

AGREEMENT FOR THE DELIVERY OF WATER MADE AVAILABLE BY CADIZ, INC. AND FENNER GAP MUTUAL WATER COMPANY TO PUBLIC WATER SYSTEMS

This Agreement is made this 28th day of February, 2024 (“**Execution Date**”) between Cadiz, Inc., a Delaware corporation and its wholly owned subsidiary, Cadiz Real Estate LLC, a Delaware limited liability company (collectively, “**Cadiz**”), Fenner Gap Mutual Water Company, a California nonprofit mutual benefit corporation (“**FGMWC**”) and Fontana Water Company, an investor-owned utility (“**FWC**”). Cadiz, FGMWC, and FWC are each individually referred to herein as a “**Party**” and collectively as the “**Parties**.”

RECITALS

A. Cadiz Inc. is a public company holding certain water, water rights and storage rights in trust for the benefit of its shareholders. Cadiz Inc., through a wholly-owned subsidiary, Cadiz Real Estate LLC, is also the owner of approximately forty-five thousand (45,000) acres of land in eastern San Bernardino County (“**Property**”), most of which overlies the Fenner Valley Aquifer System. Cadiz holds the right to extract on average up to 50,000 acre-feet per year (“**AFY**”) of groundwater to be conserved over a 50-year period by the Cadiz Valley Water Conservation, Recovery and Storage Project (“**Water Project**”) pursuant to a certified Final Environmental Impact Report (“**Project FEIR**”) and Groundwater Management, Monitoring and Mitigation Plan (“**GM3P**”) approved by the County of San Bernardino (“**County**”). Cadiz also owns a 30-inch diameter, 220-mile, existing steel pipeline originating at Cadiz with a terminus at Wheeler Ridge (“**Northern Pipeline**”).

B. FGMWC is a nonprofit mutual benefit corporation established by Cadiz as a California Mutual Water Company pursuant to California Public Utilities Code §§ 2704 and 2705, authorized to deliver water to its shareholders at its cost, inclusive of water supply, capital, operations, and maintenance. Cadiz will make “**Conserved Water**,” as defined below, available to FGMWC as authorized under the GM3P for delivery to FGMWC members. FGMWC will operate and manage the Water Project in coordination with the Fenner Valley Water Authority (“**FVWA**”). FGMWC members will ultimately be comprised of entities that have contracted to receive water from the Water Project and have membership rights in FGMWC.

C. FVWA is a joint powers authority formed through a joint exercise of powers agreement between Santa Margarita Water District (“**SMWD**”) and FGMWC. FVWA’s purpose is to lease, maintain and eventually own the facilities and associated appurtenances necessary for the conveyance and delivery of water from the Water Project (“**Capital Facilities**”) and provide oversight for operation of the Water Project in accordance with the GM3P.

D. FWC is an investor-owned utility regulated by the California Public Utilities Commission (“**CPUC**”) and operates a Public Water System providing water service to approximately 48,000 service connections.

E. The County has the discretion to designate public water systems within the geographic boundaries of San Bernardino County to which the County may offer up to 25,000

acre-feet (“**AF**”) of water for beneficial use. In addition, on behalf of public water systems in San Bernardino County, the County may designate potential beneficial uses of Conserved Water within San Bernardino County that may seek to acquire Conserved Water from the Water Project on substantially similar terms, including delivery terms to a public water system located outside of San Bernardino County.

F. The Parties now desire to enter into this Agreement to provide the material terms and conditions for the delivery of water made available by Cadiz and FGMWC to FWC, subject to the further exercise of discretion as provided herein and the satisfaction of certain conditions precedent and compliance with all applicable laws, including, but not limited to, the California Environmental Quality Act (“**CEQA**”).

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated into the operative provisions of this Agreement by this reference, and for good and valuable consideration herein, the Parties agree as follows:

1. **Definitions.**

The following terms have the following meanings for purposes of this Agreement:

- 1.1 “**As Delivered Price**” has the meaning assigned thereto in Section 4.3.
- 1.2 “**Capital Facilities**” has the meaning assigned thereto in Recital C.
- 1.3 “**Commencement Date**” has the meaning assigned thereto in Section 3.
- 1.4 “**Conditions Precedent**” has the meaning assigned thereto in Section 9.
- 1.5 “**Conserved Water**” means groundwater produced and deliverable to end users from the Water Project, on average 50,000 AFY and aggregating 2,500,000 AF of such groundwater cumulatively over the Water Project term.
- 1.6 “**Conserved Water Costs**” has the meaning assigned thereto in Section 4.1.
- 1.7 “**Conveyance Costs**” has the meaning assigned thereto in Section 4.2.
- 1.8 “**Conveyance Facilities**” means those facilities and equipment required to convey Conserved Water to the East Branch through the Northern Pipeline, including a 220-mile, 30” steel pipeline, up to six pump stations, and water treatment facilities. These facilities will be operated by FGMWC or its designee, under the management and oversight of FVWA.
- 1.9 “**Early Termination**” has the meaning assigned thereto in Section 9.
- 1.10 “**East Branch**” means the East Branch of the State Water Project.
- 1.11 “**GM3P**” has the meaning assigned thereto in Recital A.

1.12 “**Northern Pipeline**” has the meaning assigned thereto in Recital A.

1.13 “**Not to Exceed Price**” has the meaning assigned thereto in Section 4.3.

1.14 “**Off-Take Facilities**” means the facilities that distribute Conserved Water from the Northern Pipeline and from the East Branch to FWC. For instance, this includes facilities that enable Project Water to be conveyed through the Northern Pipeline to a point of delivery and thereafter distributed for beneficial use by FWC customers.

1.15 “**O&M**” means operation and maintenance.

1.16 “**Project FEIR**” has the meaning assigned thereto in Recital A.

1.17 “**Property**” has the meaning assigned thereto in Recital A.

1.18 A “**Public Water System**” means FWC and any other provider of retail water service that may, in its complete discretion, elect to acquire Conserved Water from the Water Project (collectively, the “**Public Water Systems**”).

1.19 “**Southern Pipeline**” means the 84-inch, 43-mile pipeline to be constructed for the conveyance of Conserved Water to the Colorado River Aqueduct.

1.20 “**SWP**” means the State Water Project.

1.21 “**Target Price**” has the meaning assigned thereto in Section 4.3.

1.22 “**Water Conservation Facilities**” means those facilities located on the Property as contemplated by the GM3P, for the purpose of withdrawing groundwater for reasonable and beneficial use in a manner that curtails the natural evaporation and waste of water from the Bristol and Cadiz Dry Lakes. Water Conservation Facilities include but are not limited to wells, appurtenances, monitoring equipment, mitigation measures, access roads, power and plumbing required to connect and power the well-field to the Northern Pipeline and Southern Pipeline. Water Conservation Facilities do not include facilities that are exclusively installed and operated for the purpose of conveying Conserved Water and stored water for export from the Property.

1.23 “**Water Project**” has the meaning assigned thereto in Recital A.

2. **Delivery of Water to FWC.**

2.1 In coordination with FGMWC, Cadiz will act in accordance with its rights to enable the direct delivery of water to FWC for its beneficial use via exchange with a SWP contractor through the East Branch.

2.2 Cadiz will make available the Northern Pipeline and all appurtenances to the FGMWC for the purpose of conveying Conserved Water to the SWP for use by FWC by direct delivery or exchange.

2.3 FWC is located within the County and may acquire up to 5,000 AFY of rights to Conserved Water. FWC's right to Conserved Water includes the right to receive an equal amount of a substitute supply via exchange.

2.4 To the extent that the method of delivery to FWC includes wheeling, exchanges, storage and physical improvements, the terms and conditions for such action must be satisfactory to FWC, in the exercise of its complete discretion, as a Condition Precedent pursuant to Section 9 below. This means that if FWC determines the proposed method of delivery does not meet its criteria for cost, reliability, or any other reason over the term of the Agreement, it may exit the Agreement as provided in Section 9.

3. **Term and Time Periods.**

3.1 **Commencement Date.** The Commencement Date of this Agreement shall be the first day that (a) all Conditions Precedent have been satisfied and (b) Conserved Water is first made available for delivery to FWC through the Northern Pipeline..

3.2 **Term.** The term of this Agreement is forty (40) years beginning on the Commencement Date. To the extent that there is an interruption of supply or an under-delivery compared to the quantity set forth in Section 2, FWC at its sole election may extend the term of the Agreement until the full quantity of the delivery obligation (200,000 AF) is satisfied.

3.3 **Extensions of Time.** The time periods set forth in this Agreement may be extended by mutual written agreement of Cadiz and FWC, without needing to execute an amendment to the Agreement.

3.4 **Early Termination.** Any Party shall have the right to terminate upon notice to the other Parties if, within thirty-six (36) months from the Execution Date, all Conditions Precedent have not been satisfied, unless such period is extended by written agreement among the Parties. The thirty-six (36) month period shall be tolled by any litigation that challenges the authorization of the Water Project or the Parties' respective legal authorities to proceed with the Water Project, including actions brought pursuant to CEQA, provided that the tolling of time shall not exceed twelve (12) months without the mutual written agreement among the Parties. Any notice of termination must be delivered, if at all, within six (6) months after the period for satisfying all Conditions Precedent, as it may be tolled, has expired.

4. **Pricing and Payment.**

4.1 **Conserved Water Costs.** The components of the cost for Conserved Water ("**Conserved Water Costs**") include Cadiz accepting a fixed price responsibility of all cost (including capital and O&M) incurred in managing the conservation, pumping and delivery of water to the Northern Pipeline in compliance with the GM3P. The water supply cost will be subject to an agreed upon annual adjustment pegged to an agreed upon index (e.g., CPI Water and Sewer Index.)

4.2 **Conveyance Costs.** Capital expenses for the Conveyance Facilities, not covered by grant funding, will be fixed and amortized. Operating expenses for conveyance will be variable, but may be substantially hedged by energy agreements and off-set by grant funding. Capital

expenses and operating expenses for the conveyance of Conserved Water to FWC (“**Conveyance Costs**”) may be paid or financed through FGMWC or FVWA and invoiced separately from the Conserved Water. All Conveyance Costs are the responsibility of FWC.

4.3 As Delivered Price. The aggregate sum of Conserved Water Costs and Conveyance Costs will constitute the “**As Delivered Price.**” The Parties will exercise good faith to, with the benefit of grant funding along with value engineering, pursue an As Delivered Price of \$1,000 per AF for the delivery of Conserved Water to FWC at its Off-Take Facilities from the East Branch (“**Target Price**”). Notwithstanding efforts to achieve the Target Price, costs may require an exceedance of the Target Price, up to a maximum “**Not to Exceed Price**” of \$1,650 per AF as an A-Delivered Price for Conserved Water, delivered to FWC at its Off-Take Facilities. The Parties may agree, in their complete discretion and without obligation, to further share in additional costs as may be reasonable and prudent.

4.4 Pay On Availability. FWC shall pay Cadiz for the Conserved Water actually made available for delivery to FWC on the agreed upon schedule through the Northern Pipeline at the Property. FWC is not required to pay for Conserved Water that is not made available by Cadiz.

5. Loans and Grant Funding. The Parties agree to jointly seek grant funding to offset capital costs and operating expenses to achieve the Target Price. One hundred percent (100%) of available grant funding will be available to the Public Water Systems, including FGMWC and FVWA, and none to Cadiz. In furtherance of this agreement, the Public Water Systems will agree on a “project description” suitable to secure grant funding and cooperate in making applications for grant funding, supported by broad constituencies. Improvements to local facilities within each Public Water System’s service area may be included in the grant applications.

6. Responsibility for Facilities.

6.1 Off-Take Facilities. The management of the Off-Take Facilities and local distribution will be the responsibility of FWC and not FGMWC.

6.2 Coordinated Plan. The Public Water Systems may share in a coordinated plan whereby a pipeline extension may be built to Jurupa Community Services District. Whatever capital facilities are required to receive delivery of Project Water from the East Branch shall be a shared cost among the benefitted Public Water Systems.

6.3 Conveyance Facilities. Conveyance Facilities will be operated by FGMWC or its designee, under the management and oversight of FVWA.

6.4 Water Conservation Facilities. Water Conservation Facilities will be owned and operated by Cadiz, under the oversight of FGMWC.

7. Delivery Options.

7.1 Direct Delivery Options. Direct delivery of water to FWC will be via the East Branch, through the conveyance of Conserved Water via the Northern Pipeline and exchanged with one or more SWP contractors, including but not limited to Antelope Valley-East Kern Water Agency (“**AVEK**”), Mojave Water Agency (“**MWA**”), and/or Palmdale Water District, in each

entity's complete discretion. The water delivered to FWC pursuant to this Agreement may be either Table A or Article 54 (i.e., non-SWP water), within FWC's discretion. The Parties will exercise good faith to pursue delivery options that offer water supply reliability in dry years, and are consistent with achieving the Target Price and the Not to Exceed Price.

7.2 Exchange Structures. The Parties may select from multiple exchange structures to ensure the availability of water for FWC. In normal and wet years, the Parties may enter into one or more contemporaneous exchange(s) of Conserved Water with one or more SWP contractor(s). To facilitate the availability of water for FWC in dry and critically dry years, the Parties may enter into agreements with one or more SWP contractors providing for the pre-delivery of water to FWC during wet years through designated groundwater banks, including the use of flood waters when available.

7.3 East Branch Conveyance. East Branch conveyance may be achieved within the capacity rights of either San Bernardino Valley Municipal Water District or Metropolitan Water District of Southern California, or pursuant to applicable law.

8. Project Management and Responsibilities.

8.1 Water Conservation. All permits and approvals, if any, to operate under the GM3P will be the responsibility of Cadiz under the oversight of FGMWC and FVWA.

8.2 Conveyance Permitting. FGMWC and FVWA, in coordination with the Public Water Systems, will assume management responsibility for securing required permits for the conveyance of water to the points of delivery.

8.3 Conveyance Environmental Review. FVWA and its managing member, SMWD, are sponsors of the Project FEIR. Whatever additional environmental review may be required for the use of the Northern Pipeline under this Agreement, if any, will be completed by FVWA or SMWD as lead agency, with each Public Water System acting as a "Responsible Agency" for its respective off-take facilities or other entity-specific facilities required to receive a delivery to the Public Water System.

8.4 Negotiation Responsibility. The initial negotiation of SWP exchanges and documentation of agreements will be led by FGMWC on behalf of its putative shareholders. With regard to the Northern Pipeline, these putative shareholder entities will be Public Water Systems, accounting for up to twenty-five thousand (25,000) AFY, with these quantities representing the full annual capacity of the Northern Pipeline.

8.5 Exchanges. FGMWC, in coordination with the Public Water Systems, will pursue the exchanges required to effectuate the purposes of this Agreement.

8.6 Wheeling. To the extent exchanges are insufficient or undesirable, FGMWC will, in coordination with the Public Water Systems, seek wheeling capacity that may be available through AVEK.

8.7 SWP East Branch. FGMWC, in coordination with the Public Water Systems, will pursue reasonable and feasible conveyance opportunities through the East Branch of the SWP.

8.8 Off-Take Facilities. The construction, management and operation of the Off-Take Facilities and local distribution will be the responsibility of FWC and not FGMWC.

8.9 Grant Funding. The Parties will coordinate their efforts through the umbrella of the FGMWC and FVWA in a good faith effort to secure grant funding from state and federal sources.

8.10 Capital Infrastructure and Finance Plan. Prior to the commencement of construction, the Public Water Systems and Cadiz will coordinate their efforts through the umbrella of the FGMWC and FVWA to develop both a Capital Infrastructure and a Financing Plan to account for all planned for construction and improvements to receive the delivery of up to 25,000 AFY in a manner that meets the Conditions Precedent and the requirements of this Agreement.

9. Conditions Precedent. Each of the following are express conditions precedent (“Conditions Precedent”) to the performance of the Parties’ obligations under this Agreement. This means that there is no obligation by FWC to proceed under this Agreement if each of the Conditions Precedent are not met to the satisfaction of FWC and construction of improvements to the Northern Pipeline related to the conveyance of Conserved Water will not create an obligation on the part of FWC. At any time after execution of this Agreement and prior to the commencement of construction, should FWC determine in good faith that satisfying a Condition Precedent is infeasible, it may provide a Notice of Early Termination to Cadiz, upon which it may exit the Agreement without further responsibility. Notice of Early Termination will be provided in accordance Section 19.7 below, setting forth the basis for Early Termination and will be effective thirty (30) days from delivery. In their mutual discretion, the Parties may agree to meet and confer as to the cause of the Early Termination and extend the date. However, in absence of a further agreement, the Notice of Early Termination will be effective, and FWC will have no further obligations under this Agreement. All of these Conditions Precedent must be satisfied to the mutual satisfaction of the Parties or waived in writing by the Parties within thirty-six (36) months from the Execution Date unless such period of time is extended by the Parties in writing:

9.1 Execution of Agreements. Execution of the necessary agreements by the Parties to meet all obligations to make water available to the Public Water Systems by delivery through the East Branch, including but not limited to exchange agreements, wheeling agreements, land acquisitions, easements, and rights of way as may be required;

9.2 Compliance with Laws. Compliance with all applicable laws and prior regulatory approvals for the Water Project, including but not limited to the GM3P, the Project FEIR, CEQA, and the National Environmental Policy Act, to the extent required by law;

9.3 Contractual Agreement for Excess Conveyance Capacity. Obtaining a contractual agreement for the use of excess conveyance capacity in the East Branch sufficient to make a delivery of up to 15,000 AFY to the Public Water Systems on their required schedule;

9.4 Obtaining Funding. Obtaining loans and grant funding, that in the discretion of all Parties, are sufficient to obtain the Conserved Water for the lowest cost reasonable and prudent to deliver Project Water at a cost no greater than the Not to Exceed Price;

9.5 Not to Exceed Price. The Not to Exceed Price of \$1,650 for the complete cost of water to FWC;

9.6 Preparation of Capital Improvement and Finance Plans. As provided in Section 8.10 above, completion of a Capital Improvement Plan and a Finance Plan for the conveyance and delivery of up to 5,000 AFY to FWC and 25,000 AFY through the Northern Pipeline; and

9.7 Written Notice of Completion. Cadiz providing written notice of completion to FWC.

9.8 CPUC Approval. Approval by the CPUC for FWC's purchase of Conserved Water on terms that are consistent with this Agreement.

10. **[Reserved]**

11. **Rights to Conserved Water.**

11.1 Water Rights Appurtenant to Cadiz Property. FWC's right to deliveries of Conserved Water shall not result in the transfer of Cadiz' water rights appurtenant to the Property or in the Fenner Valley Aquifer System. The overlying and appropriative right to withdraw 50,000 AFY (on average) and up to 2.5 million AF over a 50-year period, including the right to export to FWC and others, will remain appurtenant to Cadiz' Property.

11.2 Operation Under the GM3P. FGMWC will operate under the GM3P permit, and FWC will have contractual rights to the water it is acquiring over the life of this Agreement and any extensions. The production and conveyance of Conserved Water will be carried out in compliance with the GM3P while meeting the contractual commitments to the Public Water Systems.

12. **Rate of Delivery and Additional Capacity.**

12.1 Steady Delivery. Conserved Water from the Water Project can be delivered at a steady-state rate of delivery over a 12-month period. FWC shall exercise good faith to estimate its preferred monthly schedule of delivery.

12.2 Additional Capacities. To the extent required, additional capacity to meet specific peak period demands would be achieved by several options, including storing water through AVEK and/or MWA groundwater banks, in the Antelope Valley Groundwater Basin, and/or exchanges. In addition, the Northern Pipeline could be operated to deliver up to 30,000 AFY.

13. **Transfers.** FWC has the right to transfer its allocation of Conserved Water on a permanent or temporary (annual) basis to another member of the FGMWC or to another Public Water System designated by FWC, provided that FWC pays the additional incremental cost of the transfer, and the transferee is subject to the same conditions as FWC.

14. **FGMWC Obligations.** FGMWC will deliver water to FWC as a member/shareholder. FGMWC will assume the responsibility for operating in accordance with applicable law, permits and conditions, and will maintain prudent and customary insurance commensurate with the

undertaking, including but not limited to maintaining its status as a “not for profit” entity. The Parties intend that this Agreement, and those entered into to further the purpose of this Agreement, are qualifying contracts that do not dedicate water to a public use or subject FGMWC to regulation by the California Public Utilities Commission.

15. **Improvements Within FWC’s Service Area.** FWC assumes responsibility for (i) permitting any additional facilities or improvements within its service area necessary to put the water made available under this Agreement to beneficial use and (ii) the cost of such facilities or improvements from FWC’s off-take from the East Branch to the place of beneficial use.

16. **Liability and Indemnification.** Neither Cadiz nor FGMWC nor any affiliate nor any of their respective directors, officers, agents or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of Conserved Water delivered by FGMWC into the Northern Pipeline after such water has passed the points of delivery into the Northern Pipeline established by the rules and regulations of FGMWC; nor for claim of damage of any nature whatsoever, including property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said points of delivery and including attorney fees and other costs of defense in connection therewith. FWC shall indemnify and hold harmless FGMWC, Cadiz, their respective affiliates, and their respective directors, officers, agents and employees from any such damages or claims of damages.

17. **Assignment.** Except as otherwise expressly set forth herein, no Party may assign their rights, responsibilities and obligations hereunder without the consent of all other Parties, which shall not be unreasonably withheld or delayed. This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective, permitted successors and assigns.

18. **Amendments.** Except as otherwise provided in this Agreement, this Agreement may only be amended, modified, changed or rescinded in a writing signed by each of the Parties hereto.

19. **Miscellaneous.**

19.1 **Interpretation.** The provisions of this Agreement should be liberally interpreted to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against any Party, as each Party has participated in the drafting of this Agreement and has had the opportunity to have its counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa. The word “including” means without limitation, and the word “or” is not exclusive. Unless the context otherwise requires, references herein: (i) to Sections and Exhibits mean the Sections of and the Exhibits attached to this Agreement; and (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement.

19.2 **Headings.** The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

19.3 **Severability.** If any term or provision of this Agreement is illegal, invalid or unenforceable, such term shall be limited to the extent necessary to make it legal and enforceable,

and, if necessary, severed from this Agreement. All other terms and provisions of this Agreement shall remain in full force and effect.

19.4 Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

19.5 Amendment. Unless otherwise stated herein, no amendment of this Agreement shall be effective unless reduced to a writing and subscribed by the Parties.

19.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Should litigation occur, venue shall be in San Bernardino County Superior Court.

19.7 Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered: (a) in person; or (b) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt. Any notice shall be deemed delivered when actually delivered, and such notices shall be addressed as follows:

If to Cadiz:

Cadiz, Inc.
Attn: Chief Executive Officer
550 South Hope Street, Suite 2850
Los Angeles, CA 90017

If to FGMWC:

Fenner Gap Mutual Water Company
Attn: President
550 South Hope Street, Suite 2850
Los Angeles, CA 90017

If to FWC:

Fontana Water Company
Attn: General Manager
Fontana Water Company
15966 Arrow Blvd
Fontana, CA 92335

19.8 Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the Parties and supersede all prior agreements and understandings between the Parties relating to the subject matter hereof. This Agreement is intended to implement, and should be interpreted consistently with, the Project FEIR and the GM3P.

19.9 Attorney Fees. If any legal action or any arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or

misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party shall be entitled to recover reasonable attorney fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

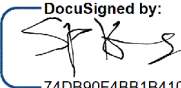
19.10 Dispute Resolution. The Parties shall seek to resolve any dispute concerning the interpretation or implementation of this Agreement through good faith negotiation, involving, as and when appropriate, the general manager or chief executive officer of each of the Parties. Any dispute that remains unresolved thirty (30) days after notice of the dispute is made to the Parties, shall be resolved by a single arbitrator with substantial experience on the matter or matters in dispute, conducted in accordance with JAMS. If the Parties cannot agree on a single arbitrator within ten (10) days of the written election to submit the matter to arbitration, any Party may request JAMS to appoint a single, neutral arbitrator. The Parties shall use their reasonable best efforts to have the arbitration proceeding concluded within ninety (90) business days of the selection of the arbitrator. In rendering the award, the arbitrator shall determine the rights and obligations of the Parties according to the substantive and procedural laws of California. All discovery shall be governed by the California Code of Civil Procedure with all applicable time periods for notice and scheduling provided therein being reduced by one-half. The arbitrator may establish other discovery limitations or rules. The arbitrator shall have the authority to grant provisional remedies and all other remedies at law or in equity, but shall not have the power to award punitive or consequential damages. The decision of the arbitrator shall be final, conclusive and binding upon the Parties, and any Party shall be entitled to the entry of judgment in a court of competent jurisdiction based upon such decision. The losing Party shall pay all costs and expenses of the arbitration; provided, however, if no Party is clearly the losing Party, then the arbitrator shall allocate the arbitration costs between the Parties in an equitable manner, as the arbitrator may determine in his or her sole discretion.

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement by authorized officials thereof on the dates indicated below.

Dated: 2/28/2024 | 11:13 AM PST

CADIZ, INC.

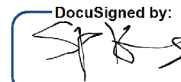
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Title: Susan P. Kennedy, Chair of the Board

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FENNER GAP MUTUAL WATER COMPANY

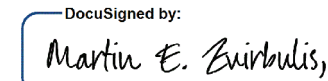
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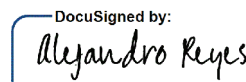
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FONTANA WATER COMPANY

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Title: Martin E. Zvirbulis, Vice President, Water Resources

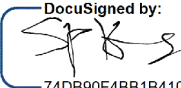
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CADIZ, INC.

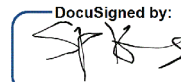
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Title: Jessica Diaz, Counsel

Dated: 2/28/2024 | 11:13 AM PST

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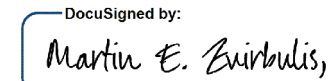
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Title: Susan P. Kennedy, President

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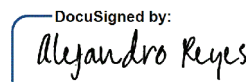
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Title: Jessica Diaz, Counsel

Dated: 2/28/2024 | 3:35 PM PST

FONTANA WATER COMPANY

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Title: Martin E. Zvirbulis, Vice President, Water Resources

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Title: Alejandro R. Reyes, General Counsel

**KEY TERMS FOR FIRST AMENDMENT TO OPTION
AND GSWC'S CONDITIONAL EXERCISE OF ITS OPTION**

These key terms amend the Option Agreement and provide for GSWC's Conditional Exercise of its Option to acquire 5,000 AFY. This "First Amendment" is made and entered into as of the ___ of March 2024, by and between **CADIZ, INC. and FENNER GAP MUTAL WATER COMPANY**,¹ on the one hand (collectively "CADIZ") and **GOLDEN STATE WATER COMPANY** (referred to as "GSWC" or "Optionee") on the other hand.

RECITALS

- A. CADIZ and GSWC executed an Option Agreement in June of 2010, whereby GSWC secured certain rights to acquire up to 5,000 acre-feet per year ("AFY") of conserved water and storage rights in the Cadiz Water Project. (Exhibit "A")
- B. The Cadiz Water Project, has the same meaning herein, as defined by the Final Environmental Impact Report, certified by the Santa Margarita Water District ("SMWD"), the Lead Agency on July 31, 2012 and includes the conservation and withdrawal of up to 2.5 million acre-feet of groundwater from beneath Cadiz' largely contiguous 35,000 acres of land, in Eastern San Bernardino County.
- C. The County of San Bernardino ("County") approved the Cadiz Water Project pursuant to its Desert Groundwater Management, Monitoring and Mitigation Plan ("GM³P") on October 1, 2012, establishing terms and conditions for annual withdrawal, monitoring and mitigation of the conserved water.
- D. SMWD subsequently completed a CEQA Addendum in June, 2019 concerning Project modifications, finding no material change in circumstances.
- E. The 2010 Option Agreement contemplated that water would be delivered to GSWC for beneficial use within the Metropolitan Water District of Southern California ("MWD") via the Colorado River Aqueduct ("CRA").
- F. Cadiz acquired the rights to an existing 220-mile, 30-inch steel pipeline that runs northwesterly from Cadiz to a point near Wheeler Ridge in Kern County in 2021 ("Northern Pipeline").
- G. The Northern Pipeline traverses the GSWC service territory in Northeast San Bernardino County, located in the Mojave River Basin, inclusive of the City of Barstow ("Barstow") and crosses property owned by GSWC, enabling the direct delivery of water to GSWC.
- H. GSWC appropriates groundwater within the Mojave River Basin. The groundwater is impacted by various contaminants that GSWC must remove to meet water quality regulations prior to entering the Barstow Water Distribution system and being delivered to GSWC customers. The nature and extent of the contaminants are not known, which has required GSWC to install well head treatment facilities. Moreover,

¹ Formerly named Fenner Valley Mutual Water Company, FGMWC is a nonprofit mutual benefit corporation, exempt from regulation by the California Public Utilities Commission. All references to the Option Agreement to "Fenner Mutual Water Company" refer to FGMWC.

the recent drought, coupled with lower than normal annual rainfall for the past decade has negatively impacted the ground water levels in the Mojave River Basin. The region's reliance upon replenishment from the State Water Project, is subject to the continuing threat of unreliability and increasing expenses to meet the needs of its customers, within Barstow, a disadvantaged community.

- I. The Governor of California has issued multiple Executive Orders, most notably N-10-19 and N-3-23, emphasizing the importance of investments to attain water resiliency.
- J. The County, Fenner Valley Water Authority ("FVWA"), FGMWC, Cadiz and GSWC have also executed a Memorandum of Understanding ("MOU") acknowledging the importance of achieving water resiliency in the Mojave River Basin.
- K. The local groundwater quantity and water quality challenges can be avoided by GSWC receiving direct access to water from Cadiz Water Project, through the Northern Pipeline. Furthermore, a reliable source of water from the Cadiz Water Project will likely reduce the need to drill future groundwater wells to serve Barstow.
- L. The "GM³P" would not be impacted by the use of the Northern Pipeline to convey water to GSWC's service territory in Barstow in lieu of the CRA.
- M. The period for exercise of the Option Agreement was initially tolled by third-party litigation unsuccessfully challenging the FEIR and the GM³P and then by mutual agreement between the Parties.
- N. The Parties desire to generally maintain the applicable provisions of the Option Agreement as provided under this Term Sheet.

NOW THEREFORE, In consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to this First Amendment to the Option Agreement and GSWC's exercise of the Option provided for therein as follows:

1. **Valid Option.** As modified by the terms set forth herein, the Parties agree to the validity of the Option Agreement and GSWC's Option granted by the Option Agreement, including GSWC's right to acquire up to 5,000 AFY thereunder. Furthermore, they agree that the express conditions precedent set forth therein have been satisfied, or are now otherwise waived, subject to continuing compliance with applicable state and federal law.
2. **Point of Delivery.** The Option Agreement and specifically Section 2.2(a) is amended to provide that instead of the Colorado River Aqueduct ("CRA") being the point of delivery as contemplated by the Option Agreement, Cadiz will make available 5,000 AFY at Cadiz for conveyance to GSWC in Barstow, through the Northern Pipeline as depicted on Exhibit "B" attached hereto.
3. **Physical Facilities.**
 - a. Northern Pipeline. Along with the 5,000 AFY of water acquired under the Option, Cadiz will make available to FGMWC, a non-profit mutual water company, for the benefit of GSWC, that portion of the Northern Pipeline, originating at Cadiz, required for the transportation of groundwater to GSWC, rights-of-way,

- appurtenances (including pump stations) and potential public water systems required to convey 5,000 AFY from Cadiz to Barstow.
- b. Off-Take. A physical off-take from the Northern Pipeline, located on GSWC property, will be constructed, owned and controlled by GSWC.
 - c. Water Treatment. Conserved water conveyed to GSWC from Cadiz through the Northern Pipeline will be made available for treatment and distribution by GSWC to its customers.
 - i. GSWC may, in its complete discretion, elect to (a) own, install and operate ATEC water filters sufficient to treat up to 3,100 gpm or (b) Cadiz will own and install ATEC water filters treatment and incorporate these costs into its annual water supply charge to GSWC. The cost of annual operations for treatment will in all cases be borne by GSWC.
4. **Cost**. The Annual Quantity will be provided in accordance with the Option Agreement, Exhibit "B" page 15, as adjusted, and subject to cost off-sets, including third-party grant funding.
 5. **Grant Funding**. The Parties will exercise good faith and reasonable efforts to secure third-party grant funding that may be available to reduce the capital expenses that might otherwise be incurred in connection with their performance under the Option Agreement, with the sole recipient being public water systems and public agencies.
 6. **FGMWC**. Cadiz will cause the delivery of shares in FGMWC to GSWC in amount representative of 5,000 AFY.
 7. **Express Conditions Precedent to Delivery of Water**.
 - a. The California Division of Drinking Water must provide the required approval to interconnect to the Northern Pipeline, after processing through the ATEC water treatment system.
 - b. California Public Utilities Commission's approval of GSWC's acquisition of the 5,000 AFY as provided in the Option Agreement as amended herein.
 - c. Compliance with applicable law.
 8. **Inapplicable Option Agreement Provisions**
 - a. References to the CRA. (See Sections E.,L., 1.2 (b), 1.2(c), 2.2(a), 2.2(b), 2.2 (c), 2.2(d), 2.2(e), 2.2(i), 2.2(j), Exhibit A., Exhibit B (B), Exhibit B (D)
 - b. References to MWD. (See Sections 2.2(a), 2.2(i), 2.2(j), 2.4(c), 2.4(d), 2.7(a), 2.7(g))
 - c. References Pipeline Capacity. (See Section 2.2(e))
 9. **Further Assurances and Future Amendments**. The Option Agreement shall remain in full force and effect except as expressly modified by this First Amendment. The Parties will cooperate in good faith to take all such future actions and adopt all such future amendments as may be reasonably necessary or appropriate to effectuate and implement the Option Agreement as modified by this First Amendment.
 10. **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. The Parties shall be entitled to sign and transmit an electronic signature of this Amendment (whether by facsimile, PDF or other mail transmission), which signature

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shall be binding on the Party whose name is contained therein. Each Party providing an electronic signature agrees to promptly execute and deliver to the other Party's an original signed Amendment upon request.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment by authorized officials thereof on the dates indicated below.


GOLDEN STATE WATER COMPANY

Dated: March 13, 2024

By: Robert J. Sprowls
Name: Robert J. Sprowls
Title: President and Chief Executive Officer

CADIZ, INC.

Dated: March 13, 2024

By: 
Name: Susan M. Kennedy
Title: CEO

FENNER GAP MUTUAL WATER COMPANY

Dated: March 13, 2024

By: 
Name: Susan M. Kennedy
Title: CEO

Term Sheet for the Delivery of Water Made Available by Cadiz, Inc. and Fenner Gap Mutual Water Company to Santa Margarita Water District in the Northern Pipeline

The parties agree that no binding obligations will be created until the written definitive agreements have been duly executed and delivered by authorized representatives of the parties with respect to the transactions contemplated hereby.

I. Parties	
a. Cadiz	Cadiz, Inc. and its subsidiaries (“Cadiz”) is a public company holding certain water, water rights and storage rights in trust for the benefit of its shareholders. Cadiz is also the owner of approximately forty-five thousand (45,000) acres of land in eastern San Bernardino County (“Property”), most of which overlies the Fenner Valley Aquifer System. Cadiz holds the right to extract on average up to 50,000 acre-feet per year (“AFY”) of groundwater to be conserved over a 50-year period by the Water Project (defined below) pursuant to a certified Final Environmental Impact Report (“Project FEIR”) and Groundwater Management, Monitoring and Mitigation Plan (“GM ³ P”) approved by San Bernardino County (“County”) and owns a thirty inch diameter, 220-Mile, existing steel pipeline originating at Cadiz with a terminus at Wheeler Ridge (“Northern Pipeline”).
b. FGMWC	Fenner Gap Mutual Water Company (“FGMWC”) is a nonprofit mutual benefit corporation established by Cadiz as a California Mutual Water Company pursuant to California Public Utilities Code §§ 2704 and 2705 authorized to deliver water to its shareholders at its cost, inclusive of water supply, capital and operations and maintenance. Cadiz will lease conserved water available to FGMWC as authorized under the GM ³ P for delivery to FGMWC members as provided in Section III.1.2 below. FGMWC will operate and manage the Water Project (as defined below) under Agreement with Fenner Valley Water Authority. FGMWC members will ultimately be comprised of entities that have contracted to receive water (1 Share for every AFY) from the Water Project and have membership rights in FGMWC.
c. Santa Margarita Water District	Santa Margarita Water District (“SMWD”) is a California Water District, a local agency of the State of California with broad powers under the California Water District Act, Cal. Water Code §§ 34000 et seq. SMWD currently holds a Water Purchase and Sale Agreement for delivery of 5,000 AF from the Water Project as defined in Section II.a. below.
d. Fenner Valley Water Authority	Fenner Valley Water Authority (“FVWA”) is a joint powers authority formed through a joint exercise of powers agreement between SMWD and FGMWC, with SMWD serving as the “designated entity” of FVWA under California Government Code Section 6509 and serving as the Managing Member. FVWA’s purpose is to lease, maintain and eventually own the facilities and associated appurtenances necessary for the conveyance and delivery of water from the Water Project (“Capital Facilities”) and provide oversight for operation of the Water Project in accordance with the GM ³ P.

<p>e. [REDACTED] [REDACTED]</p>	<p>[REDACTED] is a local agency of the State of California formed pursuant to the Community Services District Law, Cal. Gov't Code § 61000 et seq. and operates a California public water system ("Public Water System"), providing water service to approximately 33,000 service connections.</p>
<p>f. [REDACTED] [REDACTED]</p>	<p>[REDACTED] is a local agency of the State of California formed pursuant to the County Water District Law, Cal. Wat. Code § 30000 et seq. and operates a California Public Water Systems, providing water service to approximately 49,000 service connections.</p>
<p>g. [REDACTED] [REDACTED]</p>	<p>[REDACTED] is an investor-owned utility regulated by the California Public Utilities Commission and operates a Public Water System providing water service to approximately 48,000 service connections.</p>
<p>h. [REDACTED] [REDACTED]</p>	<p>[REDACTED] regulated by the California Public Utilities Commission and operates a Public Water System providing water service in [REDACTED].</p>
<p>i. Public Water Systems</p>	<p>SMWD, [REDACTED], [REDACTED], [REDACTED] and [REDACTED] are each referred to herein as a "Public Water System" and Collectively, the "Public Water Systems"</p>
<p>j. San Bernardino County</p>	<p>San Bernardino County ("County") has the discretion to designate Public Water Systems within the County that it may offer up to 25,000 acre-feet ("AF") of water for beneficial use. In addition, on behalf of Public Water Systems in the County, it may designate potential beneficial uses within the County that may seek to acquire conserved water from the Project on substantially similar terms, including delivery terms. It is contemplated that up to 5,000 AFY of conserved water from the Water Project would be made available to [REDACTED], within the County under a consistent but separate agreement. In addition, [REDACTED] and [REDACTED] are within the County and not subject to this requirement. On the other hand, [REDACTED] has a current option agreement that would be amended by the Definitive Agreement contemplated by this Term Sheet and would be subject to the 60-day notice period under the Memorandum of Understanding with the County.</p>
<p>II. Facilities, Property, and Other Key Definitions</p>	
<p>a. Water Project</p>	<p>"Water Project" means the County-approved Cadiz Valley Water Conservation, Recovery and Storage Project designed to appropriate groundwater from wells on the Property overlying the Orange Blossom Wash, Cadiz, Bristol and Fenner Valley aquifers (collectively, such aquifers being the "Fenner Valley Aquifer System"), and to deliver that groundwater for reasonable and beneficial uses via facilities necessary to deliver the groundwater to Project Participants, including the Northern Pipeline. "Project Participant" means each entity identified in the Project FEIR as a "Project Participant," and shall also include Public Water</p>

	Systems that are added to the Water Project after certification of the Project FEIR.
b. Conserved Water	“Conserved Water” means groundwater produced and deliverable to end users from the Water Project, on average 50,000 AFY and aggregating 2,500,000 AF of such groundwater cumulatively over the Water Project term.
c. Cadiz Property	As set forth above, Cadiz owns the Property located in the Fenner Valley of Eastern San Bernardino County along with appurtenant water rights to produce groundwater for overlying beneficial uses and an appropriative right to export up to a 2.5 MAF over a 50-year period as authorized by the County under the GM ³ P. Per existing Agreement, Cadiz will grant an easement to SMWD over all the facilities to ensure SMWD has access for inspection under its role as lead agency.
d. Water Conservation Facilities	Cadiz under the management of FGMWC will lease to own “Water Conservation Facilities,” located on the Property as contemplated by the GM ³ P to FVWA, for the purpose of withdrawing groundwater for reasonable and beneficial use in a manner that curtails the natural evaporation and waste of water from the Bristol and Cadiz Dry Lakes. Withdrawal of water is subject to GM ³ P and coordination with Cadiz. These facilities include but are not limited to wells, appurtenances, monitoring equipment, mitigation measures, access roads, power and plumbing required to connect and power the well-field to the Northern Pipeline and Southern Pipeline. Water Conservation Facilities do not include facilities that are exclusively installed and operated for the purpose of conveying conserved and stored water for export from the Property.
e. Conveyance Facilities	The “Conveyance Facilities” are those facilities and equipment required to convey conserved water to the East Branch through the Northern Pipeline, and include a 220-mile, 30” steel pipeline, up to 6 pump stations, and water treatment facilities. Cadiz will lease to own these facilities to FVWA. These facilities will be operated by FGMWC or its designee, under the management and oversight of the FVWA.
f. Off-Take Facilities	The facilities that distribute the Project Water from the Northern Pipeline and from the State Water Project to the Public Water Systems are the “Off-Take Facilities.” For instance, this includes facilities that enable Project Water to be conveyed through the Northern Pipeline to a point of delivery and thereafter distributed for beneficial use by the customers of the Public Water System.
III. Proposed Transaction	
a. Summary	In coordination with FGMWC and FVWA, Cadiz will act in accordance with its rights, using the facilities described herein, to enable the direct delivery of water to the Public Water Systems for their beneficial use including via exchange with a State Water Project Contractor through the East Branch of the State Water Project (“SWP”).

<p>b. Use of Conveyance Facilities</p>	<p>Cadiz will make available the Northern Pipeline and all appurtenances to the FGMWC and FVWA for purpose of conveying conserved water to the SWP by direct delivery or exchange. A general summary of the Northern Pipeline and proposed appurtenant facilities is attached hereto as Exhibit "A".</p>
<p>c. Responsibility for Off-Take Facilities</p>	<p>Whatever capital facilities, if any, are required for SMWD to receive delivery of Project Water from the SWP will be the responsibility of SMWD and not FGMWC or FVWA.</p>
<p>d. Delivery Options</p>	<p>Direct delivery of water to the Public Water Systems will be via the East Branch of the SWP, through the conveyance of Conserved Water via the Northern Pipeline and exchange with one or more SWP contractors, including but not limited to the Metropolitan Water District of Southern California, ("MWD"), Antelope Valley-East Kern Water Agency ("AVEK"), Mojave Water Agency ("MWA"), and/or Palmdale Water District, in their complete discretion. The water delivered to the Public Water Systems pursuant to the Definitive Agreement may be either Table A or Article 54 (i.e., non-SWP water) within their discretion. The Parties will exercise good faith to pursue delivery options that offer both water supply reliability in dry-years, and are consistent with achieving the Target Price and the Not to Exceed cost considerations.</p> <p>The Parties may select from multiple exchange structures to ensure the availability of water for the Public Water Systems. In normal and wet years, the Parties may enter into one or more contemporaneous exchange(s) of Conserved Water with one or more SWP contractor(s). To facilitate the availability of water for the Public Water Systems in dry and critically dry years, the Parties may enter into agreements with one or more SWP contractors providing for the pre-delivery of water to the Public Water Systems during wet years through designated groundwater banks, including the use of flood waters when available.</p> <p>East Branch conveyance may be achieved within the capacity rights of either [REDACTED] or MWD or pursuant to applicable law.</p>
<p>e. Project Management and Responsibilities</p>	<ol style="list-style-type: none"> 1. <u>Water Conservation</u>. All permits and approvals, if any, to operate under the GM³P will be the responsibility of Cadiz under the oversight of FGMWC and FVWA. 2. <u>Conveyance Permitting</u>. FGMWC and FVWA, in coordination with the Public Water Systems, will assume management responsibility for securing required permits for the conveyance of water to the points of delivery. 3. <u>Conveyance Environmental Review</u>. SMWD is the managing member of FVWA, a public agency joint powers authority and a public water system. FVWA and SMWD are sponsors of the FEIR for the Cadiz Water Project certified in 2012 and the Addendum subsequently completed in June of 2019. Whatever additional environmental review may be required for the use of the Northern Pipeline under the proposed transaction, if any, can be completed

	<p>by FVWA/SMWD as Lead Agency, with each Public Water System acting as “Responsible Agency” for its respective Off-Take Facilities or other entity-specific facilities required to receive a delivery to the Public Water System.</p> <ol style="list-style-type: none"> 4. <u>Negotiation Responsibility</u>. The initial negotiation of SWP exchanges and documentation of agreements will be led by FGMWC, in conjunction with FVWA, on behalf of its putative shareholders (i.e., Public Water Systems awaiting the close of all conditions precedent <i>before</i> they are bound). With regard to the Northern Pipeline, these putative shareholder entities and respective entitlements would be ██████ (5,000 AFY), ██████ (5,000 AFY), ██████ (5,000 AFY), ██████ (5,000 AFY), and SMWD (5,000 AFY), with these entitlements representing the full capacity of the Northern Pipeline. 5. <u>Exchanges</u>. FGMWC, in coordination with the Public Water Systems, will pursue the required exchanges. Among the three potential exchange options that would reduce the length of transportation along the Northern Pipeline to each Public Water System’s desired point of delivery are: (i) Mojave Water Agency (“MWA”); (ii) Antelope Valley – East Kern Water Agency (“AVEK”) and (iii) Palmdale Water District. By way of background, ██████ will receive 5,000 AFY ██████ and will not require an exchange or swap to take delivery. 6. <u>Wheeling</u>. To the extent exchanges are insufficient or undesirable, FGMWC will, in coordination with the Public Water Systems, seek wheeling capacity that may be available through AVEK and/or MWD. 7. <u>SWP East Branch</u>. FGMWC, in coordination with the Public Water Systems, will pursue reasonable and feasible conveyance opportunities through the East Branch of the SWP. 8. <u>Off-Take Facilities</u>. The construction, management and operation of the Off-Take Facilities and local distribution will be the responsibility of the benefitted Public Water System(s) and not FGMWC. 9. <u>Grant Funding</u>. The Parties will coordinate their efforts through the umbrella of the SMWD, FGMWC and FVWA in a good faith effort to secure grant funding from state and federal sources.
<p>f. Rights to Conserved Water</p> <p>Public systems right to Conserved water will be through membership in the FGMWC, FG will have right through agreement with Cadiz.</p>	<p>SMWD’s right to deliveries of Conserved Water will be a contractual right pursuant to the Definitive Agreement and/or the existing Water Purchase Agreement, and the execution of the Definitive Agreement will not result in the transfer of Cadiz’ water rights appurtenant to the Property or in the Fenner Valley Aquifer System. This means the overlying and appropriative right to withdraw 50,000 AFY (on average) and up to 2.5 million AF over a 50-year period, including the right to export to, will remain appurtenant to Cadiz’ Property and will be leased to FGMWC. The production and conveyance of conserved water will be carried out in compliance with the GM³P while meeting the contractual</p>

	<p>commitments to the Public Water Systems. In other words, FGMWC will operate under the GM³P permit, and the Public Water Systems will have contractual rights to the water they are acquiring over the life of the Agreement and any extensions.</p>
<p>g. Quantity</p>	<p>SMWD currently holds an existing Water Purchase Sale Agreement to 5,000 AFY of Conserved Water with delivery contemplated through the proposed Southern Pipeline connection to the Colorado River Aqueduct and an option for an additional 10,000 AFY. Pursuant to the Definitive Agreement, SMWD's rights to Conserved Water would include the right to receive an equal amount of a substitute supply via exchange pursuant to the Definitive Agreement.</p>
<p>h. Rate of Delivery Steady state for 5,000 AFY is 6.9 CFS</p>	<p>The Project will deliver a steady-state rate of delivery over a 12-month period (6.9 CFS for 5,000 AFY). While the well-field and expected pumping stations can meet flexible demand over 365 days, the capacity of the Northern Pipeline is constrained to 25,000 AFY over a 12-month period. The Public Water Systems will exercise good faith to estimate their preferred monthly schedule of delivery. To the extent required, additional capacity to meet specific peak period demands would be achieved by: (i) storing water in MWA, AVEK and Antelope Valley Groundwater Basin and (ii) exchanges. In addition, the Northern Pipeline could be operated to deliver up to 30,000 AFY. As the Northern Pipeline drops 5,000 AFY in [REDACTED] additional capacity of up to 10,000 AFY is available for reaches west of [REDACTED] (i.e., the Northern Pipeline gains an additional 10,000 AFY of capacity). When the Southern Pipeline is constructed, there will be additional flexibility to make alternative deliveries via the Southern Pipeline to the Colorado River Aqueduct.</p>
<p>i. FGMWC Obligations</p>	<p>The Definitive Agreement will provide that FGMWC will deliver water to the Public Water Systems as members/shareholders. FGMWC will assume the responsibility for operating in accordance with applicable law, permits and conditions, and will maintain prudent and customary insurance commensurate with the undertaking, including but not limited to maintaining its status as a "not for profit" entity. The Parties intend that the Definitive Agreement will be a qualifying contract that does not dedicate water to a public use or subject FGMWC to regulation by the California Public Utilities Commission.</p>
<p>j. Improvements Within the Public Water Systems' Service Areas</p>	<p>The Public Water Systems assume responsibility for (i) permitting any additional facilities or improvements within their respective service areas necessary to put the water made available under the Definitive Agreement to beneficial use and (ii) the cost of such facilities or improvements from the Off-Take from the East Branch of the SWP to the place of beneficial use.</p>
<p>k. Responsibility After Delivery</p>	<p>Cadiz, FVWA, nor FGMWC nor any affiliate nor any of their respective directors, officers, agents or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of Conserved Water delivered by FGMWC into the Northern Pipeline after such water has passed the points of delivery into the Northern Pipeline established by the</p>

	<p>rules and regulations of FGMWC; nor for claim of damage of any nature whatsoever, including property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said points of delivery and including attorney fees and other costs of defense in connection therewith. Each Public Water System shall indemnify and hold harmless FGMWC, FVWA, Cadiz, their respective affiliates, and their respective directors, officers, agents and employees from any such damages or claims of damages to the extent that the claim arises following delivery of Conserved Water (by exchange) to the Public Water System.</p>
<p>I. Cost</p>	<ol style="list-style-type: none"> 1. <u>As Delivered Price</u>. The Parties will exercise good faith to, with the benefit of grant funding along with value engineering, pursue an as-delivered price of \$1,000 per AF for the delivery of Conserved Water to the Public Water Systems at their Off-Take Facilities from the East Branch of the SWP (the “Target Price”). Notwithstanding efforts to achieve the Target Price, costs may require an exceedance of the Target Price, up to a maximum “Not to Exceed Price” of \$1,650 per AF as an as-delivered price for Conserved Water, delivered to the Public Water Systems at the Off-Take Facilities. The Parties may agree, in their complete discretion and without obligation, to further share in additional costs as may be reasonable and prudent. SMWD will incur additional cost for treatment at either the Diemer or Baker Treatment plant at approximately \$354/AF 2. <u>Conserved Water</u>. The components of Conserved Water costs include Cadiz accepting a fixed price responsibility of all cost (capital and O&M) incurred in managing the conservation, pumping and delivery of water to the Northern Pipeline in compliance with the GM³P. The water supply cost will be subject to an agreed upon annual adjustment pegged to an agreed upon index (e.g., CPI Water and Sewer Index.) O&M may be paid and invoiced separately by FGMWC. 3. <u>Conveyance</u>. Capital costs, not covered by grant funding, will be fixed and amortized. Op-Ex will be variable, but substantially hedged by energy agreements. These costs may be paid or financed through FGMWC or FVWA and invoiced separately from the Conserved Water and in aggregate will constitute the “As Delivered Price”.
<p>m. Pay On Availability</p>	<ol style="list-style-type: none"> 1. <u>Conserved Water</u>. The Public Water System will pay Cadiz for the Conserved Water actually made available for delivery to the Public Water System on the agreed schedule through the Northern Pipeline at the Property. The Public Water Systems are not required to pay for Conserved Water that is not made available. Public Water System will be under a take or pay contract. 2. <u>Conveyance Cost</u>. All conveyance costs are the responsibility of each Public Water System. Capital component will be fixed based on capacity if Conserved Water is made available.
<p>n. Transfers</p>	<p>Each Public Water System has the right to transfer their allocation on a permanent or temporary (annual) basis to another member of the FGMWC</p>

	<p>or to another Public Water System designated by the transferor, provided that the transferor pays the additional incremental cost of the transfer, and the transferee is subject to the same conditions as the Public Water System transferor. FGMWC may have first right of refusal for transfer within a specified time period.</p>
<p>o. Loans and Grant Funding</p>	<p>The Parties agree to jointly seek grant funding to offset capital costs and operating expenses to achieve the Target Price. 100% of available grant funding will be available to the Public Water Systems, including FGMWC and FVWA, and none to Cadiz. In furtherance of this agreement, the Public Water Systems will agree on a “project description” suitable to secure grant funding and cooperate in making applications for grant funding, supported by broad constituencies. Improvements to local facilities within each Public Water System’s service area may be included in the grant applications.</p>
<p>p. Conditions Precedent</p>	<p>Each of the following are express conditions precedent (“Conditions Precedent”) to the performance of an agreement and the parties’ obligations hereunder and must be satisfied or waived in writing by the parties, within thirty-six (36) months from the Execution Date unless such period of time is extended by the parties in writing.</p> <ul style="list-style-type: none"> • Execution of the necessary agreements by the Parties to meet all obligations to make water available to the Public Water Systems by delivery through the East Branch of the SWP under the Definitive Agreement, including but not limited to exchange agreements, wheeling agreements, land acquisitions, easements, and rights of way as may be required; • Execution of Project Facilities Lease, Project Water Lease, Facility Operation Agreement per the GM³P. • Compliance with all applicable laws and prior regulatory approvals, including but not limited to the GM³P, the Project FEIR, CEQA, and NEPA, to the extent required including preoperational requirements; • Construction of any facilities or improvements necessary for the Public Water Systems to put the water delivered pursuant to the Definitive Agreement to beneficial use, including but not limited to readying the Northern Pipeline, pump stations, power, and operations for the conveyance of up to 25,000 AFY; • Obtaining a contractual agreement for the use of excess conveyance capacity in the SWP sufficient to make a delivery of up to 20,000 AFY to the Public Water Systems on their required schedule; • Obtaining sufficient loans and grant funding, that in the discretion of all Parties, are sufficient to obtain the Conserved Water for the lowest cost reasonable and prudent to deliver Project Water at cost no greater than the Not to Exceed Price; and • Cadiz providing written notice of completion to the Public Water Systems.

q. Commencement Date	“Commencement Date” means the date all Conditions Precedent have been satisfied and the first delivery of water through the Northern Pipeline has begun.
r. Term	The term of the agreement will be fifty years per the GM ³ P. To the extent that there is an interruption or an under-delivery, at the election of the Public Water System, the term of the Agreement may be extended until the full quantity of the delivery obligation (200,000 AF) is satisfied.
s. Early Termination	Either party shall have the right to terminate upon notice to the other party if, within thirty-six (36) months from the Execution Date, all Conditions Precedent have not been satisfied, unless such period is extended by written agreement among the Parties. The thirty-six (36) month period shall be tolled by any litigation that challenges the authorization of the Water Project or the Parties’ respective legal authorities to proceed with the Water Project, including actions brought pursuant to CEQA, provided that the tolling of time shall not exceed twelve (12) months without the mutual written agreement among the Parties. Any notice of termination must be delivered, if at all, within six (6) months after the period for satisfying all Conditions Precedent, as it may be tolled, has expired.
t. Extension of Time Periods	The time periods set forth in the Definitive Agreement may be extended by mutual written agreement of Cadiz and the Public Water Systems, without needing to execute an amendment to the Agreement.

Santa Margarita Water District

By: 
Name: Donald H. Bunts
Title: Interim General Manager

Date: 2-28-24

Cadiz, Inc.

By: 
Name: Susan P. Kennedy
Title: Chief Executive Officer

Date: 2/28/2024

Fenner Gap Mutual Water Company

By: 
Name: Susan P. Kennedy
Title: President

Date: 2/28/2024

AGREEMENT FOR THE DELIVERY OF WATER MADE AVAILABLE BY CADIZ, INC. AND FENNER GAP MUTUAL WATER COMPANY TO SOLOMON HILLS

This Agreement is made this 18th day of April, 2024 (“**Execution Date**”) between Cadiz, Inc., a Delaware corporation, and its wholly owned subsidiary, Cadiz Real Estate LLC, a Delaware limited liability company (collectively, “**Cadiz**”), Fenner Gap Mutual Water Company, a California nonprofit mutual benefit corporation (“**FGMWC**”) and Solstra Communities California LLC, a California limited liability company (“**Solstra**”). Cadiz, FGMWC, and Solstra are each individually referred to herein as a “**Party**” and collectively as the “**Parties**.”

RECITALS

A. Cadiz, Inc. is a public company holding certain water, water rights and storage rights in trust for the benefit of its shareholders. Cadiz, Inc., through a wholly-owned subsidiary, Cadiz Real Estate LLC, is also the owner of approximately forty-five thousand (45,000) acres of land in eastern San Bernardino County (“**Property**”), most of which overlies the Fenner Valley Aquifer System. Cadiz holds the right to extract on average up to 50,000 acre-feet per year (“**AFY**”) of groundwater to be conserved over a 50-year period by the Cadiz Valley Water Conservation, Recovery and Storage Project (“**Water Project**”) pursuant to a certified Final Environmental Impact Report (“**Project FEIR**”) and Groundwater Management, Monitoring and Mitigation Plan (“**GM3P**”) approved by the County of San Bernardino. Cadiz also owns a 30-inch diameter, 220-mile, existing steel pipeline originating at Cadiz with a terminus at Wheeler Ridge (“**Northern Pipeline**”).

B. FGMWC is a nonprofit mutual benefit corporation established by Cadiz as a California Mutual Water Company pursuant to California Public Utilities Code §§ 2704 and 2705, authorized to deliver water to its shareholders at its cost, inclusive of water supply, capital, operations, and maintenance. Cadiz will make “**Conserved Water**,” as defined below, available to FGMWC as authorized under the GM3P for delivery to FGMWC members. FGMWC will operate and manage the Water Project in coordination with the Fenner Valley Water Authority (“**FVWA**”). FGMWC members will ultimately be comprised of entities that have contracted to receive water from the Water Project and have membership rights in FGMWC.

C. FVWA is a joint powers authority formed through a joint exercise of powers agreement between Santa Margarita Water District (“**SMWD**”) and FGMWC. FVWA’s purpose is to lease, maintain and eventually own the facilities and associated appurtenances necessary for the conveyance and delivery of water from the Water Project (“**Capital Facilities**”) and provide oversight for operation of the Water Project in accordance with the GM3P.

D. Solstra is the owner of certain land in unincorporated Santa Barbara County and is in the process of seeking entitlements and approvals for up to 4,000 dwelling units and ancillary commercial uses (“**Solomon Hills**”). Solstra will be responsible for providing retail water service to customers at Solomon Hills through its own legal entity or partnering with a public water system.

E. The Parties now desire to enter into this Agreement to provide the material terms and conditions for the delivery of water made available by Cadiz and FGMWC to Solstra, subject to the further exercise of discretion as provided herein and the satisfaction of certain conditions precedent and compliance with all applicable laws.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated into the operative provisions of this Agreement by this reference, and for good and valuable consideration herein, the Parties agree as follows:

1. Definitions.

The following terms have the following meanings for purposes of this Agreement:

- 1.1 “**As-Delivered Price**” has the meaning assigned thereto in Section 5.3.
- 1.2 “**Banking Off-Take**” is a point along the Northern Pipeline with access to groundwater banking facilities operated by Antelope Valley-East Kern Water Agency (“**AVEK**”), to be mutually agreed upon in accordance with Section 10.1.3.
- 1.3 “**Capital Facilities**” has the meaning assigned thereto in Recital C.
- 1.4 “**Delivery Commencement Date**” has the meaning assigned thereto in Section 4.1.
- 1.5 “**Conditions Precedent**” has the meaning assigned thereto in Section 10.
- 1.6 “**Conserved Water**” means groundwater produced and deliverable to end users from the Water Project, on average 50,000 AFY and aggregating 2,500,000 AF of such groundwater cumulatively over the Water Project term.
- 1.7 “**Conserved Water Costs**” has the meaning assigned thereto in Section 5.1.
- 1.8 “**Construction Commencement**” means the commencement of construction of improvements to the Northern Pipeline.
- 1.9 “**Conveyance Costs**” has the meaning assigned thereto in Section 5.2.
- 1.10 “**Conveyance Facilities**” means those facilities and equipment required to convey Conserved Water to the Banking Off-Take through the Northern Pipeline, including a 220-mile, 30-inch steel pipeline, up to six pump stations, and water treatment facilities. These facilities will be operated by FGMWC or its designee, under the management and oversight of FVWA.
- 1.11 “**Delivery Schedule**” has the meaning assigned thereto in Section 3.3.
- 1.12 “**Environmental Review Contribution**” has the meaning assigned thereto in Section 2.2.

- 1.13 “**Exit Payment**” has the meaning assigned thereto in Section 4.6.
- 1.14 “**Extended Term**” has the meaning assigned thereto in Section 4.2.
- 1.15 “**GM3P**” has the meaning assigned thereto in Recital A.
- 1.16 “**Initial Payment**” has the meaning assigned thereto in Section 2.1.
- 1.17 “**Northern Pipeline**” has the meaning assigned thereto in Recital A.
- 1.18 “**Notice of Early Termination**” has the meaning assigned thereto in Section 10.
- 1.19 “**Not to Exceed Price**” has the meaning assigned thereto in Section 5.3.
- 1.20 “**Off-Take Facilities**” means any facilities necessary to enable water to be delivered to Solomon Hills after Conserved Water is conveyed via the Northern Pipeline to the Banking Off-Take. For instance, this includes facilities that enable water to be distributed for beneficial use at Solomon Hills pursuant to an exchange of Conserved Water.
- 1.21 “**O&M**” means operation and maintenance.
- 1.22 “**Project FEIR**” has the meaning assigned thereto in Recital A.
- 1.23 “**Property**” has the meaning assigned thereto in Recital A.
- 1.24 A “**Public Water System**” means Solstra or any entity subsequently formed to provide retail water service to Solomon Hills, and any other provider of retail water service that may, in its complete discretion, elect to acquire Conserved Water from the Water Project (collectively, the “**Public Water Systems**”).
- 1.25 “**Solomon Hills Approval**” means the first business day on which the County of Santa Barbara Board of Supervisors has taken final action approving all discretionary entitlements necessary to proceed with construction of the Solomon Hills development.
- 1.26 “**Southern Pipeline**” means the 84-inch, 43-mile pipeline to be constructed for the conveyance of Conserved Water to the Colorado River Aqueduct.
- 1.27 “**SWP**” means the State Water Project.
- 1.28 “**Water Conservation Facilities**” means those facilities located on the Property as contemplated by the GM3P, for the purpose of withdrawing groundwater for reasonable and beneficial use in a manner that curtails the natural evaporation and waste of water from the Bristol and Cadiz Dry Lakes. Water Conservation Facilities include but are not limited to wells, appurtenances, monitoring equipment, mitigation measures, access roads, power and plumbing required to connect and power the well-field to the Northern Pipeline and Southern Pipeline. Water Conservation Facilities do not include facilities that are exclusively installed and operated for the purpose of conveying Conserved Water and stored water for export from the Property.
- 1.29 “**Water Project**” has the meaning assigned thereto in Recital A.

2. **Payments Required Prior to Construction Commencement.**

2.1 **Initial Payment.** Solstra shall pay to Cadiz one hundred fifty thousand dollars (\$150,000) (the “**Initial Payment**”). The Initial Payment shall be due upon the earlier of the following: (a) 180 days from the Execution Date or (b) five business days following Montecito Water District providing Solstra with a written offer, satisfactory to Solstra in the exercise of its complete discretion, to make available its capacity in the Coastal Branch of the State Water Project sufficient to deliver 1,275 AFY to the Solomon Hills development. The Initial Payment shall be credited toward any subsequent payments owed by Solstra under this Agreement. The Initial Payment will not be refundable to Solstra except as set forth in Section 10.2 below, and will be deemed earned by Cadiz when paid as consideration for this Agreement.

2.2 **Contribution Toward Environmental Review Costs.** Solstra shall pay to Cadiz a contribution toward the costs of undertaking the necessary environmental review for the conveyance of Conserved Water through the Northern Pipeline (“**Environmental Review Contribution**”). The Environmental Review Contribution shall be twenty thousand dollars (\$20,000) and shall be due on the Execution Date. The Environmental Review Contribution will not be credited toward subsequent payments owed by Solstra under this Agreement and will not be refundable to Solstra under any circumstance.

3. **Delivery of Water to Solstra.**

3.1 In coordination with FGMWC, Cadiz will act in accordance with its rights to enable the delivery of water via the Northern Pipeline to the Banking Off-Take for Solstra’s beneficial use via exchange.

3.2 Cadiz will make available the Northern Pipeline and all appurtenances to the FGMWC for the purpose of conveying Conserved Water to the Banking Off-Take for use by Solstra by exchange.

3.3 At least sixty (60) days prior to Construction Commencement, Solstra shall provide a notice to Cadiz pursuant to Section 19.6 below that includes (a) the maximum annual quantity of Conserved Water, if any, required for the Solomon Hills development (“**Maximum Volume**”), provided that the Maximum Volume may not exceed 1,275 AFY and (b) a proposed delivery schedule (“**Delivery Schedule**”) to account for the Maximum Volume given the anticipated absorption schedule for the Solomon Hills development. The parties shall negotiate in good faith to reach agreement on the Delivery Schedule. Attached as Exhibit A is the fourteen (14) year demand outlook and projected absorption schedule for the Solomon Hills development as of the Execution Date. Exhibit A shall serve as the foundation for the Parties’ good faith negotiations regarding the Delivery Schedule. Each year following Delivery Commencement Date, Solstra will provide Cadiz a rolling five-year plan for absorption. The plan shall serve as the foundation for the Parties’ good faith negotiations regarding any adjustments Solstra desires to make to the Delivery Schedule. The Parties recognize the Delivery Schedule may need to be updated to account for updated demand outlook based upon the pace of the development, provided that Solstra shall be obligated to purchase the volume of Conserved Water set forth in the Delivery Schedule in any given year unless Cadiz agrees in its sole discretion to an adjustment.

3.4 Cadiz shall make available for delivery to Solstra up to the Maximum Volume of Conserved Water, according to the Delivery Schedule to be agreed upon by the Parties. Solstra's right to Conserved Water includes the right to receive an equal amount of a substitute supply via exchange. Any portion of the 1,275 AFY of Conserved Water not required for delivery to Solstra for Solomon Hills may be assigned by Solstra to shareholders of FGMWC and third parties, provided that neither Cadiz nor FGMWC is harmed by the assignment. In addition, Solstra, in its discretion, may request Cadiz to re-market any portion of the 1,275 AFY of Conserved Water for the benefit of Solstra. Cadiz will exercise good faith and reasonable efforts to remarket the water provided that Solstra reimburses Cadiz for its cost incurred in remarketing.

4. **Term and Time Periods.**

4.1 **Delivery Commencement Date.** The Delivery Commencement Date shall be the first day that Conserved Water is first made available for delivery to Solstra through the Northern Pipeline.

4.2 **Term and Extension.** The term of this Agreement is forty (40) years beginning on the Delivery Commencement Date. To the extent that there is an interruption of supply or an under-delivery compared to the quantity set forth in Section 3, Solstra at its sole election may extend the term of the Agreement until the full quantity of the delivery obligation (51,000 AF) is satisfied. Solstra shall have the right in its sole discretion to extend the term of this Agreement an additional forty (40) years ("**Extended Term**") subject to and contingent on the County of San Bernardino extending the GM3P term and the Parties' ability to fulfill any terms or additional conditions imposed by the County of San Bernardino in extending the GM3P term.

4.3 **Extensions of Time.** The time periods set forth in this Agreement may be extended by mutual written agreement of Cadiz and Solstra, without needing to execute an amendment to the Agreement.

4.4 **Early Termination.** At any time after execution of this Agreement and prior to Construction Commencement, should Solstra determine in good faith that satisfying a Condition Precedent is infeasible, it may provide a notice of early termination ("**Notice of Early Termination**") to Cadiz, upon which it may exit the Agreement without further responsibility. Notice of Early Termination will be provided in accordance Section 19.6 below, setting forth the basis for early termination and will be effective thirty (30) days from delivery. In their mutual discretion, the Parties may agree to meet and confer as to the cause of the early termination and extend the date of termination. However, in the absence of a further agreement, the Notice of Early Termination will be effective, and Solstra will have no further obligations under this Agreement.

4.5 **Termination If Conditions Precedent Are Not Satisfied.** Any Party shall have the right to terminate this Agreement upon notice to the other Parties if, within thirty-six (36) months from the Execution Date, all Conditions Precedent have not been satisfied, unless such period is extended by mutual written agreement among the Parties. The thirty-six (36) month period shall be tolled by any litigation that challenges the authorization of the Water Project or the Parties' respective legal authorities to proceed with the Water Project, including actions brought pursuant to the California Environmental Quality Act ("**CEQA**"), provided that the tolling of time shall not exceed twelve (12) months without the mutual written agreement among the Parties. Any notice

of termination provided pursuant to this Section 4.5 must be delivered, if at all, within six (6) months after the period for satisfying all Conditions Precedent, as it may be tolled, has expired.

4.6 Termination For Other Reasons. Upon notice to the other Parties, Solstra shall have the right to terminate this Agreement if Solstra determines for any reason in the exercise of its complete discretion that Conserved Water is not needed to satisfy the water demand requirements of the Solomon Hills development. Notice of termination pursuant to this Section 4.6 must be provided in accordance with Section 19.6 below and will be effective thirty (30) days from delivery. In the event Solstra terminates pursuant to this Section 4.6 within two years of the Execution Date or prior to Construction Commencement, whichever is later, no “**Exit Payment**” shall be due. In the event Solstra terminates pursuant to this Section 4.6 after two years have elapsed since the Execution Date or following Construction Commencement, whichever is later, Solstra shall pay Cadiz the Exit Payment, due by the effective date of the termination. If Solstra terminates pursuant to this Section 4.6 after two years have elapsed since the Execution Date or following Construction Commencement, whichever is later, but prior to Solomon Hills Approval, the Exit Payment shall be equal to nine hundred thousand dollars (\$900,000) in 2024 dollars. If Solstra terminates pursuant to this Section 4.6 following Construction Commencement and on the date of or following Solomon Hills Approval, the Exit Payment shall be equal to two million, two hundred and fifty thousand dollars (\$2,250,000) in 2024 dollars. Beginning on January 1, 2025 and each year thereafter, the Exit Payment shall be adjusted in accordance with any increase or decrease in the Bureau of Labor Statistics Water and Sewer Maintenance Index or such similar index approved by the Parties in the event that this index is no longer available at any time prior to the termination date.

5. Pricing and Payment.

5.1 Conserved Water Costs. The components of the cost for Conserved Water (“**Conserved Water Costs**”) include Cadiz accepting a fixed price responsibility of all cost (including capital and O&M) incurred in managing the conservation, pumping and delivery of water to the Northern Pipeline in compliance with the GM3P. The water supply cost will be subject to an agreed upon annual adjustment pegged to an agreed upon index (e.g., CPI Water and Sewer Index.)

5.2 Conveyance Costs. Capital expenses for the Conveyance Facilities, not covered by grant funding, will be fixed and amortized. Operating expenses for conveyance will be variable, but may be substantially hedged by energy agreements and off-set by grant funding. Capital expenses and operating expenses for the conveyance of Conserved Water to Solstra (“**Conveyance Costs**”) may be paid or financed and invoiced separately from the Conserved Water. All Conveyance Costs are the responsibility of Solstra.

5.3 As-Delivered Price. The aggregate sum of Conserved Water Costs and Conveyance Costs will constitute the “**As Delivered Price**.” The Parties may agree, in their complete discretion and without obligation, to further share in additional costs as may be reasonable and prudent.

5.4 Not to Exceed Target Price. One of the Conditions Precedent as set forth in Section 10 is that the As Delivered Price for Conserved Water delivered to Solstra at the Banking Off-Take must be equal to or less than one thousand seven hundred and fifty dollars (\$1,750) per AF

in 2024 dollars (the “**Not to Exceed Target Price**”). Beginning on January 1, 2025 and each year thereafter, the Not to Exceed Price shall be adjusted in accordance with any increase or decrease in the Bureau of Labor Statistics Water and Sewer Maintenance Index or such similar index approved by the Parties in the event that this index is no longer available at any time prior to the Delivery Commencement Date. In the event either Party reasonably determines that the Not to Exceed Target Price will be exceeded, the Parties will meet and confer in good faith as to whether further agreements may be made that are satisfactory to the Parties that will enable the agreement to proceed notwithstanding the exceedance.

5.5 Pay On Availability. Cadiz shall make available for delivery to Solstra no more than the Maximum Volume of Conserved Water, according to the Delivery Schedule agreed by the Parties. Solstra shall pay Cadiz for the Conserved Water actually made available for delivery to Solstra for Solomon Hills on the agreed upon Delivery Schedule through the Northern Pipeline at the Property. Solstra is not required to pay for Conserved Water that is not made available by Cadiz.

6. Loans and Grant Funding. One hundred percent (100%) of available grant funding will be available to the Public Water Systems, including FGMWC and FVWA, and none to Cadiz. In furtherance of this agreement, the Public Water Systems will agree on a “project description” for environmental review and suitable to secure grant funding and cooperate in making applications for grant funding, supported by broad constituencies. Improvements to local facilities within each Public Water System’s service area may be included in the grant applications. If Solstra forms a Public Water System, including but not limited to a qualifying California Mutual Water Company, that Public Water System may qualify for and participate in available grant funding.

7. Responsibility for Facilities.

7.1 Off-Take Facilities. The management of the Off-Take Facilities and local distribution will be the responsibility of Solstra and not FGMWC.

7.2 Conveyance Facilities. Conveyance Facilities will be operated by FGMWC or its designee, under the management and oversight of FVWA.

7.3 Water Conservation Facilities. Water Conservation Facilities will be owned and operated by Cadiz, under the oversight of FGMWC.

8. Delivery Options.

8.1 Delivery Options. Delivery of water to Solstra will be achieved through the conveyance of Conserved Water via the Northern Pipeline and exchanged with one or more SWP contractors or other water rights holders, in each entity’s complete discretion. The Parties will exercise good faith to pursue delivery options that offer water supply reliability in dry years.

8.2 Exchange Structures. The Parties may select from multiple exchange structures to ensure the availability of water for Solstra. In normal and wet years, the Parties may enter into one or more contemporaneous exchange(s) of Conserved Water with one or more SWP contractor(s) or other water right holders. To facilitate the availability of water for Solstra in dry and critically dry years, the Parties may enter into agreements with one or more SWP contractors or other water

right holders providing for the pre-delivery of water to Solstra during wet years through designated groundwater banks, including the use of flood waters when available.

9. **Project Management and Responsibilities.**

9.1 **Water Conservation.** All permits and approvals, if any, to operate under the GM3P will be the responsibility of Cadiz under the oversight of FGMWC and FVWA.

9.2 **Conveyance Permitting.** FGMWC and FVWA, in coordination with the Public Water Systems, will assume management responsibility for securing required permits for the conveyance of water to the points of delivery.

9.3 **Conveyance Environmental Review.** FVWA and its managing member, SMWD, are sponsors of the Project FEIR. Whatever additional environmental review may be required for the use of the Northern Pipeline under this Agreement, if any, will be completed by FVWA or SMWD as lead agency, with each Public Water System acting as a “Responsible Agency” for its respective off-take facilities or other entity-specific facilities required to receive a delivery to the Public Water System.

9.4 **Negotiation Responsibility.** The initial negotiation of SWP exchanges and documentation of agreements will be led by FGMWC on behalf of its putative shareholders. With regard to the Northern Pipeline, these putative shareholder entities will be Public Water Systems.

9.5 **Exchanges.** FGMWC, in coordination with the Public Water Systems, will pursue the exchanges required to effectuate the purposes of this Agreement.

9.6 **Wheeling.** To the extent exchanges are insufficient or undesirable, FGMWC will, in coordination with the Public Water Systems, seek wheeling capacity that may be available through AVEK.

9.7 **Off-Take Facilities.** The construction, management and operation of the Off-Take Facilities and local distribution will be the responsibility of Solstra and not FGMWC.

9.8 **Grant Funding.** The Parties will coordinate their efforts through the umbrella of the FGMWC and FVWA in a good faith effort to secure grant funding from state and federal sources.

10. **Conditions Precedent.**

10.1 **Conditions Precedent.** Each of the following are express conditions precedent (“**Conditions Precedent**”) to the performance of the Parties’ obligations under this Agreement, with the exception of Solstra’s payment of the Initial Payment and Environmental Review Contribution pursuant to Section 2. This means that there is no obligation by Solstra to proceed under this Agreement if any of the Conditions Precedent are not met to the satisfaction of Solstra and neither Construction Commencement nor Section 4.6 will create an obligation on the part of Solstra. Consistent with Section 4.5, all of these Conditions Precedent must be satisfied to the mutual satisfaction of the Parties or waived in writing by the Parties within thirty-six (36) months from the Execution Date, as such period of time may be tolled, unless such period of time is extended by the Parties in writing:

10.1.1 Execution of Agreements. Execution of the necessary agreements by the Parties to meet all obligations to make water available to Solstra, including but not limited to exchange agreements, wheeling agreements, land acquisitions, easements, and rights of way as may be required for the Off-Take Facilities;

10.1.2 Satisfactory Method of Delivery. To the extent that the method of delivery to Solomon Hills includes wheeling, exchanges, storage and physical improvements, the terms and conditions for such action must be satisfactory to Solstra, in the exercise of its complete discretion;

10.1.3 Agreement On the Banking Off-Take. Agreement by the Parties on the location of the Banking Off-Take;

10.1.4 Compliance with Laws. Compliance with all applicable laws and prior regulatory approvals for the Water Project, including but not limited to the GM3P, the Project FEIR, CEQA, and the National Environmental Policy Act, to the extent required by law;

10.1.5 Achieving the Not to Exceed Price. Obtaining loans and grant funding, and the existence of any other necessary cost factors, that in the discretion of all Parties, are sufficient to obtain the Conserved Water for the lowest cost reasonable and prudent to deliver Conserved Water at a cost no greater than the Not to Exceed Price;

10.1.6 Written Notice of Construction Commencement. Cadiz providing written notice of Construction Commencement to Solstra.

10.2 Return of Initial Payment Based on Delay to Solomon Hills Final Approval. In the event that (a) all Conditions Precedent have been met and (b) Solstra has not secured final approval from the County of Santa Barbara of all discretionary entitlements necessary to proceed with construction of the Solomon Hills development, Solstra will be entitled to a refund of the Initial Payment.

11. **Rights to Conserved Water.**

11.1 Water Rights Appurtenant to Cadiz Property. Solstra's right to deliveries of Conserved Water shall not result in the transfer of Cadiz' water rights appurtenant to the Property or in the Fenner Valley Aquifer System. The overlying and appropriative right to withdraw 50,000 AFY (on average) and up to 2.5 million AF over a 50-year period, including the right to export to Solstra and others, will remain appurtenant to Cadiz' Property.

11.2 Operation Under the GM3P. FGMWC will operate under the GM3P permit, and Solstra will have contractual rights to the water it is acquiring over the life of this Agreement and any extensions. The production and conveyance of Conserved Water will be carried out in compliance with the GM3P while meeting the contractual commitments to the Public Water Systems.

12. **Rate of Delivery and Additional Capacity.**

12.1 **Steady Delivery.** Conserved Water from the Water Project can be delivered at a steady-state rate of delivery over a 12-month period. Solstra shall exercise good faith to estimate its preferred monthly schedule of delivery.

12.2 **Additional Capacities.** To the extent required, additional capacity to meet specific peak period demands would be achieved by several options, including storing water through AVEK and/or MWA groundwater banks, in the Antelope Valley Groundwater Basin, and/or exchanges. In addition, the Northern Pipeline could be operated to deliver up to 30,000 AFY between Barstow and the Los Angeles Aqueduct, provided that the incremental costs for accommodating the added quantities would be borne by the entity requesting the additional capacity.

13. **Transfers.** Solstra has the right to transfer its allocation of Conserved Water on a permanent or temporary (annual) basis to another member of the FGMWC or to another Public Water System designated by Solstra, provided that Solstra pays the additional incremental cost of the transfer, and the transferee is subject to the same conditions as Solstra.

14. **FGMWC Obligations.** FGMWC will deliver water to Solstra as a member/shareholder. FGMWC will assume the responsibility for operating in accordance with applicable law, permits and conditions, and will maintain prudent and customary insurance commensurate with the undertaking, including but not limited to maintaining its status as a “not for profit” entity. The Parties intend that this Agreement, and those entered into to further the purpose of this Agreement, are qualifying contracts that do not dedicate water to a public use or subject FGMWC to regulation by the California Public Utilities Commission.

15. **Improvements Within the Solomon Hills Service Area.** Solstra assumes responsibility for (i) permitting any additional facilities or improvements within the ultimate service area for Solomon Hills necessary to put the water made available under this Agreement to beneficial use and (ii) the cost of such facilities or improvements.

16. **Liability and Indemnification.** Except as expressly provided for by further written agreement, neither Cadiz nor FGMWC, nor any affiliate nor any of their respective directors, officers, agents or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of Conserved Water delivered by FGMWC through the Northern Pipeline after such water has passed the Conveyance Facilities and reached the Banking Off-Take; nor for claim of damage of any nature whatsoever, including property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said points of delivery and including attorney fees and other costs of defense in connection therewith. Solstra shall indemnify and hold harmless FGMWC, Cadiz, their respective affiliates, and their respective directors, officers, agents, and employees from any such damages or claims of damages.

17. **Assignment.** Except as otherwise expressly set forth herein, no Party may assign their rights, responsibilities, and obligations hereunder without the consent of all other Parties, which shall not be unreasonably withheld or delayed. This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective, permitted successors and assigns.

18. **Amendments.** Except as otherwise provided in this Agreement, this Agreement may only be amended, modified, changed, or rescinded in a writing signed by each of the Parties hereto.

19. **Miscellaneous.**

19.1 **Interpretation.** The provisions of this Agreement should be liberally interpreted to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against any Party, as each Party has participated in the drafting of this Agreement and has had the opportunity to have its counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa. The word “including” means without limitation, and the word “or” is not exclusive. Unless the context otherwise requires, references herein: (i) to Sections and Exhibits mean the Sections of and the Exhibits attached to this Agreement; and (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and by this Agreement.

19.2 **Headings.** The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

19.3 **Severability.** If any term or provision of this Agreement is illegal, invalid, or unenforceable, such term shall be limited to the extent necessary to make it legal and enforceable, and, if necessary, severed from this Agreement. All other terms and provisions of this Agreement shall remain in full force and effect.

19.4 **Counterparts.** This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

19.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. Should litigation occur, venue shall be in San Bernardino County Superior Court.

19.6 **Notices.** Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered: (a) in person; or (b) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt. Any notice shall be deemed delivered when actually delivered, and such notices shall be addressed as follows:

If to Cadiz:

Cadiz, Inc.
Attn: Chief Executive Officer
550 South Hope Street, Suite 2850
Los Angeles, CA 90017

If to FGMWC:

Fenner Gap Mutual Water Company

Attn: President
550 South Hope Street, Suite 2850
Los Angeles, CA 90017

If to Solstra:

Solstra Communities California LLC
Attn: Chief Executive Officer
1130 East Clark Avenue, Suite 150 #286
Orcutt, CA 93455

19.7 Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the Parties and supersede all prior agreements and understandings between the Parties relating to the subject matter hereof. This Agreement is intended to implement, and should be interpreted consistently with, the Project FEIR and the GM3P.

19.8 Attorney Fees. If any legal action or any arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party shall be entitled to recover reasonable attorney fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

19.9 Dispute Resolution. The Parties shall seek to resolve any dispute concerning the interpretation or implementation of this Agreement through good faith negotiation, involving, as and when appropriate, the general manager or chief executive officer of each of the Parties. Any dispute that remains unresolved thirty (30) days after notice of the dispute is made to the Parties, shall be resolved by a single arbitrator with substantial experience on the matter or matters in dispute, conducted in accordance with JAMS. If the Parties cannot agree on a single arbitrator within ten (10) days of the written election to submit the matter to arbitration, any Party may request JAMS to appoint a single, neutral arbitrator. The Parties shall use their reasonable best efforts to have the arbitration proceeding concluded within ninety (90) business days of the selection of the arbitrator. In rendering the award, the arbitrator shall determine the rights and obligations of the Parties according to the substantive and procedural laws of California. All discovery shall be governed by the California Code of Civil Procedure with all applicable time periods for notice and scheduling provided therein being reduced by one-half. The arbitrator may establish other discovery limitations or rules. The arbitrator shall have the authority to grant provisional remedies and all other remedies at law or in equity, but shall not have the power to award punitive or consequential damages. The decision of the arbitrator shall be final, conclusive and binding upon the Parties, and any Party shall be entitled to the entry of judgment in a court of competent jurisdiction based upon such decision. The losing Party shall pay all costs and expenses of the arbitration; provided, however, if no Party is clearly the losing Party, then the arbitrator shall allocate the arbitration costs between the Parties in an equitable manner, as the arbitrator may determine in his or her sole discretion.

[Signature Follow on Next Page]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement by authorized officials thereof on the dates indicated below.

Dated: 4/18/2024 | 5:57 AM PDT

CADIZ, INC.

DocuSigned by:
By: Susan P. Kennedy
Title: Susan P. Kennedy, Chair of the Board

APPROVED AS TO FORM

DocuSigned by:
By: Jessica Diaz
Title: Jessica Diaz, Counsel

Dated: 4/18/2024 | 5:57 AM PDT

FENNER GAP MUTUAL WATER COMPANY

DocuSigned by:
By: Susan P. Kennedy
Title: Susan P. Kennedy, President

APPROVED AS TO FORM

DocuSigned by:
By: Jessica Diaz
Title: Jessica Diaz, Counsel

Dated: 4/18/2024 | 7:56 AM PDT

SOLSTRA COMMUNITIES CALIFORNIA LLC

DocuSigned by:
By: Klaus Hasbo
Title: Klaus Hasbo, Chief Executive Officer

APPROVED AS TO FORM

DocuSigned by:
By: Peter Candy
Title: Peter Candy, Counsel

EXHIBIT A**Solomon Hills Projected Water Demand Over 14-Year
Development Period Commencing January 1, 2029**

Year	Residential Units	Cumulative Units	Incremental Water Demand (ac-ft)	Cumulative Water Demand (ac-ft)
1	229	229	73	73
2	285	514	91	164
3	308	822	98	262
4	332	1,154	106	368
5	372	1,526	118	486
6	372	1,897	118	605
7	361	2,258	115	720
8	358	2,617	114	834
9	300	2,917	96	929
10	285	3,202	91	1,020
11	275	3,477	88	1,108
12	219	3,696	70	1,177
13	191	3,887	61	1,238
14	113	4,000	36	1,274