

**LETTER OF INTENT RE PROVISION OF NON-TRIBUTARY COLORADO RIVER
WATER TO TORRES MARTINEZ DESERT CAHUILLA INDIANS AND THE
SALTON SEA AUTHORITY THROUGH A PUBLIC PRIVATE PARTNERSHIP**

This *Letter of Intent (LOI)* is entered into as of the ~~25th~~ day of April, 2022, as a public private partnership, by and among Torres Martinez Desert Cahuilla Indians (“**Torres Martinez**”) a federally recognized Tribe of Cahuilla Indians, **Cadiz, Inc.** a public company and its wholly-owned subsidiary, Fenner Valley Mutual Water Company (collectively “**Cadiz**”), a California Mutual Water Company, the Salton Sea Authority, a joint powers authority (“**Authority**”), and the Coachella Valley Water District (“**CVWD**”) a County Water District (each a “*Party*” and together the “*Parties*”), with reference to the following facts and intentions:

Whereas, the **Torres Martinez** Reservation is comprised of 24,000 acres, approximately 12,000 of which are below the Salton Sea. **Torres Martinez** has identified a need for up to 1,500 acre-feet per year (“**AFY**”) of supplemental water to satisfy existing health and sanitation needs on its aboriginal homeland, including but not limited to suppression of fugitive dust and water quality impairment of local groundwater wells, used for domestic use;

Whereas, **Torres Martinez** desires a physical interconnection with the **CVWD** so as to receive the delivery of water in sufficient quality and quantity as required to satisfy its beneficial use requirements at its current place of need;

Whereas, the Authority is leading the restoration of the Salton Sea located in Riverside and Imperial County of California, and the **Authority** desires to acquire new high-quality water from sources of supply non-tributary to the Colorado River (“non-tributary”) in support of its objective of attaining a sustainable Salton Sea;

Whereas, **Cadiz** holds certain water, water rights and storage rights in trust for the benefit of its shareholders, including the right to extract up to 2.5 million acre-feet of groundwater and to apply it for beneficial use on 35,000 acres of land in eastern Mojave Desert and generally within Southern California under a public private partnership with the Santa Margarita Water District (“**SMWD**”) and in accordance with terms and conditions established by San Bernardino County (“**County**”) and desires to make non-tributary supplemental water available to **CVWD** without cost at specified points of delivery as may be agreed for the benefit of **Torres Martinez** and the **Authority**.

Whereas, a Final Environmental Impact Report (“**FEIR**”) for a water conservation project (“**Cadiz Water Project**”) was certified, and pursuant to authorizations issued by the **County** when fully implemented, it will provide a firm water supply of 50,000 acre-feet (AF) annually for a period of fifty (50) years, and up to 1M AF of storage, using a proposed 43-mile pipeline to be constructed to convey water supply into the Colorado River Aqueduct (“**CRA**”) and an existing 220-Mile Pipeline that runs northwesterly from **Cadiz** and crosses the Los Angeles Aqueduct and State Water Project (“**SWP**”) facilities;

NOW, THEREFORE, in consideration of the mutual terms, conditions, covenants and agreements set forth herein, the Parties do hereby agree to pursue a public private partnership as follows:

Section 1. Purpose and Intent.

The purpose and intent of this **LOI** is for **Cadiz** to irrevocably dedicate its interest in 5,000 AFY of groundwater that may be appropriated by the **Cadiz Water Project** pursuant to the terms and conditions previously established by the **County**, for beneficial use by **Torres Martinez** and the **Authority** at no cost.

Section 2. Provision of Supplemental Water.

Cadiz will irrevocably dedicate up to 1,500 AFY to **Torres Martinez** and up to 3,500 AFY of supplemental water to the **Authority** for beneficial use as may be determined in their individual discretion. **Cadiz** may meet up to 500 AFY of this obligation by installing alternative reasonable and feasible technology that causes water quality standards at **Torres Martinez** groundwater wells to meet all California Drinking Water Standards for domestic use. The entirety of these actions in support of the dedication will be at the sole cost and expense of **Cadiz** and at no cost to **Torres Martinez** and the **Authority**.

Cadiz's dedication will be deemed complete each year when, in its discretion, it makes supplemental water available to **CVWD** for conveyance at one of two designated points of delivery: (i) the **CRA** or (ii) the **SWP** south of the San Francisco/San Joaquin Bay Delta. The quality of the supplemental water will be consistent with the receiving waters at the point of delivery and otherwise as specified by **CVWD** and further subject to **CVWD's** terms and conditions on acceptance. Neither **Torres Martinez** nor the **Authority** will incur any cost from **Cadiz'** making supplemental water to them at the designated points of delivery.

This **LOI** shall not be construed to require **CVWD** to assume responsibility for the exchange of non-tributary supplemental water for beneficial uses within **CVWD**, including **Torres Martinez** and the **Authority** or to receive the dedicated supplemental water in a manner that will result in harm to **CVWD**.

In addition to the supplemental water dedicated to **Torres-Martinez** and the **Authority** described herein, within one year, **Cadiz** will establish a program to make available additional supplemental water for disadvantaged and severely disadvantaged communities in California. **Cadiz** will exercise good faith in exploring additional opportunities whereby this supplemental non-tributary groundwater appropriated by the **Cadiz Water Project** may be provided for the direct benefit of disadvantaged communities in the Coachella Valley, via exchange for Colorado River water, to retail public water suppliers with the consent of **CVWD**. Supplemental water delivered for the express benefit of disadvantaged communities will be provided by **Cadiz** at price no greater than the actual cost incurred by **Cadiz**. "Actual cost" means, the full cost of extracting and transporting the water to the agreed point of delivery.

Section 3. Main Extension

Cadiz will provide or arrange up to \$5M in funding to assist the extension of **CVWD** conveyance facilities to the place of use at the location designated by **Torres Martinez** consistent with **CVWD** design, planning engineering requirements. This funding also may be used by **Torres Martinez** or its designee in connection with any matching grant and State and Federal infrastructure program.

Section 4. Turn-Back

Torres Martinez and the **Authority**, may, in their discretion, from year to year determine that based upon the prevailing facts and circumstances, that they would seek to make a portion of the dedicated supplemental water available for alternative beneficial uses ("**Turn-Back**"). **Torres Martinez** and the **Authority**, may provide reasonable notice to **Cadiz** and tender the unused quantity of **Turn-Back** for offering to third parties up to 1,500 and 3,500 AFY respectively. Upon receipt of the notice, **Cadiz** will exercise good faith and best efforts to offer and market the **Turn-Back** to third parties. The proceeds of any transaction for **Turn-Back** will be net of incremental costs incurred by **Cadiz** in completing the transaction, plus 10% and (i) for **Torres Martinez** the annual operations and maintenance costs of groundwater well-head treatment, if any; and (ii) for the **Authority**, actual costs incurred as defined in Section 2 above.

Section 5. Conditions Precedent

The **Parties** obligations are subject to negotiating and entering into mutually acceptable agreements with the appropriate parties. In addition, other than as set forth in Section 6 below, the obligations set forth herein are subject to the following express conditions precedent: (i) compliance with all state and federal applicable laws, including but not limited to the California Environmental Quality Act, the National Environmental Policy Act; (ii) the delivery of non-tributary water into CRA via the 43-Mile proposed pipeline; and (iii) the delivery of water from **Cadiz** for beneficial use in California via the 220-Mile Northern Pipeline.

Section 6. Good Faith

The **Parties** will exercise good faith to fulfill the purpose and intent of this **LOI** and public private partnership through each of the identified actions. Specifically, they will coordinate their efforts to comply with all applicable law and to implement the **LOI** to deliver water to **Torres Martinez** and the **Authority**. Moreover, in furtherance of the anticipated collaboration, within 60 days from the date of execution, **Cadiz** will cause an investigation and analysis of the **Torres Martinez** groundwater wells and make a recommendation as to whether a reasonably, feasible treatment option is available and if so, make a good faith proposal on an implementation strategy. If agreed by **Torres Martinez**, **Cadiz** will implement the groundwater treatment strategy.

Section 7. Counterpart Signatures

This **LOI** may be executed in counterparts, each of which shall be deemed to be an original agreement and all of which shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties hereto have set forth their signatures as of the date and at the place first written above.

Torres Martinez Desert Cahuilla Indians

By: Thomas Tortez Jr
Name: THOMAS TORTEZ JR
Title: Chairman

Cadiz, Inc.

By: Susan P Kennedy
Name: Susan P Kennedy
Title: Executive Chairman

Salton Sea Authority

By: [Signature]
Name: _____
Title: Executive Director / General Manager

Coachella Valley Water District

By: [Signature]
Name: J. M. Barrett
Title: General Manager