **AMENDMENT NO. 1 PURPOSE:** The purpose of this Amendment No. 1 is to conform with Contract No. 2-07-30-W0028, Partial Assignment No. 4 between CVIIDD and GSC that assigns a portion of CVIIDD’s Arizona fourth-priority water entitlement pursuant to Contract No. 2-07-30-W0028, as amended, to GSC for irrigation use, and to update the definition of Irrigation Use to conform with current Bureau of Reclamation policy.

4. **AMENDMENT TO CONTRACT:**

4.1 In order to update the definition of Irrigation Use with current Bureau of Reclamation policy, Subsection 3.15, which is the definition of Irrigation Use, in Contract No. 13-XX-30-W0571, as amended, is hereby superseded and replaced with the following:

“3.15 Irrigation Use means the use of contract water to irrigate land primarily for the production of commercial agricultural crops or livestock, and domestic and other uses that are incidental thereto.”
4.2 In order to amend GSC’s Entitlement and GSC’s Contract Service Area to conform with Contract No. 2-07-30-W0028, Partial Assignment No. 4, Exhibits A and B attached hereto supersede and replace Exhibits and A and B dated December 23, 2013.

5. **OTHER PROVISIONS UNAFFECTED:** Except as expressly modified by this Amendment No. 1, all other terms and provisions of Contract No. 13-XX-30-W0571, remain in full force and effect.

6. **OFFICIALS NOT TO BENEFIT:** No member of or delegate to Congress, Resident Commissioner, or official of GSC shall benefit from this Amendment No. 1 other than as a water user or landowner in the same manner as other water users or landowners.

7. **CONTINGENT ON APPROPRIATION OF ALLOTMENT OF FUNDS:** The expenditure or advance of any money or the performance of any obligation of the United States under this Amendment No. 1 shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the District from any obligations under this Amendment No. 1. No liability shall accrue to the United States in case funds are not appropriated or allotted.

8. **EXHIBITS MADE PART OF THE CONTRACT:** Inasmuch as GSC’s Entitlement to Mainstream Water and the map of GSC’s Contract service area may change, they are set forth, respectively, in Exhibits A and B and may be formulated or modified from time to time. Each exhibit is attached hereto and made part of Contract No. 13-XX-30-W0571, supersedes and replaces Exhibits A and B dated December 23, 2013, and shall be in full force and effect in accordance with its respective provisions until superseded by a subsequent exhibit or exhibits executed by the Parties hereto.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 to Contract No. 13-XX-30-W0571, including the revised Exhibit A and Exhibit B the day and year
first written above.

Approved for Legal Sufficiency:

By: Katherine Ott Verburg
   Field Solicitor
   Phoenix, Arizona

By: [Signature]
   Regional Director
   Lower Colorado Region
   Bureau of Reclamation

Attest:

By: [Signature]

By: [Signature]

THE UNITED STATES OF AMERICA

GSC FARM, LLC
MAP OF GSC FARM, LLC’s (GSC) CONTRACT SERVICE AREA AND INFORMATION ABOUT GSC’S POINT OF DIVERSION AND POINT OF RETURN

1. This Exhibit A, made this 3 day of December, 2014, to be effective under and as a part of Contract No. 13-XX-30-W0571 (Contract), hereinafter called “Exhibit A,” shall become effective on the date of the Exhibit A’s execution, shall supersede and replace Exhibit A that became effective on December 23, 2013, and shall remain in effect until superseded by another Exhibit A executed by the Parties; Provided, That this Exhibit A or any superseding Exhibit A shall terminate with termination of the Contract.

2. Contract No. 2-07-30-W0028, Partial Assignment No. 4 assigned 240 acre-feet per year of Cibola Valley Irrigation and Drainage District’s (CVIDD) Arizona fourth-priority Colorado River water entitlement under Contract No. 2-07-30-W0028, as amended, to GSC under this Contract, which was approved by the United States.

3. The following map depicts the GSC Contract Service Area. The GSC Contract Service Area includes lands known as Parcel Nos. 302-01-011A, 302-13-001D, 302-13-002, 302-01-013, and 302-01-004. However, some of the lands (4.45 acres of land which is a portion of the Northwest quarter of Section 29, Township 1 North, Range 23 West, GSRB&M, La Paz County) are permanently retired from irrigation and are excluded from GSC’s Contract Service Area, as shown on the following map.

4. GSC utilizes an approved point of diversion under Contract No. 2-07-30-W0028, as amended, between the United States and CVIDD to wheel Mainstream Water to the GSC Contract Service Area. CVIDD’s boundary is depicted on the following map. However, all Mainstream Water diverted for use at the GSC Contract Service Area, with the
exception of Arizona fifth- and/or sixth-priority water diverted under Contract No. 2-07-30-W0028, as amended, is part of GSC’s Entitlement under this Contract and governed by the terms and conditions of this Contract.

5. The land within the GSC Contract Service Area is also within CVIDD’s Contract service area for the purpose of CVIDD providing a portion of its Arizona fifth- and/or sixth-priority water to those lands, therefore, that portion of CVIDD’s Contract service area under Contract No. 2-07-30-W0028, as amended, and the GSC Contract Service Area as shown in the attached map will be coextensive and each entity will account for its Colorado River water diversions for that land pursuant to its Colorado River water delivery contract.

6. GSC shall provide additional information on all points of diversion and/or well sites, and all point(s) of return when requested by the Contracting Officer.
MAINESTREAM WATER ENTITLEMENT FOR THE
GSC FARM, LLC (GSC) CONTRACT SERVICE AREA

1. This Exhibit B, made this 3rd day of December, 2014, to be effective under and as a part of Contract No. 13-XX-30-W0571 (Contract), hereinafter called “Exhibit B,” shall supersede and replace Exhibit B, that became effective on December 23, 2013, and shall remain in effect until superseded by another Exhibit B executed by the Parties; Provided, That this Exhibit B or any superseding Exhibit B shall terminate with termination of the Contract.

2. Contract No. 2-07-30-W0028, Partial Assignment No. 4 assigned 240 acre-feet per year of Cibola Valley Irrigation and Drainage District Arizona fourth-priority Colorado River water entitlement under Contract No. 2-07-30-W0028, as amended, to GSC under this Contract, which was approved by the United States.

3. GSC has the following Entitlement to the diversion of Mainstream Water for beneficial Irrigation Use within the GSC Contract Service Area. The following table lists the type of water use, contract date, priority within the State of Arizona, and the annual Entitlement diversion amount in acre-feet.

<table>
<thead>
<tr>
<th>TYPE OF WATER USE</th>
<th>CONTRACT DATE</th>
<th>STATE OF ARIZONA PRIORITY</th>
<th>ANNUAL DIVERSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation</td>
<td>January 31, 1983</td>
<td>Fourth-Priority</td>
<td>2,913.3 acre-feet</td>
</tr>
</tbody>
</table>

Total Annual Diversion: 2,913.3 acre-feet
LC-4405
WTR-4.00

VIA OVERNIGHT MAIL

Ms. Jane Hoppe
Senior Commercial Escrow Officer
Escrow No. C1309149-347MC
Chicago Title Agency, Inc.
2390 East Camelback Road, Suite 120
Phoenix, Arizona 85016

Subject:  Fully Executed Documents for Distribution Concerning the Assignment and Transfer of Colorado River Water Under Contract No. 07-XX-30-W0517, as Amended, With Arizona Recreational Facilities, LLC (ARF) to GSC Farm, LLC (GSC)

Dear Ms. Hoppe:

We are pleased to enclose for distribution to ARF and GSC the fully executed duplicate originals of the following documents:

1. Contract No. 07-XX-30-W0517, Assignment and Transfer No. 3 of Colorado River water under contract with ARF to GSC (2 duplicate originals).
2. Contract No. 13-XX-30-W0571, between the United States and GSC (2 duplicate originals).

We retained one original for our files. Please distribute one duplicate original of each document to ARF and one duplicate original of each document to GSC.

If you have questions, please call me at 702-293-8532.

Sincerely,

[Signature]

Nancy DiTomato
Contract and Repayment Specialist

Enclosures – 4

cc: See next page.
cc:  Mr. Thomas Buschatzke  
Assistant Director  
Arizona Department of Water Resources  
3550 North Central Avenue  
Phoenix, AZ  85012

Mr. Mitchell M. Wexler  
Manager  
Arizona Recreational Facilities, LLC  
13397 Lakefront Drive  
Earth City, MO  63045

Mr. Michael J. Pearce  
Attorney  
Maguire & Pearce  
2999 North 44th Street, Suite 630  
Phoenix, AZ  85018

Mr. Peter W. Culp  
Attorney  
Squire Sanders (US) LLP  
1 East Washington Street, Suite 2700  
Phoenix, AZ  85004

Mr. David Green  
Attorney  
13397 Lakefront Drive  
St. Louis, MO  63045

Mr. Michael Schlehuber  
GSC Farm, LLC  
3550 N. Central Avenue, Suite 1115  
Phoenix, AZ  85012-2116
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Preamble</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Explanatory Recitals</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Assignment of ARF Contract No. 07-XX-30-W0517, As Amended</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>Effective Date of This Assignment and Transfer No. 3</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>Conditions Which Would Void This Assignment and Transfer No. 3</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Acceptance of This Assignment and Transfer No. 3</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Signature Page</td>
<td>6</td>
</tr>
</tbody>
</table>
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
BOULDER CANYON PROJECT

ASSIGNMENT OF CONTRACT AND TRANSFER OF
THE ENTITLEMENT TO THE DELIVERY OF COLORADO RIVER WATER
FROM ARIZONA RECREATIONAL FACILITIES, LLC TO GSC FARM, LLC

1. **PREAMBLE:** THIS ASSIGNMENT OF CONTRACT AND TRANSFER OF THE
ENTITLEMENT TO THE DELIVERY OF COLORADO RIVER WATER FROM ARIZONA
RECREATIONAL FACILITIES, LLC TO GSC FARM, LLC is made and entered into this
23rd day of December, 2013, hereinafter called “Assignment and Transfer No. 3” by and
between ARIZONA RECREATIONAL FACILITIES, LLC, a Missouri limited liability
company, hereinafter called “ARF” and GSC FARM, LLC, a Delaware limited liability
company, hereinafter called “GSC”; with ARF and GSC, hereinafter collectively called
“Parties”;

WITNESSETH THAT:

2. **EXPLANATORY RECITALS:**

2.1 **WHEREAS,** ARF and the United States of America, hereinafter called the
“United States,” entered into Contract No. 07-XX-30-W0517, dated September 4, 2008,
hereinafter called “ARF Contract”;

2.2 **WHEREAS,** the ARF Contract, among other things, provided an entitlement for
the annual diversion of up to 2,700 acre-feet of Arizona fourth-priority Colorado River water for
irrigation use within the contract service area described in "Exhibit A" of the ARF Contract;

2.3 WHEREAS, ARF assigned and transferred 14 acre-feet per year of the Arizona
fourth-priority Colorado River water entitlement under the ARF Contract to EPCOR Water
Arizona Inc. by Partial Assignment and Transfer No. 1 that was approved by the United States
on November 15, 2012, which reduced ARF's annual diversion entitlement to 2,686 acre-feet of
Arizona fourth-priority Colorado River water;

2.4 WHEREAS, ARF assigned and transferred 12.7 acre-feet per year of the Arizona
fourth-priority Colorado River water entitlement under the ARF Contract to Lake Havasu City,
Arizona, by Partial Assignment and Transfer No. 2 that was approved by the United States on
February 25, 2013, which reduced ARF's annual diversion entitlement to 2,673.3 acre-feet of
Arizona fourth-priority Colorado River water;

2.5 WHEREAS, the ARF Contract, among other things, provides an entitlement for
the annual diversion of up to 2,673.3 acre-feet of Colorado River water for irrigation use within
the service area described in "Exhibit A- Revision 2" of the ARF Contract;

2.6 WHEREAS, ARF desires to assign the ARF Contract and to transfer the Colorado
River water entitlement under that contract to GSC;

2.7 WHEREAS, GSC is purchasing the lands within the contract service area described
in "Exhibit A-Revision 2" of the ARF Contract, pursuant to a Purchase and Sell Agreement dated
however, some of the lands GSC is purchasing (4.45 acres of land which is a portion of the
Northwest quarter of Section 29, Township 1 North, Range 23 West, GSRB&M, La Paz County)
are permanently retired from irrigation and are excluded from the contract service area due to ARF
permanently transferring the Colorado River water associated with those lands to EPCOR Water
Arizona, Inc. and Lake Havasu City, Arizona as discussed above;

2.8 WHEREAS, GSC desires to accept the assignment of the ARF Contract and the transfer of the Colorado River water entitlement under that contract;

2.9 WHEREAS, GSC desires to use the Colorado River water entitlement under the ARF Contract to supply water for the same purpose (irrigation use) within the same service area as described in “Exhibit A-Revision 2” of the ARF Contract;

2.10 WHEREAS, GSC and the United States intend to enter into a novation agreement, proposed Contract No. 13-XX-30-W0571, for the annual diversion of up to 2,673.3 acre-feet of Colorado River water entitlement under the ARF Contract;

2.11 WHEREAS, proposed Contract No. 13-XX-30-W0571 will (i) recognize the substitution of GSC in place of ARF as the holder of the entitlement and (ii) retain the type of use, place of use, and point of diversion of the entitlement to permit it to be used to supply water for irrigation use within the same service area that is described in “Exhibit A-Revision 2” of the ARF Contract;

2.12 WHEREAS, proposed Contract No. 13-XX-30-W0571, when executed, will supersede and replace the ARF Contract and provide an entitlement to GSC for an annual diversion of not to exceed 2,673.3 acre-feet of Colorado River water for irrigation use within the same service area that was described in “Exhibit A-Revision 2” of the ARF Contract, and will retain the priority date of the Colorado River water entitlement under the ARF Contract;

2.13 WHEREAS, in accordance with the National Environmental Policy Act, the United States completed Categorical Exclusion No. LC-14-02, for this Assignment and Transfer No. 3 and the proposed Contract No. 13-XX-30-W0571;

2.14 WHEREAS, ARF and GSC have consulted with the Arizona Department of Water Resources (ADWR), pursuant to A.R.S. § 45-107(D);
WHEREAS, ADWR, in accordance with its Policy and Procedures for Transferring an Entitlement of Lower Basin Colorado River Water Within the State of Arizona, dated May 24, 2004, recommended by letter dated October 22, 2013, that this Assignment and Transfer No. 3 be approved; and

WHEREAS, Article 34 of the ARF Contract provides that any assignment of the ARF Contract or transfer of any interest thereunder binds the successors and assigns and further provides that no such assignment or transfer shall be valid until approved in writing by the Contracting Officer.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the Parties agree as follows:

3. ASSIGNMENT OF ARF CONTRACT NO. 07-XX-30-W0517, AS AMENDED:

3.1 ARF hereby assigns to GSC all rights, interests, and obligations in Contract No. 07-XX-30-W0517, as amended, between ARF and the United States and transfers to GSC all rights, interests, and obligations in the entitlement under that contract to a diversion of up to 2,673.3 acre-feet of Colorado River water for irrigation use within the service area described in “Exhibit A-Revision 2” to that ARF Contract.

3.2 Upon the effective date of this Assignment and Transfer No. 3, ARF relinquishes all of ARF’s rights, interests, and obligations in the ARF Contract and all of ARF’s rights, interests, and obligations to the entire 2,673.3 acre-feet of Colorado River water entitlement under the ARF Contract.

3.3 GSC hereby assumes all rights, interests, and obligations of ARF under the ARF Contract, including the entitlement to the annual diversion of 2,673.3 acre-feet of Colorado River water under that contract. GSC has reviewed a copy of the ARF Contract and understands the obligations of the ARF Contract. GSC agrees that it shall be subject to all of the provisions and
conditions of the ARF Contract as if the ARF Contract were issued to GSC.

3.4 GSC, as a condition of assignment, agrees that the delivery of Colorado River water or the use of Federal facilities pursuant to the ARF Contract is subject to Federal Reclamation law and applicable Reclamation regulations. If the Secretary of the Interior adopts any regulations for administering the water entitlement under the ARF Contract, the terms, definitions, or provisions of the ARF Contract shall be deemed to be revised accordingly to conform with the regulations without the need to renegotiate the ARF Contract.

4. **EFFECTIVE DATE OF THIS ASSIGNMENT AND TRANSFER NO. 3:** This Assignment and Transfer No. 3 shall be effective as of the date the last of the following events has occurred:

4.1 This Assignment and Transfer No. 3 is executed by ARF.

4.2 This Assignment and Transfer No. 3 is accepted by GSC.

4.3 This Assignment and Transfer No. 3 is approved by the United States.

5. **CONDITIONS WHICH WOULD VOID THIS ASSIGNMENT AND TRANSFER NO. 3:**

5.1 Notwithstanding the effectiveness of this Assignment and Transfer No. 3 pursuant to Section 4 herein, this Assignment and Transfer No. 3 shall be void if within fourteen (14) calendar days of the effective date determined under Section 4 herein GSC and the United States have not executed proposed Contract No. 13-XX-30-W0571.

5.2 If this Assignment and Transfer No. 3 is voided as specified in Section 5.1 herein, the ARF Contract shall remain in full force according to its terms as existed immediately prior to this Assignment and Transfer No. 3 and ARF will reassume its obligations under the ARF Contract as such obligations existed immediately prior to this Assignment and Transfer No. 3.

6. **ACCEPTANCE OF THIS ASSIGNMENT AND TRANSFER NO. 3:**

6.1 GSC accepts this Assignment and Transfer No. 3 of all of ARF’s rights, interests,
and obligations in the ARF Contract, including the entitlement to an annual diversion of 2,673.3 acre-feet of Colorado River water under that contract.

6.2 GSC’s rights to the diversion of Colorado River water acquired pursuant to this Assignment and Transfer No. 3 shall accrue to GSC only pursuant to a subsequent contract between GSC and the United States, proposed Contract No. 13-XX-30-W0571.

IN WITNESS WHEREOF, the Parties have executed this Assignment and Transfer No. 3 of ARF’s Contract No. 07-XX-30-W0517, as amended, on the day first above written.

ARIZONA RECREATIONAL FACILITIES, LLC

Attest: [Signature]

By: [Signature]

GSC FARM, LLC

Attest: [Signature]

By: [Signature]

THIS ASSIGNMENT OF CONTRACT AND TRANSFER OF THE ENTITLEMENT TO THE DELIVERY OF COLORADO RIVER WATER FROM ARIZONA RECREATIONAL FACILITIES, LLC TO GSC FARM, LLC IS HEREBY APPROVED.

Approval as to legal sufficiency:

By: [Signature]  
Katherine Ott-Versburg  
Field Solicitor

THE UNITED STATES OF AMERICA

By: [Signature]  
Regional Director  
Lower Colorado Region  
Bureau of Reclamation
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Preamble</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Explanatory Recitals</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Definitions</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>Term of Contract</td>
<td>9</td>
</tr>
<tr>
<td>5.</td>
<td>Compliance with the 1944 Contract and ARS</td>
<td>10</td>
</tr>
<tr>
<td>6.</td>
<td>Priority of Mainstream Water Delivered Pursuant to This Contract</td>
<td>10</td>
</tr>
<tr>
<td>7.</td>
<td>Delivery of Mainstream Water by the United States</td>
<td>11</td>
</tr>
<tr>
<td>8.</td>
<td>Scheduling and Reporting of Mainstream Water Diversions</td>
<td>13</td>
</tr>
<tr>
<td>9.</td>
<td>Diversion and Use of Mainstream Water</td>
<td>14</td>
</tr>
<tr>
<td>10.</td>
<td>Quality of Mainstream Water</td>
<td>15</td>
</tr>
<tr>
<td>11.</td>
<td>Measurement of Mainstream Water</td>
<td>15</td>
</tr>
<tr>
<td>12.</td>
<td>Return Flow Water</td>
<td>16</td>
</tr>
<tr>
<td>13.</td>
<td>Reporting of Return Flow Water</td>
<td>16</td>
</tr>
<tr>
<td>14.</td>
<td>Quality of Return Flow Water</td>
<td>16</td>
</tr>
<tr>
<td>15.</td>
<td>Measurement of Return Flow Water</td>
<td>16</td>
</tr>
<tr>
<td>16.</td>
<td>New and/or Replacement Wells Within the GSC Contract Service Area</td>
<td>17</td>
</tr>
<tr>
<td>17.</td>
<td>Charges Payable to the United States</td>
<td>17</td>
</tr>
<tr>
<td>18.</td>
<td>Medium for Transmitting Payments</td>
<td>18</td>
</tr>
<tr>
<td>19.</td>
<td>General Obligation--Benefits Conditioned Upon Payment</td>
<td>18</td>
</tr>
<tr>
<td>20.</td>
<td>Priority of Claims of the United States</td>
<td>18</td>
</tr>
<tr>
<td>21.</td>
<td>Charges for Delinquent Payments</td>
<td>19</td>
</tr>
<tr>
<td>22.</td>
<td>Exchange, Lease, or Transfer of Use of Mainstream Water</td>
<td>19</td>
</tr>
<tr>
<td>24.</td>
<td>Release and Indemnity</td>
<td>20</td>
</tr>
<tr>
<td>25.</td>
<td>Inspection of Works by the United States</td>
<td>20</td>
</tr>
<tr>
<td>26.</td>
<td>Effect of Waiver of Breach of Contract</td>
<td>20</td>
</tr>
<tr>
<td>27.</td>
<td>Water and Air Pollution Control</td>
<td>21</td>
</tr>
<tr>
<td>28.</td>
<td>Water Conservation</td>
<td>21</td>
</tr>
</tbody>
</table>
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  

BOULDER CANYON PROJECT  

CONTRACT WITH GSC FARM, LLC  
FOR DELIVERY OF COLORADO RIVER WATER  

TABLE OF CONTENTS (con’t)

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.</td>
<td>Five- (5-) Year Reviews</td>
<td>21</td>
</tr>
<tr>
<td>30.</td>
<td>Books, Records, and Reports</td>
<td>22</td>
</tr>
<tr>
<td>31.</td>
<td>Applicability of the Reclamation Reform Act</td>
<td>23</td>
</tr>
<tr>
<td>32.</td>
<td>Rules, Regulations, and Determinations</td>
<td>23</td>
</tr>
<tr>
<td>33.</td>
<td>Contingent on Appropriation or Allotment of Funds</td>
<td>23</td>
</tr>
<tr>
<td>34.</td>
<td>Assignment Limited--Successors and Assigns Obligated</td>
<td>23</td>
</tr>
<tr>
<td>35.</td>
<td>Notices</td>
<td>23</td>
</tr>
<tr>
<td>36.</td>
<td>Officials Not to Benefit</td>
<td>24</td>
</tr>
<tr>
<td>37.</td>
<td>Uncontrollable Forces</td>
<td>24</td>
</tr>
<tr>
<td>38.</td>
<td>Equal Employment Opportunity</td>
<td>24</td>
</tr>
<tr>
<td>39.</td>
<td>Compliance with Civil Rights Laws and Regulations</td>
<td>25</td>
</tr>
<tr>
<td>40.</td>
<td>Remedies Under Contract Not Exclusive</td>
<td>25</td>
</tr>
<tr>
<td>41.</td>
<td>Exhibits Made Part of Contract</td>
<td>25</td>
</tr>
<tr>
<td>42.</td>
<td>Contract No. 07-XX-30-W0517, as Amended</td>
<td>26</td>
</tr>
<tr>
<td>43.</td>
<td>Contract Drafting Considerations</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Signature Page</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Exhibit A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exhibit B</td>
<td></td>
</tr>
</tbody>
</table>
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

BOULDER CANYON PROJECT

CONTRACT WITH GSC FARM, LLC
FOR DELIVERY OF COLORADO RIVER WATER

1. **PREAMBLE:** THIS CONTRACT, made this 23rd day of December 2013, pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto, including but not limited to the Boulder Canyon Project Act enacted December 21, 1928 (45 Stat. 1057), all of which are commonly known and referred to as Federal Reclamation law, between the UNITED STATES OF AMERICA, hereinafter called the “United States,” and GSC FARM, LLC, a Delaware limited liability company, hereinafter called “GSC”; the United States and GSC are each individually sometimes hereinafter called “Party” and sometimes collectively called “Parties”;

WITNESSETH THAT:

2. **EXPLANATORY RECITALS:**

2.1 WHEREAS, for the purpose of controlling floods, improving navigation, regulating the flow of the Colorado River, and providing for storage and for the delivery of stored water for the reclamation of public lands and other beneficial uses exclusively within the United States, the United States has constructed and is now operating and maintaining facilities in the mainstream of the Colorado River at Black Canyon, specifically that certain structure known as and designated Hoover Dam, creating thereby a reservoir known as Lake Mead;

2.2 WHEREAS, the Boulder Canyon Project Act provides, among other things, that the Secretary is authorized, under such general regulations as he or she may prescribe, to contract for the storage of water in Lake Mead and for the delivery of such Mainstream Water at such points as may be
agreed upon for Irrigation Use and Domestic Use;

2.3 WHEREAS, the Boulder Canyon Project Act provides further that no person shall have or be entitled to have the use, for any purpose, of the stored water in Lake Mead, except by contract with the Secretary;

2.4 WHEREAS, by the 1944 Contract, the United States agreed to deliver Colorado River water for use in the State of Arizona (i) to individuals, irrigation districts, corporations, or political subdivisions in the State of Arizona which qualify to contract with the United States pursuant to Federal Reclamation law or other Federal statutes, and which enter into contracts with the Secretary, or (ii) to Federal lands within the State of Arizona;

2.5 WHEREAS, pursuant to the 1944 Contract, the United States agreed to deliver as much Colorado River water as may be necessary for the beneficial Consumptive Use for Irrigation and Domestic Use in the State of Arizona not to exceed an annual maximum amount of 2,800,000 acre-feet;

2.6 WHEREAS, the Consolidated Decree directs that Colorado River water shall be released or delivered to water users in the Lower Division States only pursuant to valid contracts with the Secretary, and the Consolidated Decree states that Consumptive Use from the mainstream of the Colorado River includes water drawn by underground pumping;

2.7 WHEREAS, pursuant to Article II (B) (2) of the Consolidated Decree and the 1944 Contract, forty-six percent (46%) of any mainstream surplus water shall be apportioned for use in the State of Arizona;

2.8 WHEREAS, the U.S. Geological Survey has conducted studies and developed a method to identify wells that yield water that will be replaced by water from the Colorado River that is documented in its Water-Resources Investigations Reports Nos. 94-4005 and 00-4085, which are the primary tools utilized by the Contracting Officer to determine if a well is, or is not, pumping Colorado River water;

2.9 WHEREAS, the Arizona Recreational Facilities, LLC (ARF) and the United States of
America, hereinafter called the “United States,” entered into Contract No. 07-XX-30-W0517, dated September 4, 2008, hereinafter called “ARF Contract”;

2.10 WHEREAS, the ARF Contract, among other things, provided an entitlement for the annual diversion of up to 2,700 acre-feet of Arizona fourth-priority Colorado River water for Irrigation Use within the contract service area described in “Exhibit A” of the ARF Contract;

2.11 WHEREAS, ARF assigned and transferred 14 acre-feet per year of the Arizona fourth-priority Colorado River water Entitlement under the ARF Contract to EPCOR Water Arizona Inc. by Partial Assignment and Transfer No. 1 that was approved by the United States on November 15, 2012, which reduced ARF’s annual diversion entitlement to 2,686 acre-feet of Arizona fourth-priority Colorado River water;

2.12 WHEREAS, ARF assigned and transferred 12.7 acre-feet per year of the Arizona fourth-priority Colorado River water Entitlement under the ARF Contract to Lake Havasu City, Arizona, by Partial Assignment and Transfer No. 2 that was approved by the United States on February 25, 2013, which reduced ARF’s annual diversion entitlement to 2,673.3 acre-feet of Arizona fourth-priority Colorado River water;

2.13 WHEREAS, the ARF Contract, among other things, provides an Entitlement for the annual diversion of up to 2,673.3 acre-feet of Colorado River water for Irrigation Use within the service area described in “Exhibit A-Revision 2” of the ARF Contract;

2.14 WHEREAS, GSC purchased the lands within the contract service area described in “Exhibit A-Revision 2” of the ARF Contract, pursuant to a Purchase and Sell Agreement dated July 25, 2013, known as Parcel Nos. 302-01-011A, 302-13-001D, 302-13-002, and 302-01-013; however, some of the lands GSC purchased (4.45 acres of land which is a portion of the Northwest quarter of Section 29, Township 1 North, Range 23 West, GSRB&M, La Paz County) are permanently retired from irrigation and are excluded from the contract service area due to ARF permanently transferring the Colorado River
water associated with those lands to EPCOR Water Arizona, Inc. and Lake Havasu City, Arizona as discussed above;

2.15 WHEREAS, ARF assigned the ARF Contract and transferred the Colorado River water Entitlement under that contract to GSC by Contract No. 07-XX-30-W0517, Assignment and Transfer No. 3, that was approved by the United States;

2.16 WHEREAS, GSC desires to use the Colorado River water Entitlement assigned to it under the ARF Contract to supply water for the same purpose (Irrigation Use) within the same service area as described in “Exhibit A-Revision 2” of the ARF Contract;

2.17 WHEREAS, GSC and the United States are entering into this Contract (a novation agreement) for the annual diversion of up to 2,673.3 acre-feet of Colorado River water Entitlement under the ARF Contract;

2.18 WHEREAS, this Contract (i) recognizes the substitution of GSC in place of ARF as the holder of the Entitlement and (ii) retains the type of use, place of use, and point of diversion of the Entitlement to permit it to be used to supply water for Irrigation Use within the same service area that is described in “Exhibit A-Revision 2” of the ARF Contract;

2.19 WHEREAS, this Contract, when executed, will supersede and replace the ARF Contract and provide an Entitlement to GSC for an annual diversion of not to exceed 2,673.3 acre-feet of Colorado River water for Irrigation Use within the same service area that was described in “Exhibit A-Revision 2” of the ARF Contract, and will retain the priority date of the Colorado River water Entitlement under the ARF Contract;

2.20 WHEREAS, in accordance with the National Environmental Policy Act, the United States completed Categorical Exclusion No. LC-14-02, for this action;

2.21 WHEREAS, ARF and GSC have consulted with the Arizona Department of Water Resources (ADWR), pursuant to A.R.S. § 45-107(D);
2.22 WHEREAS, ADWR, in accordance with its Policy and Procedures for Transferring an Entitlement of Lower Basin Colorado River Water Within the State of Arizona, dated May 24, 2004, recommended by letter dated October 22, 2013, that this action be approved; and

2.23 WHEREAS, GSC is entitled to receive a portion of the Cibola Valley Irrigation and Drainage District’s (CVIDD) Arizona fifth- and/or sixth-priority Colorado River water Entitlement under CVIDD’s water delivery contract with the United States, when such Arizona fifth- and/or sixth-priority water is available, as approved by CVIDD in its Resolution No. 08-07-2007-01;

2.24 WHEREAS, the 450 acres of land now owned by GSC is also within CVIDD’s contract service area for the purpose of CVIDD providing a portion of its Arizona fifth- and/or sixth-priority water Entitlement to GSC, and therefore that portion of the CVIDD contract service area and the GSC Contract Service Area as shown in Exhibit A attached hereto will be coextensive and each entity will account for its Colorado River water diversions for that land pursuant to its Colorado River water delivery contract;

2.25 WHEREAS, GSC may eventually contemplate the conversion of its Irrigation Use entitlement to Domestic Use within its existing contract service area or to a new place of use, either of which will require an approval from Reclamation and consultation with ADWR;

2.26 WHEREAS, GSC, pursuant to the laws of the State of Delaware, is authorized to contract with the United States;

2.27 WHEREAS, the United States, acting by and through its Contracting Officer, is willing to issue to GSC, and GSC desires to accept from the United States, the contractual right to divert or withdraw, or cause to be diverted or withdrawn, Mainstream Water for Irrigation Use purposes within the GSC Contract Service Area as set forth in Exhibit A hereto up to the entire amount of its Entitlement as set forth in Exhibit B hereto; and

2.28 WHEREAS, the Parties desire to enter into this Contract to provide for the annual diversion by GSC of up to 2,673.3 acre-feet of Arizona fourth-priority Mainstream Water at the points of diversion and/or well sites listed in Exhibit A, for Irrigation Use purposes within the GSC Contract
Service Area;

2.29 WHEREAS, this Contract will supersede and replace the ARF Contract (Contract No. 07-XX-30-W0517, as amended), in its entirety;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the Parties agree as follows:

3. Definitions: For the purposes of this Contract, the following definitions shall apply:

3.1 1944 Contract is the contract dated February 9, 1944, between the United States and the State of Arizona.

3.2 ADWR means the Arizona Department of Water Resources, or its successor, which represents the State of Arizona on issues related to the use of the State of Arizona's Colorado River apportionment.

3.3 ARS means State of Arizona Revised Statutes.

3.4 Colorado River Aquifer is the aquifer that consists of permeable, partly saturated sediments and sedimentary rocks that are hydraulically connected to the Colorado River so that water can move between the Colorado River and the aquifer in response to withdrawal of water from the aquifer or differences in water-level elevations between the Colorado River and the aquifer.

3.5 Colorado River Compact means the document signed on November 24, 1922, at Santa Fe, New Mexico, pursuant to an act of Congress approved August 19, 1921, (42 Stat. 171). The Colorado River Compact was approved in Section 13(a) of the Boulder Canyon Project Act and was ratified by the State of Arizona in 1944 (Laws 1944, 1st Special Session, ch. 5, §1).

3.6 Consumptive Use means diversions from the mainstream of the Colorado River less such Return Flow Water thereto as is available for consumptive use in the United States or in satisfaction of the Mexican Treaty Obligation. Consumptive use from the mainstream within a state shall include all consumptive uses of water from the mainstream, including water drawn from the mainstream by underground pumping, and including, but not limited to, consumptive uses made by persons, by agencies
of the state, and by the United States for the benefit of Indian reservations and other Federal establishments within the state.

3.7 Consolidated Decree means the Consolidated Decree of the Supreme Court of the United States in the case of Arizona v. California et al., entered March 27, 2006, (547 U.S.150 (2006)), or as it may be further modified.

3.8 Contracting Officer means the Secretary or a duly authorized representative. Unless otherwise directed by the Secretary, the Regional Director, Bureau of Reclamation, Boulder City, Nevada, shall be the Contracting Officer.

3.9 Domestic Use means the use of Mainstream Water for household, stock, municipal, mining, milling, industrial, and other like purposes, but excludes the release of water solely for generation of hydroelectric power.

3.10 Entitlement means authorization to beneficially use Mainstream Water pursuant to (i) a Consolidated Decreed right, (ii) a contract with the United States through the Secretary, or (iii) a Secretarial Reservation of Mainstream Water.

3.11 Exchange means the exchange of Mainstream Water for an agreed-upon amount of other Mainstream Water or non-Mainstream Water.

3.12 Exhibit A is a map of the GSC Contract Service Area and information about GSC’s point of diversion and point of return. Exhibit A is attached hereto and by this reference made a part hereof.

3.13 Exhibit B sets forth GSC’s type of water use, contract date, priority within the State of Arizona, and the annual Entitlement diversion amount in acre-feet. Exhibit B is attached hereto and by this reference made a part hereof.

3.14 GSC Contract Service Area is the area shown in Exhibit A, which is the area that GSC is entitled to use Mainstream Water Diverted pursuant to this Contract.

3.15 Irrigation Use means the use of Mainstream Water for the production of agricultural crops or livestock, including use of water for other purposes incidental thereto, on tracts of land operated in units
of more than five (5) acres.

3.16 **Lease** means the temporary conveyance of use of an Entitlement from an Entitlement holder to another person or entity.

3.17 **Lower Basin** means those parts of the States of Arizona, California, Nevada, New Mexico, and Utah within and from which waters naturally drain into the Colorado River below Lee Ferry and also parts of those states located outside the drainage area which are or shall hereafter be beneficially served by water diverted from the Colorado River below Lee Ferry.

3.18 **Lower Division States** means the States of Arizona, California, and Nevada.

3.19 **Mainstream Water** means the water of the Colorado River within the United States downstream of Lee Ferry, including reservoirs thereon, and the water withdrawn from the Colorado River Aquifer which originated from the Colorado River or would be replaced by water from the Colorado River upon withdrawal, as determined by the Contracting Officer.

3.20 **Mainstream Water Diverted and Mainstream Water Delivered** means Mainstream Water diverted or pumped pursuant to this Contract.

3.21 **Mexican Treaty Obligation** means the United States obligation under the Mexican Water Treaty, Executive A, Seventy-eighth Congress, second session, a treaty between the United States of America and the United Mexican States, signed at Washington, D.C., on February 3, 1944, relating to the utilization of the waters of the Colorado and Tijuana Rivers and of the Rio Grande from Fort Quitman, Texas, to the Gulf of Mexico; Executive H, Seventy-eighth Congress, second session, a protocol signed at Washington, D.C., on November 14, 1944, supplementary to the Mexican Water Treaty; and obligations associated with Minutes of the International Boundary and Water Commission adopted pursuant to the Mexican Water Treaty.

3.22 **Operating Criteria** means the Criteria for Coordinated Long-Range Operation of the Colorado River Reservoirs, as it may be amended from time to time, which were promulgated by the Secretary pursuant to the Colorado River Basin Project Act of September 30, 1968 (Public Law 90-537).
3.23 **Perfected Right** means a water right acquired in accordance with State of Arizona law, which right has been exercised by the actual diversion of a specific quantity of water for beneficial use that has been applied to a defined area of land or to definite municipal or industrial works, and includes water rights created by the reservation of Mainstream Water for the use of Federal establishments under Federal law whether or not the water has been applied to beneficial use or used continuously.

3.24 **Present Perfected Right(s)** means a Perfected Right(s) defined by the Consolidated Decree, existing as of June 25, 1929 (the effective date of the Boulder Canyon Project Act). Present Perfected Rights are listed in the Consolidated Decree.

3.25 **Reclamation** means the Bureau of Reclamation of the Department of the Interior.

3.26 **Return Flow Water** means Mainstream Water that has been diverted or pumped and which flows or percolates back to the Colorado River or to the Colorado River Aquifer and is available for use in the United States or in satisfaction of the Mexican Treaty Obligation in a manner approved by the Contracting Officer.

3.27 **Secretarial Reservation** means water rights created, by the Secretary, by the reservation of Mainstream Water for the use of Federal establishments under Federal law.

3.28 **Secretary** means the Secretary of the Interior or a duly authorized representative.

3.29 **Transfer** means a permanent change in the place of use of all or part of an Entitlement and may result in a change in the type of use of an Entitlement.

3.30 **Uncontrollable Force** is any cause beyond the control of the Party affected. Uncontrollable forces shall include, but are not necessarily limited to, drought, facilities failure, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court or public authority which by exercise of due diligence and foresight such Party could not have been reasonably expected to avoid.

4. **TERM OF CONTRACT**: Subject to the terms, conditions, and provisions set forth herein, this Contract is effective the date first written above and is for permanent service.
5. **COMPLIANCE WITH THE 1944 CONTRACT AND ARS:**

5.1 This Contract is subject to the terms and conditions of the 1944 Contract, wherein the United States agreed, subject to the provisions of said contract, to deliver Mainstream Water for use in the State of Arizona to individuals, irrigation districts, corporations, or political subdivisions which may contract for Colorado River water with the Secretary or to Federal lands within the State of Arizona.

5.2 The Consumptive Use of Mainstream Water by GSC shall discharge a portion of the United States obligation to deliver Mainstream Water pursuant to the 1944 Contract.

5.3 The use of Mainstream Water by GSC shall be consistent with applicable Arizona water law to the extent that State of Arizona laws are not inconsistent with the laws and regulations of the United States. In the event that State of Arizona water law conflicts with Federal law and regulations, Federal law and regulations shall control.

6. **PRIORITY OF MAINSTREAM WATER DELIVERED PURSUANT TO THIS CONTRACT:**

6.1 Within the State of Arizona, the following priorities shall apply in the administration of Mainstream Water. The second and third priorities are coequal.

6.1.1 First Priority: Satisfaction of Present Perfected Rights as defined and provided for in the Consolidated Decree.

6.1.2 Second Priority: Satisfaction of Secretarial Reservations and Perfected Rights established or effective prior to September 30, 1968.

6.1.3 Third Priority: Satisfaction of Entitlements pursuant to contracts between the United States and water users in the State of Arizona executed on or before September 30, 1968.

6.1.4 Fourth Priority: Satisfaction of Entitlements pursuant to: (i) contracts, Secretarial Reservations, Perfected Rights, and other arrangements between the United States and water users in the State of Arizona entered into or established subsequent to September 30, 1968, for use on Federal, State or privately owned lands in the State of Arizona (for a total quantity of not to exceed 164,652 acre-feet of diversions annually); and (ii) Contract No. 14-06-W-245 dated December 15, 1972, as amended, between the United States and the Central Arizona Water Conservation District for the delivery of Mainstream Water for the Central Arizona Project, including use of Mainstream Water on Indian
lands.

Entitlements having a fourth priority as defined in (i) and (ii) herein are coequal. Reductions in Entitlements having a fourth priority shall be borne by each Entitlement holder in the same proportion as its Entitlement, or as required by law, regulation, or Secretarial determination. If, however, a reduction-sharing agreement is entered into between two or more authorized users, then the reduction shall be shared among the parties as provided in the agreement, subject to approval by the Contracting Officer after consultation with ADWR.

6.2 In the event that the Contracting Officer determines it is necessary to enforce a system of priorities for the use of Mainstream Water within the State of Arizona, water deliveries made pursuant to this Contract shall be in accordance with the Annual Operating Plan adopted by the Secretary pursuant to the Operating Criteria.

6.2.1 The Secretary's determination concerning reduction from the maximum Contract amount in any year in which a shortage is declared within the State of Arizona's annual apportionment of 2,800,000 acre-feet, shall be in accordance with the priority system set forth in this Section 6.

6.2.2 The contract date of GSC's Entitlement is as specified in Exhibit B.

7. DELIVERY OF MAINSTREAM WATER BY THE UNITED STATES:

7.1 Subject to the terms, conditions and provisions of this Contract and insofar as reasonable diligence will permit, the United States shall deliver, from storage available in the Colorado River system, Mainstream Water that GSC has ordered and is entitled to receive for Irrigation Use within the GSC Contract Service Area at the points of diversion and/or well sites listed in Exhibit A. GSC agrees that all Mainstream Water Diverted or all Mainstream Water Delivered pursuant to this Contract for use within the GSC Contract Service Area, whether such water is diverted by or delivered to GSC or its customers, or diverted by or delivered to others within the GSC Contract Service Area, shall be charged against GSC's Entitlement under this Contract and that GSC is responsible to schedule, report, and account for all such water under the terms and conditions of this Contract.

7.2 The obligation of the United States to deliver Mainstream Water pursuant to this Contract
is subject to the following conditions:

7.2.1 The availability of Mainstream Water for use in the State of Arizona pursuant to the provisions of the Colorado River Compact, the Boulder Canyon Project Act, the Colorado River Basin Project Act, the 1944 Contract, and the Consolidated Decree;

7.2.2 The availability of Mainstream Water pursuant to the Mexican Treaty Obligation;

7.2.3 Section 6 of the Boulder Canyon Project Act which provides that Hoover Dam and Lake Mead will be used: first, for river regulation, improvement of navigation, and flood control; second, for Irrigation Use and Domestic Use and satisfaction of Present Perfected Rights pursuant to Article VIII of the Colorado River Compact; and third, for power; and

7.2.4 The condition that the management and operation of Hoover Dam, Lake Mead, and other works, for the storage, diversion, delivery, and use of Mainstream Water to be delivered to GSC, shall be pursuant to the Colorado River Compact, the Boulder Canyon Project Act, and the Colorado River Basin Project Act.

7.3 Delivery of Mainstream Water is subject to reduction from the maximum Contract amount in any year in which the Secretary declares a shortage, in accordance with the priority system set forth in Section 6 herein.

7.4 All water diverted for use within the GSC Contract Service Area shall be considered Mainstream Water, unless the Contracting Officer makes a determination, based upon information provided by GSC, that a diversion is not Mainstream Water.

7.4.1 A determination that the diversion is not Mainstream Water shall be made in consultation with GSC and ADWR.

7.4.2 The Contracting Officer's determination that the diversion is not Mainstream Water shall be in writing.

7.5 The United States reserves the right to temporarily discontinue or reduce the amount of Mainstream Water Delivered pursuant to this Contract whenever the Contracting Officer determines that
such discontinuance or reduction is necessary to investigate, inspect, replace, maintain, or repair any works which affect or utilize or are necessary to deliver Mainstream Water pursuant to this Contract. If feasible, the Contracting Officer will give notice in advance of such temporary discontinuance or reduction.

7.6 Mainstream Water will not be made available to the GSC Contract Service Area during any period in which GSC may be in arrears for more than six (6) months in payment of any fees and charges due the United States pursuant to this Contract.

7.7 If this Contract is terminated or GSC is in arrears for more than six (6) months in the payment of any fee or charge due the United States pursuant to this Contract, the United States may reallocate the authorized use of Mainstream Water according to applicable regulations or policy.

8. SCHEDULING AND REPORTING OF MAINSTREAM WATER DIVERSIONS: All schedules and reports for Mainstream Water diversions shall be submitted to the Contracting Officer, with a copy to ADWR, on forms to be supplied or approved by the Contracting Officer.

8.1 GSC shall provide an annual written schedule for the amount of Mainstream Water to be diverted for use within the GSC Contract Service Area pursuant to this Contract. Said schedule shall include, but is not necessarily limited to, monthly schedules of the amount of Mainstream Water to be diverted during the following year at each point of diversion and/or well site listed in Exhibit A. GSC may vary the amount of Mainstream Water is schedules for delivery at specific points of diversion and/or well sites within the GSC Contract Service Area as long as GSC’s diversion does not exceed the total amount of Mainstream Water it has scheduled and is entitled to receive for Irrigation Use within the GSC Contract Service Area. The schedule shall be provided to the Contracting Officer on or before September 1 for the following year, or as otherwise directed by the Contracting Officer.

8.2 GSC shall amend its annual Mainstream Water diversion schedule in writing and send the amended schedule to the Contracting Officer whenever GSC determines that the previously submitted schedule needs to be amended because a significant quantity of water different from that previously
scheduled is necessary to meet Irrigation Use demands within the GSC Contract Service Area.

8.3 GSC shall maintain a monthly record of the volume of Mainstream Water Diverted at each point of diversion and/or well site for use within the GSC Contract Service Area for the preceding month. On or before January 20th, GSC shall submit to the Contracting Officer a complete written report showing the amount of Mainstream Water Diverted at each point of diversion and/or well site listed in Exhibit A during the previous year, or as otherwise determined by the Contracting Officer.

8.4 The diversion of any significant amount of Mainstream Water not previously scheduled and paid for in accordance with the provisions of this Contract or the diversion in any calendar year of Mainstream Water in excess of the maximum quantity available to GSC may be deemed a material breach of the Contract as well as interference with the performance of the Secretary's functions and responsibilities pursuant to the Colorado River Compact, the Boulder Canyon Project Act, the Colorado River Basin Project Act, and the Consolidated Decree, as well as the functions and obligations of the United States arising from the Mexican Treaty Obligation. In the event the United States determines that the actions of GSC may constitute a breach of this Contract, GSC shall be informed in writing of appropriate due process procedures.

9. **DIVERSION AND USE OF MAINSTREAM WATER**:

9.1 The amount of Mainstream Water Diverted pursuant to this Contract shall not exceed the Entitlement set forth in Exhibit B.

9.2 GSC shall divert or permit the diversion of Mainstream Water at the points of diversion and/or well sites listed in Exhibit A and shall perform all acts required by law or custom in order to maintain control over diversions and to secure and maintain lawful use and proper diversion of Mainstream Water.

9.3 GSC shall install and maintain in a manner satisfactory to the Contracting Officer all wells, turnouts, gates, checks, pumps, pipelines, equipment, meters and appurtenances of whatever nature necessary to divert, pump, and transport the Mainstream Water Diverted for use within the GSC Contract
Service Area from the points of diversion to the place of use.

9.4 The diversion and conveyance of Mainstream Water to the place of use within the GSC Contract Service Area shall be without any expense to or obligation of the United States, regardless of any fluctuations, for whatever reason, in the water surface elevation of the Colorado River, wells, or any related storage system.

9.5 Mainstream Water Diverted pursuant to this Contract shall be used within the GSC Contract Service Area as set forth in Exhibit A exclusively for beneficial Irrigation Use to the extent reasonably required.

10. **QUALITY OF MAINSTREAM WATER:**

10.1 The United States does not warrant the quality of Mainstream Water Delivered to the GSC Contract Service Area and is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of Mainstream Water, except as otherwise provided in relevant Federal public laws.

10.2 Mainstream Water shall be delivered without treatment of any kind and without any warranty whatsoever by the United States as to the quality or fitness of such water for Irrigation Use within the GSC Contract Service Area.

11. **MEASUREMENT OF MAINSTREAM WATER:**

11.1 All Mainstream Water Diverted by GSC shall be measured at the points of diversion and/or well sites listed in Exhibit A by measuring devices or determined by other methods of accounting acceptable to the Contracting Officer.

11.2 All measuring and controlling devices or automatic gages shall be furnished, installed, and maintained in a manner satisfactory to the Contracting Officer and without any expense to the United States.

11.3 If for any reason the measuring devices shall, in the opinion of the Contracting Officer, fail to operate satisfactorily, the Contracting Officer will determine from the best information available the
amount of Mainstream Water Diverted at the points of diversion and/or well sites listed in Exhibit A.

11.4 The Contracting Officer or an authorized representative may inspect the measuring devices to determine the accuracy and the condition of the measuring devices. The expense of the inspection shall be paid by GSC within thirty (30) days following receipt of a bill for collection from the United States. If the measuring devices are found to be defective or inaccurate, GSC shall, upon notification by the Contracting Officer, promptly make any and all necessary repairs or replace the measuring devices. If GSC neglects or fails to make the necessary repairs or replacement, the Contracting Officer may cause the repairs to be made and the cost thereof shall be paid by GSC within thirty (30) days following receipt of a bill for collection.

12. **RETURN FLOW WATER:** This Contract permits GSC to divert Mainstream Water up to the maximum annual diversion amount set forth in Exhibit B herein. Any Return Flow Water does not permit GSC to make additional diversions of Mainstream Water.

13. **REPORTING OF RETURN FLOW WATER:** GSC shall maintain a monthly record of Return Flow Water and furnish the Contracting Officer, with a copy to ADWR, a monthly written report of the volume of Return Flow Water during the previous year on or before January 20th, unless otherwise directed by the Contracting Officer.

14. **QUALITY OF RETURN FLOW WATER:**

14.1 GSC shall comply with all applicable Federal and State of Arizona water quality laws, regulations, codes, and standards.

14.2 GSC shall obtain all required discharge permits from appropriate Federal and State of Arizona agencies and shall operate and maintain suitable water treatment and discharge facilities to achieve full compliance with such permits.

15. **MEASUREMENT OF RETURN FLOW WATER:**

15.1 All Return Flow Water shall be measured at the points of return by measuring devices or shall be determined by other methods of accounting acceptable to the Contracting Officer.
15.2 All Return Flow Water that migrates outside the exterior boundaries of the GSC Contract Service Area shall be estimated by the Contracting Officer in consultation with GSC, and ADWR.

16. **NEW AND/OR REPLACEMENT WELLS WITHIN THE GSC CONTRACT SERVICE AREA:** New and/or replacement wells within the GSC Contract Service Area shall be constructed and operated according to ARS § 45-596(C)(11) as amended. Exhibit A shall be revised annually, as necessary.

17. **CHARGES PAYABLE TO THE UNITED STATES:** GSC shall make the following payments to the United States.

17.1 **An Annual Administration Fee:** Upon execution of this Contract and annually thereafter, GSC shall pay the United States costs to administer this Contract and GSC’s allocated share of the United States costs to provide services to users of Mainstream Water in the Lower Basin, all as determined by the Contracting Officer after consultation with GSC. The current annual fee is five hundred dollars ($500) which shall be the minimum annual fee.

17.1.1 The initial annual administration fee shall be prorated on the basis of forty-two dollars ($42) per month for the first year. Thereafter, the fee for each subsequent year shall be due on January 1.

17.1.2 The annual administration fee includes the anticipated United States costs to routinely perform the tasks necessary to administer this Contract and maintain waterways and diversion facilities, prepare operating plans, schedule water deliveries, and monitor and forecast Mainstream Water demand and use, prepare and maintain complete records of Mainstream Water use in accordance with Article V of the Consolidated Decree, carry out Reclamation's program to eliminate unauthorized use, ensure environmental compliance, and perform other associated activities.

17.1.3 The Contracting Officer may revise the annual Contract administration fee but only after three (3) months' advance written notice, if the Contracting Officer determines that a different fee is necessary to cover the United States costs to perform the activities listed in subsection 17.1.2 herein. Upon GSC’s written request, the Contracting Officer will provide GSC with a detailed cost analysis.
supporting the administration fee adjustment.

17.2 Other Fees and Charges: GSC may be assessed additional fees to compensate the United States for other expenses to be reasonably incurred by the United States for non-routine, non-recurring activities related to this Contract.

17.2.1 The United States shall not undertake any activities requested by GSC which would obligate GSC to pay another fee without first consulting GSC about the scope of the work and providing a cost estimate to perform those activities.

17.2.2 For activities performed for the benefit of Lower Basin Mainstream Water users, GSC’s fee or charge shall be based upon GSC’s allocated share of the Federal costs associated with the activities, as such fees are determined by the Contracting Officer after consultation with GSC.

18. MEDIUM FOR TRANSMITTING PAYMENTS:

18.1 All payments from GSC to the United States under this Contract shall be by the medium requested by the United States on or before the date payment is due. The required method of payment may include checks, wire transfers, or other types of payment specified by the United States.

18.2 Upon execution of this Contract, GSC shall furnish the Contracting Officer with GSC’s taxpayer identification number (TIN). The purpose for requiring the TIN is for collecting and reporting and delinquent amounts arising out of GSC’s relationship with the United States.

19. GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT:

19.1 The obligation of GSC to pay the United States as provided in this Contract is a binding obligation of GSC.

19.2 The payment of fees and charges becoming due hereunder is a condition precedent to receiving benefits under this Contract.

19.3 The termination of this Contract shall not relieve GSC of any obligation then owed to the United States.

20. PRIORITY OF CLAIMS OF THE UNITED STATES: Fiscal claims of the United States arising
out of this Contract shall have priority over all others, secured or unsecured, to the extent provided by applicable law.

21. **CHARGES FOR DELINQUENT PAYMENTS:**

21.1 GSC shall be subject to interest, administrative, and penalty charges on delinquent installments or payments. When a payment is not received by the due date, GSC shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty- (60-) days delinquent, GSC shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, GSC shall pay an additional penalty charge of six percent (6%) per year for each day the payment is delinquent beyond the due date. Further, GSC shall pay any fees incurred for debt collection services associated with a delinquent payment.

21.2 The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of one-half percent (0.5%) per month prescribed by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260, 53 Stat. 1191; 43 U.S.C. § 485e). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period.

21.3 When a partial payment of a delinquent account is received, the amount received shall be applied first to the penalty, second to the administrative charges, third to the accrued interest, and finally to the overdue payment.

22. **EXCHANGE, LEASE, OR TRANSFER OF USE OF MAINSTREAM WATER:** Any Exchange, Lease, or Transfer of use of GSC’s Entitlement must be approved in writing by the Contracting Officer before such Exchange, Lease, or Transfer can become effective.

23. **RIGHTS-OF-ACCESS:**

23.1 GSC grants a right-of-access to the United States and its authorized employees, agents, subcontractors, successors, or assigns to enter the GSC Contract Service Area and rights-of-way for the purpose of inspecting and checking any diversion facilities, including any wells and associated facilities for pumping Mainstream Water pursuant to this Contract.

23.2 GSC will obtain all necessary rights-of-way required for diversion and conveyance of Mainstream Water pursuant to the terms and conditions of this Contract. Where rights-of-way across lands of the United States are required by GSC for diversion and conveyance of Mainstream Water,
application therefor will be considered by the United States under terms and conditions deemed appropriate by the United States.

24. **RELEASE AND INDEMNITY:**

24.1 Insofar as permitted by law, GSC agrees to indemnify and hold harmless the United States, its employees, agents, subcontractors, successors, or assigns, from every loss or claim for damages and from any liability to persons or property, direct or indirect, and of any nature whatsoever arising by reason of the delivery of Mainstream Water pursuant to this Contract.

24.2 Insofar as permitted by law, GSC releases and agrees to hold harmless the United States, its employees, agents, subcontractors, successors, or assigns from any liability or responsibility whatsoever for the following:

24.2.1 The ground-water level associated with the diversion of Mainstream Water or the maintenance thereof;

24.2.2 The surface elevation of the Colorado River;

24.2.3 The quality, composition, or contents of Mainstream Water Diverted or for any lack of fitness of such water for any use thereof, either at the point of delivery or at the place of use;

24.2.4 The damages when suspensions or reduction in delivery of Mainstream Water occur for any reason; and

24.2.5 The claims, damages, or alleged causes of action claimed to have resulted from the termination of this Contract.

25. **INSPECTION OF WORKS BY THE UNITED STATES:** The United States, its employees, agents, contractors, subcontractors, successors, or assigns shall at all times have the right to inspect all works utilized by GSC, and any water company or other person, firm, or corporation representing GSC in the diversion, processing, storage and distribution of Mainstream Water.

26. **EFFECT OF WAIVER OF BREACH OF CONTRACT:** All rights of action for breach of any of the provisions of this Contract are reserved to each Party as provided by appropriate law. The waiver of a breach of any of the provisions of this Contract shall not be deemed to be a waiver of any other provision
hereof, or any other subsequent breach of any provisions hereof.

27. **WATER AND AIR POLLUTION CONTROL:** GSC, in carrying out the provisions of this Contract, shall comply with all applicable water and air pollution laws and regulations of the United States and the State of Arizona and shall obtain all required permits or licenses from the appropriate Federal, State of Arizona, or local authorities.

28. **WATER CONSERVATION:** GSC shall develop a water conservation plan acceptable to the Contracting Officer, as required by Section 210(b) of the Reclamation Reform Act of 1982 and Part 427.1 of the Water Conservation Rules and Regulations effective January 1, 1998, unless exempted by the Contracting Officer. At subsequent five (5)-year intervals, GSC shall update its water conservation plan, as determined by the Contracting Officer.

29. **FIVE-(5-) YEAR REVIEWS:** The Contracting Officer reserves the right to reexamine at five-(5-) year intervals beginning five (5) years after the effective date of this Contract, the existing and potential water uses and needs of GSC for beneficial use of GSC’s Entitlement.

29.1 If the Contracting Officer determines that GSC’s entire Entitlement has not been or may not be beneficially used, a revision of the amount of Mainstream Water GSC is entitled to have delivered pursuant to this Contract may be necessary, and the Contracting Officer shall revise Exhibit B accordingly. Prior to such revision, a ninety-(90-) day notice will be given to GSC and ADWR, and GSC shall be given an opportunity to be heard in accordance with applicable regulations. The Contracting Officer shall consult with and take under consideration any recommendation of ADWR prior to making a final determination. In determining the needs or uses of GSC, the Contracting Officer shall consider factors which include, but are not necessarily limited to, the following:

29.1.1 The actual use and type of use of the Mainstream Water as listed in Exhibit B;

29.1.2 The average unused portion of GSC’s Entitlement over the past five (5) years or other appropriate period;

29.1.3 The type and condition of diversion, distribution, and delivery works for Mainstream Water and Return Flow Water;

29.1.4 The development plans, eligible irrigated acres, irrigable acres, type and condition
of the irrigation system, irrigation efficiencies and economic conditions;

29.1.5 The GSC Contract Service Area future growth projections, build-up schedules, per capita consumption, and economic conditions;

29.1.6 Applicable State of Arizona law, if any, concerning abandonment or forfeiture; and

29.1.7 Facts and circumstances unique to the State of Arizona.

29.2 If it is determined by the Contracting Officer that Mainstream Water has not been or may not be beneficially used, the Contracting Officer may reduce the maximum amount of Mainstream Water Delivered to GSC to an amount the Contracting Officer determines to be reasonably required for beneficial use. GSC will be provided an opportunity to appeal the Contracting Officer’s decision pursuant to applicable appeal procedures.

30. BOOKS, RECORDS, AND REPORTS:

30.1 GSC shall make full and complete annual written reports on forms to be designated, supplied, or otherwise approved by the Contracting Officer concerning all Mainstream Water and Return Flow Water.

30.1.1 Such reports shall include accurate and complete monthly data on all matters pertaining to this Contract for the preceding year, including, but not necessarily limited to, the following information: the volume of Mainstream Water Diverted and the volume of Return Flow Water; GSC’s Mainstream Water and Return Flow Water financial transactions; water supply data; water facilities operation; water maintenance and replacement logs; and other relevant matters that the Contracting Officer may require.

30.1.2 The annual report shall be submitted to the Contracting Officer and ADWR on or before January 20th or on such date as the Contracting Officer may otherwise request in writing.

30.2 Subject to applicable Federal laws and regulations, each Party shall have the right during normal office hours to examine and make copies of the other Party’s books and records relating to matters covered by this Contract.
31. **APPLICABILITY OF THE RECLAMATION REFORM ACT:** This Contract does not subject GSC to either the acreage ownership limitations or the full cost pricing provisions of the Reclamation Reform Act of 1982 (Public Law 97-293, 96 Stat. 1261) enacted October 12, 1982; Provided, however, That other provisions of the act shall apply if deemed to applicable by the Secretary.

32. **RULES, REGULATIONS, AND DETERMINATIONS:**

32.1 The Parties agree that the delivery of Mainstream Water or the use of Federal facilities pursuant to this Contract is subject to applicable Federal law and regulations, Federal Reclamation law, and the rules and regulations promulgated by the Secretary under Reclamation law.

32.2 The Contracting Officer shall have the right to make determinations necessary to administer this Contract which are consistent with the expressed and implied provisions of this Contract and the laws and regulations of the United States and the State of Arizona, to the extent that State of Arizona laws are not inconsistent with the laws and regulations of the United States. Such determinations shall be made in consultation with GSC and ADWR.

32.3 If the Secretary adopts any regulations for the administration of Entitlements in the Lower Basin or for the assessment and collection of fees to cover the United States costs of providing service to those who use Mainstream Water, the terms, definitions, and provisions of said regulations for assessments shall automatically apply to this Contract without any need to renegotiate this Contract.

33. **CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS:** The expenditure or advance of any money or the performance of any obligation by the United States under this Contract shall be contingent upon the appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve GSC from any obligations under this Contract. No liability shall accrue to the United States in case funds are not appropriated or allocated.

34. **ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED:** The provisions of this Contract shall apply to and bind the successors and assigns of each Party, but no assignment or transfer of this Contract or any part or interest therein shall be valid until approved in writing by the Contracting Officer.

35. **NOTICES:** Any notice, demand, or request authorized or required by this Contract shall be deemed to have been given, on behalf of each Party, when mailed, postage prepaid, or delivered to the
other Party at the following addresses:

35.1 Regional Director 35.2 President
Bureau of Reclamation GSC Farm, LLC
Attention: LC-4000 3550 N. Central Avenue, #1115
Post Office Box 61470 Phoenix, AZ 85012
Boulder City, NV 89006-1470

36. OFFICIALS NOT TO BENEFIT: No member of or Delegate to Congress, Resident Commissioner, or official of GSC shall benefit from this Contract other than as a water user or landowner in the same manner as other water users or landowners.

37. UNCONTROLLABLE FORCES: Neither Party shall be considered to be in default in respect to any obligation hereunder, if prevented from fulfilling such obligation by reason of an Uncontrollable Force. Any Party rendered unable to fulfill any obligation by reason of an Uncontrollable Force shall exercise due diligence to remove such inability with all reasonable dispatch.

38. EQUAL EMPLOYMENT OPPORTUNITY: During the performance of this Contract, GSC agrees as follows:

38.1 GSC will not discriminate against any employee or applicant for employment because of race, color, religion, sex, disability, or national origin. GSC will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, disability, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. GSC agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

38.2 GSC will, in all solicitations or advertisements for employees placed by or on behalf of GSC, state that all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, disability, or national origin.

38.3 GSC will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Contracting Officer, advising said labor union or workers' representative of GSC's commitments under Section 202 of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

38.4 GSC will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

38.5 GSC will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

38.6 In the event of GSC's noncompliance with the nondiscrimination clauses of this Contract
or with any of such rules, regulations, or orders, this Contract may be canceled, terminated, or suspended, in whole or in part, and GSC may be declared ineligible for further government contracts in accordance with procedures authorized in said amended Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said amended Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

38.7 GSC will include the provisions of Subsections 38.1 through 38.7 in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor. GSC will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance; Provided, however, That in the event GSC becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, GSC may request the United States to enter into such litigation to protect the interests of the United States.

39. COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS:

39.1 GSC shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (Public Law 93-112, as amended), the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) and any other applicable civil rights laws, as well as with their respective implementing regulations and guidelines imposed by the Department of the Interior or Reclamation.

39.2 These statutes require that no person in the United States shall, on the grounds of race, color, national origin, disability or age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving financial assistance from Reclamation. By executing this Contract, GSC agrees to immediately take any measures necessary to implement this obligation, including permitting officials of the United States to inspect premises, programs, and documents.

39.3 GSC makes this agreement in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property discounts or other Federal financial assistance extended after the date hereof to GSC by Reclamation, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. GSC recognizes and agrees that such Federal assistance will be extended in reliance on the representations and agreements made in this article, and that the United States reserves the right to seek judicial enforcement thereof.

40. REMEDIES UNDER CONTRACT NOT EXCLUSIVE: Nothing in this Contract shall be construed in any manner to abridge, limit, or deprive either Party of any means to enforce any remedy either at law or in equity for the breach of any of the provisions hereof, or of any other remedy which it would otherwise have.

41. EXHIBITS MADE PART OF CONTRACT: Inasmuch as the GSC Contract Service Area, the Entitlement, points of diversion or points of return within the GSC Contract Service Area may change during the term of this Contract, they will be set forth in the exhibits as formulated and modified from time
to time. Initial Exhibits A and B are attached hereto and made part hereof, and each shall be in force and effect in accordance with its respective provisions until superseded by a subsequent exhibit executed by the Parties.

42. CONTRACT NO. 07-XX-30-W0517, AS AMENDED: Contract No. 07-XX-30-W0517, as amended, including Exhibit A-Revision 2 and Exhibit B-Revision 2, is hereby superseded and replaced in its entirety by this Contract.

43. CONTRACT DRAFTING CONSIDERATIONS: Sections 1 through 43 of this Contract have been drafted, negotiated, and reviewed by the Parties hereto, each of whom is sophisticated in the matters to which this Contract pertains, and no one Party shall have been considered to have drafted the stated sections.

IN WITNESS WHEREOF, the Parties have executed this Contract No. 13-XX-30-W0571, including Exhibits A and B hereto the day and year first above written.

Approved for Legal Sufficiency:

By: Katherine Ott Verburg
Field Solicitor

By: [Signature]
Regional Director
Lower Colorado Region
Bureau of Reclamation

THE UNITED STATES OF AMERICA

GSC FARM, LLC

Attest:

By: [Signature] VP

By: Michael J. LeCain
President
CEO

26
MAP OF GSC FARM, LLC’s (GSC) CONTRACT SERVICE AREA AND INFORMATION ABOUT GSC’S POINT OF DIVERSION AND POINT OF RETURN

1. This Exhibit A, made this 23rd day of December, 2013, to be effective under and as a part of Contract No. 13-XX-30-W0571 (Contract), hereinafter called “Exhibit A,” shall become effective on the date of the Exhibit A’s execution and shall remain in effect until superseded by another Exhibit A executed by the Parties; Provided, That this Exhibit A or any superseding Exhibit A shall terminate with termination of the Contract.

2. Contract No. 07-XX-30-W0517, Assignment and Transfer No. 3 assigned and transferred 2,673.3 acre-feet per year of Arizona Recreational Facilities, LLC’s Arizona fourth priority Colorado River water entitlement under Contract No. 07-XX-30-W0517, as amended, to GSC under the Contract, which was approved by the United States.

3. The following map depicts the GSC Contract Service Area. The GSC Contract Service Area includes lands known as Parcel Nos. 302-01-011A, 302-13-001D, 302-13-002, and 302-01-013. However, some of the lands (4.45 acres of land which is a portion of the Northwest quarter of Section 29, Township 1 North, Range 23 West, GSRB&M, La Paz County) are permanently retired from irrigation and are excluded from GFC’s Contract Service Area, as shown on the following map.

4. GSC utilizes an approved point of diversion under Contract No. 2-07-30-W0028, as amended, between the United States and the Cibola Valley Irrigation and Drainage District (CVIDD) to wheel Mainstream Water to the GSC Contract Service Area. CVIDD’s boundary is depicted on the following map. However, all Mainstream Water diverted for use at the GSC Contract Service Area, with the exception of Arizona fifth- and/or sixth-
priority water diverted under Contract No. 2-07-30-W0028, as amended, is part of GSC’s Entitlement under this Contract and governed by the terms and conditions of this Contract.

5. The land within the GSC Contract Service Area is also within CVIDD’s contract service area for the purpose of CVIDD providing a portion of its Arizona fifth- and/or sixth-priority water to those lands, therefore, that portion of CVIDD’s contract service area under Contract No. 2-07-30-W0028, as amended, and the GSC Contract Service Area as shown in the attached map will be coextensive and each entity will account for its Colorado River water diversions for that land pursuant to its Colorado River water delivery contract.

6. GSC shall provide additional information on all points of diversion and/or well sites, and all point(s) of return when requested by the Contracting Officer.
MAINSTREAM WATER ENTITLEMENT FOR THE
GSC FARM, LLC (GSC) CONTRACT SERVICE AREA

1. This Exhibit B, made this 23rd day of December, 2013, to be effective under and as a part of Contract No. 13-XX-30-W0571 (Contract), hereinafter called “Exhibit B,” shall become effective on the date of the Exhibit B’s execution, shall and shall remain in effect until superseded by another Exhibit B executed by the Parties; Provided, That this Exhibit B or any superseding Exhibit B shall terminate with termination of the Contract.

2. Contract No. 07-XX-30-W0517, Assignment and Transfer No. 3 assigned and transferred 2,673.3 acre-feet per year of Arizona Recreational Facilities, LLC Arizona fourth priority Colorado River water entitlement under Contract No. 07-XX-30-W0517, as amended, to GSC under the Contract, which was approved by the United States.

3. GSC has the following Entitlement to the diversion of Mainstream Water for beneficial Irrigation Use within the GSC Contract Service Area. The following table lists the type of water use, contract date, priority within the State of Arizona, and the annual Entitlement diversion amount in acre-feet.

<table>
<thead>
<tr>
<th>TYPE OF WATER USE</th>
<th>CONTRACT DATE</th>
<th>STATE OF ARIZONA PRIORITY</th>
<th>ANNUAL DIVERSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrigation</td>
<td>January 31, 1983</td>
<td>Fourth-Priority</td>
<td>2,673.3 acre-feet</td>
</tr>
</tbody>
</table>

Total Annual Diversion: 2,673.3 acre-feet
Tab C

Purchase and Transfer Agreement for Mainstream Colorado River Entitlement between GSC Farm, LLC and Queen Creek of Queen Creek, dated December 17, 2018.
Purchase and Transfer Agreement for
Mainstream Colorado River Water Entitlement

This Purchase and Transfer Agreement for Mainstream Colorado River Water Entitlement ("Agreement") is effective this 17th day of December, 2018 ("Effective Date"), between the Town of Queen Creek, Arizona, a political subdivision of the State of Arizona ("Town") and GSC Farm, LLC, Delaware limited liability company ("GSC").

Recitals:

1. GSC holds a contract, issued by the United States Bureau of Reclamation ("USBR") under Section 5 of the Boulder Canyon Project Act of 1928, to divert up to 2,913.3 acre feet of water annually from the mainstream of the Colorado River for irrigation use on certain lands in the general area of the Cibola Valley Irrigation and Drainage District, La Paz County, Arizona ("Cibola Valley"). The contract is known as USBR Contract No. 13-XX-30-W0571, dated December 3, 2014 ("GSC Contract"). A copy of the GSC Contract is attached here as Exhibit A.

2. GSC represents that the water diverted under the GSC Contract is fourth priority mainstream Colorado River water.

3. Town is a municipal water provider seeking to increase access to renewable water supplies to support growth and stability within its municipal boundaries. Town desires to divert and use mainstream Colorado River water within its municipal service area.

4. Under existing law, the GSC Contract is transferrable from one entity to another, provided certain protocols and requirements are met. At minimum, the proposed transfer must be reviewed by the Arizona Department of Water Resources ("ADWR") under its statutory authorities (A.R.S. § 45-107) and ADWR's Substantive Policy Statement on Transferring an Entitlement of Colorado River Water dated January 17, 2014 ("ADWR Policy"). A copy of the ADWR Policy is attached here as Exhibit B. Also, the transfer must be finally and formally approved by the United States Secretary of the Interior, acting through USBR, by issuance of a new contract to the transferee.

5. The transfer process is initiated by a Request for Consultation with ADWR, and a request for recommendation of the transfer by ADWR to USBR. The process by USBR is a federal action within the meaning of federal law, and must follow procedures imposed by federal law including the National Environmental Policy Act. The transfer process may take one or more years to complete.

6. To receive delivery of mainstream Colorado River water within its service area, Town will need to make arrangements with the Central Arizona Water Conservation District ("CAWCD") to "wheel" (i.e., divert, transport and deliver) the water acquired by Town under this Agreement. This arrangement will be governed, in part, by the Central Arizona Project System Use Agreement between the United States and the Central Arizona Water
Conservation District ("System Use Agreement"). A copy of the System Use Agreement is attached here as Exhibit C.

Agreement

Town and GSC, agreeing to be mutually bound by the promises contained here, the consideration for which is acknowledged, do hereby agree to the terms of this Agreement as set forth below. The recitals above and all exhibits to this Agreement are incorporated here by reference.

Article I. Agreement to Buy/Sell; Transferrable Quantity of Water

1.1 GSC agrees to sell, and Town agrees to buy, the entire volume of the Colorado River water entitlement represented by the GSC Contract (2,913.3 acre feet per year of diversion authority). This Agreement shall not include the purchase of any of land owned by GSC. GSC shall retain full title to, and responsibility for, the land it retains, including those lands in Cibola Valley where the GSC Contract water is currently used.

1.2 Acquisition of the GSC Contract entitlement by Town will involve a proposed change in place of use, change in type of use, and change in point of diversion from the current irrigation use in Cibola Valley. The Town intends to acquire its own USBR Contract for domestic use (as defined by USBR to include municipal use as contemplated here), with a new place of use being the Town’s water service area. The new point of diversion will be the Central Arizona Project turnout facilities located near Parker Dam, Arizona.

1.3 Due to these changes in point of diversion and place of use, the transferrable amount of water under the GSC Contract (2,913.3 acre feet per year) may be less to reflect loss of actual return flow to the Colorado River from the existing use. According to the ADWR Policy, a determination must be made on the consumptive use of the existing use to quantify this loss of return flow, resulting in a lesser quantity of water that may be dedicated to the new use, expressed in terms of acre-feet per year ("Transferrable Quantity").

1.4 Current USBR accounting of the actual use under the GSC Contract indicates that the consumptive use is 4.3 acre feet out of the 6 acre feet per acre diversion quantity. This accounting would, for preliminary purposes, result in a net Transferrable Quantity of 71.66% of the total diversion amount or: 2,913.3 x .71667 = 2,087.865 acre feet of Transferrable Quantity.

1.5 The actual purchase price to be paid by Town to GSC for the water represented by the GSC Contract shall be based on the determination by ADWR and USBR, in consultation with Town and GSC, of the Transferrable Quantity. The parties recognize that the example calculation of Transferrable Quantity expressed above may be adjusted during the transfer process, but it is the parties’ mutual intent that the maximum
volume of Transferrable Quantity be obtained, and the purchase price adjusted accordingly.

Article II. Initial and Final Purchase Price; Interest

2.1 The initial purchase price for the water represented by the GSC Contract shall be $10,000.00 (ten thousand dollars) per acre foot of the Transferrable Quantity. The initial purchase price shall increase over time within the duration of this Agreement as set forth here. The final purchase price ("Final Purchase Price") for the GSC Contract water entitlement shall be set based on the final determination of the Transferrable Quantity and the year, or portion of the year, in which the purchase is completed by the Close of Escrow (as such term is defined in Article III below).

2.2 If escrow is closed within one calendar year of the anniversary of the Effective Date of this Agreement, the purchase price shall be $10,000.00 per acre foot of Transferrable Quantity. Thereafter, the purchase price shall escalate by 5% per annum, compounded annually, and prorated for any portion of the year up to the Close of Escrow.

2.3 The Escrow (as defined below) shall calculate the final purchase price to be paid by Town to GSC according to the formula stated here and the further provisions below.

Article III. Escrow; Earnest Money

3.1 Upon execution of this Agreement by both Town and GSC, GSC shall forthwith open an escrow ("Escrow") and deposit the executed version of this Agreement with that Escrow at the following office:

Linda Duval
Pioneer Title Agency, Inc.
7310 N. 16th Street, Suite 250
Phoenix, AZ 85020
Office: (602) 943-0184
Linda.duval@ptaaz.com

3.2 The Escrow shall be responsible for holding and disbursing funds, collecting and distributing documents, and preparing closing statements in accordance with the terms of this Agreement. This Agreement shall also serve as the Escrow instructions. Escrow fees shall be borne ½ (one-half) each by each of the parties, regardless of when the Escrow closes or for what reason.
3.3 The Escrow shall endorse this Agreement upon opening of Escrow in the signature block provided below, insert the date of such endorsement in the first paragraph of this Agreement as the Effective Date, and deliver executed copies to each party. The parties agree to cooperate with any additional documents or instructions required by the Escrow, so long as they do not materially affect the terms of this Agreement.

3.4 Escrow shall close ("Close of Escrow") under this Agreement upon the earlier of the following events:

3.4.1 All documents and contracts required or contemplated hereunder have been received and disbursed and all funds due hereunder have been received and disbursed, together with final closing costs, all as specified in the "Closing Documents" set forth later in this Agreement;

3.4.2 This Agreement is terminated according to its express terms as herein provided, and all documents and funds have been returned to their rightful owner.

3.4.3 No later than three years from the date of execution of this Agreement, unless such time is mutually extended as provided herein.

3.5 Within fifteen (15) days after opening of Escrow, Town shall deposit $1,000,000.00 (one million dollars) into Escrow as earnest money ("Earnest Money"). To the extent possible, such Earnest Money shall be placed in an interest bearing account. The Earnest Money and any accrued interest thereon shall be applied to the Final Purchase Price.

3.6 If Escrow has not closed or is not likely to close within 3 years from the Effective Date, and if: (i) USBR has prepared a final but unexecuted form of contract for issuance to Town that is agreeable to Town and GSC; and (ii) Town has deposited the Final Purchase Price into Escrow calculated to the 3 year anniversary date; and (iii) the only matters preventing close of Escrow are processing delays by the governmental agencies, including but not limited to USBR, ADWR or CAWCD, either party may request a six month extension on closing by submitting a written request to Escrow and the other party no later than ten (10) business days before the 3 year anniversary of the Effective Date. If so requested, Escrow shall be so extended. Upon the expiration of the extended time set forth above, if Escrow still has not closed, this transaction shall terminate and funds and documents shall be disbursed as provided in the termination provisions of this Agreement.

Article IV. Transfer Process; Central Arizona Project System Use

4.1 The transfer process for the GSC Contract shall consist, at minimum, of a Request for Consultation submitted to ADWR and (simultaneously as an advance notice courtesy) to USBR.
4.2 To effectively use mainstream Colorado River water within the Town’s municipal service area, it will be necessary to transport that water through the Central Arizona Project Canal system to a canal turnout facility, either existing or to be constructed by Town, at a location convenient to Town. This transportation, or “wheeling” of water may involve obtaining a contractual commitment from CAWCD, approved by USBR, for use of the Central Arizona Project system over an extended period (100 years) or for permanent wheeling service. Negotiation and final execution of such an agreement will be a necessary component of this contemplated transfer process, governed in part by the System Use Agreement and preparation of a form of CAWCD Wheeling Agreement approved thereunder (“CAWCD Wheeling Agreement”).

4.3 Attorney Facilitator. To facilitate the transfer process, GSC and Town agree to engage the services of Michael J. Pearce, Esq. of Maguire, Pearce & Storey, PLLC, to prepare the necessary documents, initiate the necessary communications, and guide the transfer process through conclusion.

4.3.1 Mr. Pearce’s obligations shall include working cooperatively with Town and GSC to prepare necessary documents, schedule meetings and telephone conferences with the parties, ADWR, USBR and CAWCD as necessary, review, transmit and make recommendations on documents received from ADWR, USBR and CAWCD, and work toward final preparation of a letter of recommendation from ADWR, draft and final contracts from USBR and CAWCD, and preparation (including proper execution) of final documents.

4.3.2 Town and GSC acknowledge that Mr. Pearce has, and currently does, represent GSC in certain water related matters. Upon consideration, and with advice from independent counsel if deemed necessary, Town and GSC agree to mutually waive any conflict of interest arising from the mutual engagement of Maguire, Pearce & Storey, PLLC for the purposes outlined in this Agreement. If a dispute arises between Town and GSC over the terms of this Agreement, Mr. Pearce shall recuse himself from either side of such dispute.

4.3.3 Mr. Pearce’s services shall commence upon the Effective Date. Maguire Pearce & Storey, PLLC shall timely prepare and deliver invoices for services rendered on a monthly basis, calculated on an hourly rate of $400.00 per hour. The invoices shall be divided evenly, ½ (one-half) to Town and GSC and sent to the addresses identified in this Agreement. Invoices shall be paid within thirty (30) days of the date of the invoice. If invoices are not timely paid, work may be suspended until the matter is resolved.

4.4 Town and GSC Obligations in Transfer Process. Town and GSC acknowledge that a transfer
of the rights to fourth priority Colorado River water under the GSC Contract to Town will require the recommendation of ADWR to USBR that the transfer be approved (the "ADWR Recommendation"), and the approval of the transfer by USBR (the "USBR Approval"), culminating in the preparation of the Town's USBR Contract for the right to divert and use the Transferrable Quantity of Arizona Fourth Priority Mainstream Lower Basin Colorado River water by USBR to Town. Town and GSC acknowledge that they will have to work cooperatively and with due diligence to obtain such recommendation and approvals, and may have to submit additional information, and take additional steps not fully anticipated at the time of execution of this Agreement, to reach the desired result. Town and GSC agree to work in good faith, and with due diligence, and each use commercially reasonable efforts, to obtain such ADWR Recommendation and USBR Approval. Without limiting the generality of the foregoing, Town and GSC agree that, at minimum, each shall be responsible for the following tasks:

4.4.1 **GSC Obligations.** After deposit of the Earnest Money, GSC shall: (1) assist Mr. Pearce in the preparation and delivery of a Request for Consultation to ADWR requesting a favorable recommendation to USBR for the transfer of the GSC Contract and provide any additional information required pursuant to the ADWR Policy or otherwise requested by ADWR, including a Water Management Plan (as defined in the ADWR Policy) relating to the use and care of GSC's Cibola Valley land after the transfer; (2) cooperate to notify USBR of the ADWR Request for Consultation and transmit a copy of same to USBR, requesting a list of requirements from USBR for approval of the transfer; (3) prepare and submit any information required or requested by USBR from GSC for approval of the transfer; and (4) timely review and comment on all documents prepared or transmitted to GSC concerning the transaction, and to execute and deliver same to USBR, ADWR and Town as necessary. GSC shall also: (A) provide Town with copies of all letters, requests and documents submitted by GSC pursuant to these obligations simultaneously upon submitting such letters, requests and documents, and (B) provide Town with copies of all meeting notices relating to these obligations.

4.4.2 **Town Obligations.** After deposit of the Earnest Money, Town shall: (1) assist Mr. Pearce in the preparation and delivery of a Request for Consultation to ADWR requesting a favorable recommendation to USBR for the transfer of the GSC Contract and provide any additional information required pursuant to the ADWR Policy or otherwise requested by ADWR, including a Water Management Plan (as defined in the ADWR Policy) relating to the use of water by Town and definition of the Town's service area for that use; (2) cooperate with ADWR and USBR to satisfy those agencies' reasonable requests for information during the transfer process; (3) bear all costs associated with the preparation of all environmental assessments, historic preservation compliance requirements, USBR publication fees, and related federal requirements for USBR to approve the transfer, including payment of any charges or fees imposed by USBR (to be paid directly by Town outside of Escrow); (4) timely review and approve the Town's proposed USBR Contract; (5) timely cooperate with Mr. Pearce to begin discussions with CAWCD regarding a CAWCD Wheeling Agreement, including review and comment on all documents prepared by CAWCD and transmitted to Town concerning the wheeling transaction and agreement, and timely execute such documents as are
reasonably necessary to complete the CAWCD Wheeling Agreement; and (6) bear all costs associated with the preparation of all environmental assessments, historic preservation compliance requirements, publication fees, and related federal requirements for USBR to approve the CAWCD Wheeling Agreement, including payment of any charges or fees imposed by USBR or CAWCD (to be paid directly by Town outside of Escrow). Town shall also: (A) provide GSC with copies of all letters, requests and documents submitted by Town pursuant to these obligations simultaneously upon submitting such letters, requests and documents, and (B) provide GSC with copies of all meeting notices relating to these obligations.

4.4.3 Standard Form of Agreements. Town and GSC acknowledge that the agreements and contracts for delivery of the transferred GSC Contract will be in a form prepared by USBR and containing standard USBR contractual terms. Buyer shall accept such terms to the extent that they are consistent with other, similar contracts in effect between USBR and other similarly situated water users. Town also acknowledges that the CAWCD Wheeling Agreement may be materially similar to the “Standard Form of Wheeling Agreement” attached as Exhibit B to the System Use Agreement.

4.5 The goal of the transfer process shall be: (i) a fully executed and approved assignment of the GSC Contract to Town; (ii) a fully executed and approved Section 5 contract issued by USBR to Town authorizing diversion and use of the maximum obtainable Transferrable Quantity; and (iii) a fully executed CAWCD Wheeling Agreement. As the transfer process advances, the parties will be aware that draft approvals and draft contracts are being prepared. The parties recognize that this proposed transfer is the first of its kind in the State of Arizona. Concerns may be expressed, and issues may arise, that are not presently foreseeable. Contracts will have to be prepared that, in some instances, may not be fully negotiable by either Town or GSC. Therefore, it is vital to the success of this transaction that the parties fully cooperate to achieve the stated goals, and be prepared to hold discussions, attend meetings, review and comment on documents, prepare materials in support of the requirements imposed by USBR, ADWR and CAWCD, accept commercially reasonable compromises and to expend money, time, and effort to see this transaction through. There may be public notice requirements, and comment periods allowed for public comment on these draft documents. If the transfer and wheeling agreement process is tentatively approved, the parties should receive timely notice that the transaction is ready for final closure, and agree to be prepared to act in timely fashion to authorize the Close of Escrow as described below.

Article V. Closing Documents

5.1 Town and GSC shall be prepared to execute and deliver final contracts as prepared by USBR and CAWCD, to be presented to USBR and CAWCD for final execution by those entities. Arrangements shall be made to have the final contracts, once executed by
USB and CAWCD, delivered to Escrow so that they may be held until Close of Escrow for final distribution to Town and GSC (as applicable).

5.2 At such time that final contracts are being circulated to Town and GSC for execution and delivery to USB and CAWCD, Escrow shall be notified to begin preparations for Close of Escrow. This shall include preparation of a preliminary statement of closing costs ("Closing Statement") which, in addition to calculating escrow fees and any related costs, shall calculate the Final Purchase Price based on the date that Close of Escrow is to occur. The estimated date of closing ("Closing Date") shall be determined based on a good faith consultation by the parties, with assistance from Mr. Pearce, on the likely date that the final contracts, executed by USB and CAWCD, will be deposited in Escrow, plus consideration of a reasonable time (not to exceed twenty (20) business days) for Town to deposit the Final Purchase Price into Escrow.

5.3 Once the Closing Date is established, Escrow shall begin preparation of the Closing Statement, arrange with Town for suitable transfer of funds to cover the Final Purchase Price into Escrow, arrange with GSC for suitable transfer of funds to be disbursed from Escrow, and shall insure that all of the following ("Closing Documents") are in place within Escrow:

5.3.1 Contract between the United States Bureau of Reclamation and Town providing for diversion and use of the Transferrable Quantity of Colorado River water transferred hereunder executed by USB and Town;
5.3.2 Assignment of the GSC Contract to Town, executed by GSC, Town and USB;
5.3.3 CAWCD Wheeling Agreement executed by CAWCD and Town, and approved by the United States;
5.3.4 Final Purchase Price delivered in readily available funds by Town;
5.3.5 Closing Statement

5.4 Upon confirmation that all required Closing Documents recited above are in place, Escrow shall proceed to Close of Escrow, delivering the contracts to the respective recipients (Town and, for the Assignment, GSC) and delivering the funds to GSC, together with the final Closing Statement.

Article VI. Termination; Event of Default

6.1 Despite their best efforts, the parties recognize that there is a risk that this transfer will be denied, or unreasonably delayed or complicated to the point where it becomes infeasible. In the event that ADWR, USB or CAWCD provides written communication that the transfer will be denied, delayed or conditioned for matters not reasonably anticipated, either party may request a conference with the other party to discuss the complication and attempt to find solutions. If, after conferring in good faith, the parties are unable to find a means to remedy the problem, either party may provide to the other party and Escrow a notice of termination of this Agreement at the end of
thirty (30) days from the date of the notice. During that thirty (30) day period, either party or both parties may continue to attempt to find a solution but, if no solution is forthcoming, this Agreement shall terminate, Escrow shall close with return of the Earnest Money to Town (less costs of Escrow) and any document then held by Escrow to the party submitting same. Notwithstanding the foregoing, neither Town nor GSC shall attempt to terminate this Agreement based solely or primarily on issues extraneous to the transfer process, including alternative buyers/sellers or general reluctance to proceed.

6.2 If either party believes that the other party is in default of any obligation created by this Agreement or reasonably necessary to the successful transfer contemplated hereunder, that party may provide written notice to the other party and Escrow of the nature of the alleged default and possible cure thereof. The responding party shall have 20 (twenty) days in which to respond, either denying the default or proposing a cure. If the cure will take a reasonable time to make, and the party in default is diligently pursuing cure, the default shall be deemed timely cured if cured during that reasonable period. If the default is denied or not properly cured, either party may seek relief in any court of competent jurisdiction to enforce the terms of this Agreement, including specific performance of this unique Agreement, other equitable remedies, or monetary damages not including consequential or special damages. The prevailing party in any suit to enforce this Agreement shall be entitled to recover attorneys’ fees, expert witness fees and costs.

**Article VII. Use of Water and Revenues During Transfer Process**

7.1 During the term of the transfer process, GSC intends to continue using water under the GSC Contract for farming purposes in Cibola Valley. All revenues derived from such farming operations shall belong exclusively to GSC.

7.2 During the term of the transfer process, GSC may also participate in ADWR, CAWCD or USBR voluntary conservation programs known generally as Arizona Drought Contingency Planning. In such case, GSC may voluntarily forego use of water for compensation during the transfer process, and any such compensation shall belong exclusively to GSC.

7.3 GSC will take whatever measures necessary to insure that any farming or conservation activity undertaken by GSC during the term of this Agreement and while the transfer process is pending shall not impede or delay the transfer process, nor shall any such activity encumber Town’s use of the Transferrable Quantity of water after the Close of Escrow, except as provided here.

7.4 Anticipating that the Close of Escrow will occur at some point during a calendar year after a water order has been placed by GSC to USBR for that calendar year, GSC may, in its sole discretion, continue that use until the end of that calendar year in which
Close of Escrow occurs. Meanwhile, Town may prepare or make suitable arrangements for placing a water order with USBR to commence diversion of water to Town beginning January 1 of the calendar year following Close of Escrow. The party ordering and using water under this provision shall pay all costs associated with such use, including any fees imposed by ADWR or USBR for that water use, prorated if necessary. Such costs shall be paid outside of the Escrow created here, but failure to pay such cost in timely and complete fashion shall be a breach of this Agreement.

**Article VIII. Representations; Mutual Non-Competition**

8.1 GSC and Town represent to each other that the signatories to this Agreement have full and valid authority, acting on behalf of the party and for the party itself, to enter into this Agreement and perform all necessary obligations to complete the transfer as contemplated hereunder. GSC represents and warrants that it is the sole owner of the GSC Contract and that the same is not encumbered or subject to obligations not addressed here; that there are no legal proceedings against GSC or the GSC Contract, including bankruptcy proceedings, that will impair GSC’s ability to perform. Town represents and warrants to GSC that Town has considered this matter at the Town Council and has all necessary authority to proceed with this Agreement and perform the obligations hereunder, including payment of any monies due.

8.2 GSC and Town agree that they will direct their reasonably full attention to the completion of the contemplated transfer and successful Close of Escrow, and shall not endeavor to seek or entertain competing water sources or water purchasers for or other than the GSC Contract through the duration of this Agreement. Specifically, GSC shall not enter into any competing proposal, offer, letter of intent, sale or encumbrance of the GSC Contract that would possibly impair GSC’s performance of the goals of this Agreement; Town shall not enter into any proposal, offer, letter of intent, or purchase of water that would compete with the viable use of the water being purchased here. Town may evaluate and pursue additional water sources during the term of this Agreement, so long as it does not detract from Town’s willingness or ability to perform under this Agreement.

**Article IX. Miscellaneous Provisions**

9.1 **Assignment.** All of the provisions of this Agreement shall inure to the benefit of and be binding upon the successors of a party by operation of law. GSC and Town acknowledge and agree that, due to the unique nature of this Agreement and the ability of the individual parties to perform this Agreement, neither party may voluntarily assign, sell or transfer its interest under this Agreement without the express written consent of the other party, which consent may be withheld in the sole discretion of that party.
9.2 Commissions, Attorneys, Consultants. GSC and Town represent each to the other that they have not dealt with any business broker, finder, real estate broker or agent in connection with the transaction which is the subject matter of this Agreement and each agrees to indemnify and hold harmless the other from and on account of any claims, demands, costs and expenses, for any claimed commission or fee regarding this transaction including but not limited to, reasonable attorneys' fees which may be asserted against, suffered or incurred by the Indemnitee on account of the action or inaction of the indemnitor. This indemnification shall survive the termination or cancellation of this Agreement and related Escrow and the Close of Escrow. Town and GSC further agree that, except for the services of Michael J. Pearce provided for in this Agreement, each party shall bear any other cost associated with counsel or consultants advising the party during the term of this Agreement.

9.3 Governing Law, Business Days and Time. This Agreement shall be construed and interpreted under, and governed and enforced according to the internal laws of the State of Arizona without regard to conflict of laws matters. For purposes of this Agreement, a "business" day shall mean any day Escrow is open for the ordinary conduct of its business and, if any date for performance under this Agreement falls on any day other than a business day, the date for such performance shall be extended to the next occurring business day. Time is of the essence of this Agreement. Except as may be otherwise expressly provided herein, the time for performance of any obligation hereunder shall expire at 5:00 p.m. (Phoenix, Arizona time) on the last day of the period allowed hereunder.

9.4 Attorneys' Fees. In the event it becomes necessary for either Buyer or Seller to employ legal counsel or to bring an action at law or other proceeding to enforce any of the terms, covenants or conditions of this Agreement, the prevailing party in any such action or proceeding shall be entitled to recover its reasonable attorneys' fees, costs, expert witness fees and expenses incurred in such action from the other party.

9.5 Notice. All written notices, requests, deliverables and other communications required or allowed under this Agreement shall be delivered personally, or by Registered or Certified United States Mail, postage pre-paid, or sent by any nationally recognized delivery service, prepaid. Any such notice shall be also simultaneously sent to the Escrow and to Michael J. Pearce. Notices sent in compliance with this Section shall be effective upon receipt of delivery or attempted delivery by the carrier. The following addresses shall be used for notice, and may be updated by written notice in accordance with this provision:

GSC Farm, LLC
C/O Michael Schlehuber
C/O Michael Malano
2999 N 44th Street, Suite 518
Phoenix, AZ 85018
Telephone: 602-464-9668
Email: mschlehuber@greenstonerp.com
        mmalano@greenstonerp.com

Town of Queen Creek
c/o Town Manager
22358 South Ellsworth Road
Queen Creek, Arizona 85142
Telephone: 480-358-3000
Email: John.kross@queencreek.org

with copy to:

Dickinson Wright PLLC
1850 N. Central Ave., Suite 1400
Phoenix, AZ 85004
Attn: Scott A. Holcomb
Telephone: 602-285-5028
Email: SHolcomb@dickinsonwright.com

Linda Duval
Pioneer Title Agency, Inc.
7310 N. 16th Street, Suite 250
Phoenix, AZ 85020
Telephone: (602) 943-0184
Email: Linda.duval@ptaaz.com

Michael J. Pearce
Maguire, Pearce & Storey, PLLC
2999 N 44th Street, Suite 650
Phoenix, AZ 85018
Telephone: 602-277-2195
Email: mpearce@azlandandwater.com

9.6 **Miscellaneous.** This Agreement, together with its recitals and the exhibit(s) attached hereto and incorporated by reference, constitute the entire undertaking between the parties hereto and supersedes any and all prior agreements, arrangements and understandings between the parties. No change to this Agreement may be made except by a written amendment signed by an authorized representative of each party. This Agreement may be signed in counterparts by GSC and Town with the same effect as if the signatures to each counterpart were upon a single instrument. Facsimile or electronically scanned signatures shall be acceptable as original signatures for submission to Escrow.
9.7 A.R.S. § 38-511. Town and GSC acknowledge notice of the provisions of A.R.S. § 38-511, as it may affect this Agreement.

[Signatures on Following Page]
In Witness of the Foregoing, the parties have executed this Agreement, to be dated in the first paragraph, and to become effective, upon the date of acceptance by the Escrow.

"GSC"

GSC Farm, LLC, a Delaware limited liability company

By: __________
Name: Michael Schlehuber
Its: __________

CEO

"TOWN"

Town of Queen Creek, an Arizona municipal corporation

By: __________
Name: John Koss
Its: __________

TOWN MANAGER

ATTEST:

__________________
Town Clerk

APPROVED AS TO FORM:

__________________
Town Attorney
Acceptance by Escrow Agent

The undersigned Escrow Agent accepts this Purchase and Transfer Agreement for Mainstream Colorado River Water Entitlement between Town of Queen Creek, Arizona and GSC Farm, LLC and dates the Effective Date of this Agreement here and in the first paragraph hereof as December 18th, 2018 (Assigned Escrow No. 767 007 35) and agrees to act in accordance with the terms thereof.

TITLE COMPANY

By: [Signature]

Name: LINDA DUVAL

Title: [Title]

An Authorized Agent
Purchase and Transfer Agreement for
Mainstream Colorado River Water Entitlement

List of Exhibits

A. GSC Farm, LLC United States Bureau of Reclamation Contract No. 13-XX-30-W0571, dated December 3, 2014

B. Arizona Department of Water Resources Substantive Policy Statement on Transferring an Entitlement of Colorado River Water dated January 17, 2014

C. Central Arizona Project System Use Agreement between the United States and the Central Arizona Water Conservation District

List of Exhibits