

Meeting at Arizona State Land Department

Date: October 19, 2010

Attendees: Cynthia Stefanovic, Arizona State Land Department
Theresa Craig, Arizona Attorney General's Office
David Jacobs, Arizona Attorney General's Office
Matt Bailey, Snell & Wilmer L.L.P.

Re: Updates to Information Regarding the Use of the Arizona State Land Department's Central Arizona Project ("CAP") Entitlement

- In general, the "Information from Cynthia Stefanovic, State Land Dept." dated "9-13-99" is still accurate. See attached.
- Additional Information
 - The State Land Department does not have a stated policy regarding use of its CAP entitlement.
 - The State Land Department approaches any proposed use of its CAP entitlement on a case-by-case basis.
 - Arizona Revised Statutes § 37-106.01(C) contemplates that the State Land Department may sell, assign, and transfer all or part of its CAP entitlement "to any lessee or purchaser of any of the state lands on which such water has been or is to be used or to any provider of permanent municipal water service to those lands."
 - The State Land Department has not leased any portion of its CAP entitlement to State Land lessees for the benefit of the leased land. Any proposed lease must be evaluated against CAP's re-marketing prohibition, which is typically located in Section 4.3(d) under CAP's standard form water service subcontract.
 - Any proposed use of the State Land Department's CAP entitlement must be approved on multiple levels – first by the Commissioner, and second, by the State Selection Board, which is comprised of the State Governor, Treasurer, and Attorney General. Note that the Commissioner presents any such recommendation to the State Selection Board.