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July 12, 2006

Mr. Herb Guenther  
Chairman  
Arizona Water Banking Authority  
3550 N. Central Avenue  
Phoenix, Arizona 85012

Dear Herb:

On February 4, 2005, the Arizona Water Banking Authority (AWBA) and the Mohave County Water Authority (MCWA) entered into an Agreement to Firm Future Supplies. In accordance with that agreement, AWBA has set aside certain long-term storage credits for the benefit of MCWA. Because those credits, which were accrued through storage of Central Arizona Project water, have now been reserved for use by an entity outside of the Central Arizona Water Conservation District's three-county service area, we are required to charge AWBA a fee in lieu of taxes. See A.R.S. §48-3715.B.

We understand that AWBA set aside the credits for MCWA in 2005. The in lieu tax rate for 2005 was \$20 per acre-foot. Accordingly, CAWCD will bill AWBA at that rate.

Under the Agreement to Firm Future Supplies, MCWA has agreed to prepay \$20 per acre-foot for all credits set aside for its benefit. MCWA will make 20 equal consecutive quarterly payments to AWBA.

CAWCD will bill AWBA for the in lieu fees associated with the credits reserved for MCWA on the same schedule as the MCWA prepayments under the Agreement to Firm Future Supplies. Enclosed is an invoice for the first payment.

Sincerely,

David S. "Sid" Wilson, Jr.  
General Manager

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cc: Kim Mitchell, AWBA