



**FENNER VALLEY
WATER AUTHORITY**

FENNER VALLEY WATER AUTHORITY

MEMORANDUM

TO: Board of Directors

DATE: September 25, 2025

FROM: Robert Grantham, Executive Director

SUBJECT: Continuance from August 8, 2025 to September 25, 2025, for the following: Action on Resolution No. 25-09-01 Resolution of the Board of Directors of Fenner Valley Water Authority (1) Approving and Adopting Addendum No. 2 to the 2012 Environmental Impact Report for the Cadiz Valley Water Conservation, Recovery and Storage Project (SCH#2011031002) and (2) Approving a Memorandum of Understanding between Fenner Valley Water Authority and Cadiz with respect to the Northern Pipeline

SUMMARY

The Addendum No. 2 will evaluate the Fenner Valley Water Authority's proposal to convert a portion of an existing natural gas pipeline referred to as the "Northern Pipeline", between Cadiz, California and Mojave, California, for use as a water conveyance facility that would require construction of seven new pump stations, appurtenant facilities, and rehabilitation and possible replacement of certain portions of the Northern Pipeline (collectively, the Northern Pipeline Project Modification). The Addendum No. 2 has been prepared to assess whether the Project Modification would result in any new significant impacts or substantial increases in the severity of previously identified significant impacts.

The Fenner Valley Water Authority (Authority), the Fenner Gap Mutual Water Company, and Cadiz, Inc. (Cadiz) propose to enter into a Memorandum of Understanding (MOU) with respect to the Northern Pipeline. The purpose of the MOU is to document how the Northern Pipeline fits into the scope of the Cadiz Valley Water Conservation, Recovery and Storage Project (Project) and the respective obligations of the Fenner Gap Mutual Water Company, Cadiz, and the Authority with respect to the development, financing, construction and operation of the facilities and associated appurtenances necessary for the conveyance and delivery of Project water through the Northern Pipeline.

The Action on Resolution No. 25-09-01 was continued from August 8, 2025, to September 25, 2025, to allow for public comment on Addendum No. 2. No comments were received. Thus, Board action is appropriate.

Recommendation: Adopt Resolution No. 25-09-01.

Attachments:

1. August 8th Staff Report
2. Resolution approving and adopting Addendum No. 2
3. Memorandum of Understanding



**FENNER VALLEY
WATER AUTHORITY**

**Attachment #1
FENNER VALLEY WATER AUTHORITY**

MEMORANDUM

TO: Board of Directors **DATE:** August 8, 2025

FROM: Robert Grantham, Executive Director

SUBJECT: Consideration and Action on Resolution No. 25-08-01; Resolution of the Board of Directors of Fenner Valley Water Authority (1) Approving and Adopting Addendum No. 2 to the 2012 Environmental Impact Report for the Cadiz Valley Water Conservation, Recovery and Storage Project (SCH#2011031002) and (2) Approving a Memorandum of Understanding between Fenner Valley Water Authority and Cadiz with respect to the Northern Pipeline

SUMMARY

Issue: The Fenner Valley Water Authority (Authority) is the Lead Agency for actions related to the implementation of the Cadiz Valley Water Conservation, Recovery and Storage Project (Project) under the California Environmental Quality Act (CEQA) and the State CEQA Guidelines, and is responsible for review and approval of the design, permitting and construction of any and all facilities deemed necessary, advisable or appropriate to extract, convey or deliver Project water (Project Facilities). Since the certification of the Final Environmental Impact Report (Final EIR) in 2012 and the adoption of Addendum No. 1 in 2019, the Authority has proposed to convert a portion of an existing natural gas pipeline referred to as the “Northern Pipeline”, between Cadiz, California and Mojave, California, for use as a water conveyance facility that would require construction of seven new pump stations, appurtenant facilities, and rehabilitation and possible replacement of certain portions of the Northern Pipeline (collectively, the Northern Pipeline Project Modification). The Addendum No. 2 has been prepared to evaluate whether the Project Modification would result in any new significant impacts or substantial increases in the severity of previously identified significant impacts.

Recommendation: Adopt Resolution No. 25-08-01.

Fiscal Impact: Adoption of Resolution No. 25-08-01 does not have any fiscal impact other than payment of fees associated with filing with the appropriate County Clerks’ offices. The Authority will not incur any costs in connection with construction activities associated with the Northern Pipeline conversion.

DISCUSSION

As described in the [Final EIR](#), the Project approved in 2012 includes construction of a wellfield and manifold system and a 43-mile water conveyance pipeline along the “Southern Pipeline” route between private property in Cadiz, California and the Colorado River Aqueduct, within an existing railroad right-of-way. In 2019, the Authority adopted [Addendum No. 1](#) that slightly modified the Southern Pipeline water conveyance alignment by adding approximately 2 miles of pipeline in Cadiz to the 43-mile original alignment evaluated in the Final EIR. Additional water treatment facilities were also evaluated and approved.

Addendum No. 2 evaluates the conversion of an existing buried steel pipeline (the Northern Pipeline) from oil/natural gas use to use as a water conveyance facility to convey and store water more flexibly throughout the region. The Northern Pipeline would provide an additional route for water conveyance between the Cadiz Valley and the Antelope Valley, separate and apart from the approved Southern Pipeline which will convey water from Cadiz to the Colorado River Aqueduct. The Northern Pipeline would not alter the total supply capacity of the Project, which would remain an average of 50,000 AFY over 50 years. Addendum No. 2 analyzes the environmental impacts associated with construction of facilities needed to convey water through the Northern Pipeline in combination with the Project components evaluated in the Final EIR and Addendum No. 1.

The existing Northern Pipeline traverses portions of the Mojave Desert and Antelope Valley, often close to an active railroad easement and existing travel routes, including utility access roads and paved highways. To convert the existing Northern Pipeline from oil/natural gas to water conveyance, seven pump stations would be constructed between the Cadiz property and western Antelope Valley. In addition, pipeline appurtenances would be constructed that would be visible on the surface, including air release and air vacuum valves (AR/AV), blow-off (BO) facilities, and access manholes. The AR/AVs would be installed to allow for air release and to manage vacuum conditions in the pipeline and the BOs would allow for filling and draining the pipeline as needed for maintenance.

The original scope of the Project and the terms for formation of the Authority were set forth in a 2012 Water Purchase and Sale Agreement between Cadiz, Inc. (Cadiz), and Santa Margarita Water District (2012 Water Agreement). The Project scope was later memorialized in the Authority’s Joint Powers Agreement.

The Authority, the Fenner Gap Mutual Water Company, and Cadiz propose to enter into a Memorandum of Understanding (MOU) with respect to the Northern Pipeline. The purpose of the MOU is to document how the Northern Pipeline fits into the scope of the Project and the respective obligations of the Fenner Gap Mutual Water Company, Cadiz, and the Authority with respect to the development, financing, construction and operation of the facilities and associated appurtenances necessary for the conveyance and delivery of Project water through the Northern Pipeline. The rights and obligations of the Authority with respect to the Northern Pipeline are substantially consistent with the terms of the 2012 Water Agreement, which provides that the Authority will lease the Project Facilities to enable it to monitor compliance of the Project with all environmental, regulatory and permitting requirements.

ENVIRONMENTAL REVIEW

State CEQA Guidelines section 15164 requires lead agencies to prepare an addendum to a previously certified EIR if some changes or additions to a project are necessary, but none of the conditions requiring preparation of a Subsequent EIR are present. The Authority independently reviewed the Final EIR, the 2019 Addendum No. 1 and the 2025 Addendum No. 2 to determine the potential environmental impacts associated with the Project Modification in compliance with CEQA and the State CEQA Guidelines.

Based on the substantial evidence in the Final EIR, the 2019 Addendum No. 1 and the 2025 Addendum No. 2, including the independent referenced reports, the recommendation is that the Authority find that an addendum is the appropriate document under CEQA for assessing the Project Modification within the context of these earlier approved CEQA documents, and that the Project Modification does not require preparation of a supplemental or subsequent EIR or negative declaration under Public Resources Code section 21166 and State CEQA Guidelines section 15162 because:

- The Project Modification do not constitute a substantial change that would require major revisions of the Final EIR based on any new significant environmental effects or a substantial increase in the severity of previously identified significant effects.
- There is not a substantial change with respect to the circumstances under which the Project Modification will be constructed that would require major revisions of the Final EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of the previously identified significant effects.
- No new information of substantial importance has been presented that was not known and could not have been known with the exercise of reasonable diligence at the time the Final EIR was certified, showing the Project Modification would have one or more significant effects or be substantially more severe than discussed in the earlier environmental documentation.
- No information has been presented that indicates the mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects, but the Authority declines to adopt such measures; or that mitigation measures or alternatives considerably different from those analyzed previously would substantially reduce one or more significant effects on the environment, but which the Authority declines to adopt.

The attached draft resolution approving and adopting the Addendum No. 2 and the MOU is recommended for approval by the Board of Directors. The Final EIR, Addendum No. 1, and Addendum No. 2 can be found on the Authority's website, www.FVWA.org, directly below the Board package link as "Meeting Attachment", and upon approval will also be available on the Resources page of the Authority's website. A hard copy of the Final EIR, Addendum No. 1, and Addendum No. 2 are on file and available for public review at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688. The custodian of these records is the Executive Director of the Authority.

Board of Directors

August 8, 2025

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Attachments:

1. Resolution approving and adopting Addendum No. 2 & Memorandum of Understanding
2. Addendum No. 2 to the EIR 2012 Environmental Impact Report for the Cadiz Valley Water Conservation, Recovery and Storage Project (SCH#2011031002)

FENNER VALLEY WATER AUTHORITY

RESOLUTION NO. 25-09-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF
FENNER VALLEY WATER AUTHORITY APPROVING
AND ADOPTING ADDENDUM NO. 2 TO THE 2012
ENVIRONMENTAL IMPACT REPORT FOR THE CADIZ
VALLEY WATER CONSERVATION, RECOVERY AND
STORAGE PROJECT (SCH#2011031002) AND
APPROVING A MEMORANDUM OF UNDERSTANDING
BETWEEN FENNER VALLEY WATER AUTHORITY,
FENNER GAP MUTUAL WATER COMPANY, AND
CADIZ WITH RESPECT TO THE NORTHERN PIPELINE**

WHEREAS, the Cadiz Valley Water Conservation, Recovery and Storage Project (“Project”) is designed to actively manage the groundwater basin underlying a portion of the Cadiz and Fenner Valleys located in the eastern Mojave Desert portion of San Bernardino County, California; and

WHEREAS, the Santa Margarita Water District (“SMWD”) was lead agency for the Project, and certified an Environmental Impact Report (SCH No. 2011031002) for the Project in July 2012 (“Final EIR”); and

WHEREAS, the Project is currently in the pre-construction phase and includes construction of an array of groundwater extraction wells and pumps, a wellfield manifold piping system, a 43-mile water conveyance pipeline (“Southern Pipeline”), monitoring features, other appurtenances and fire suppression mechanisms; and

WHEREAS, on June 21, 2019, Fenner Valley Water Authority (“Authority”) Board of Directors approved Resolution No. 19-06-01, approving and adopting an Addendum to the 2012 EIR (“Addendum No. 1”) and approving proposed modifications to the Project that included the proposed construction of a groundwater treatment facility on Cadiz property and minor modifications to the Southern Pipeline alignment; and

WHEREAS, since the approval of Addendum No. 1, modifications of the Project have been proposed to facilitate the conveyance of water through an existing buried 30-inch diameter steel pipeline (“Northern Pipeline”) from Cadiz, California to Mojave, California, including, but not limited to, the construction of seven pump stations, the installation of air release/air vacuum valves and blow-off valves, and the rehabilitation and, if necessary, replacement of certain portions of the pipeline (collectively, the Northern Pipeline “Project Modification”); and

WHEREAS, the conveyance of water through the Northern Pipeline was first evaluated as a Project Facility Alternative in the Final EIR; and

WHEREAS, pursuant to the Joint Exercise of Powers Agreement (“JPA”) for the Authority, the Authority is responsible for review and approval of the design, permitting and

construction of the Project facilities, and is the agency with the power to obtain the rights, permits and other authorizations necessary for the Project and its facilities; and

WHEREAS, the original scope of the Project and the terms for formation of the Authority were set forth in a 2012 Water Purchase and Sale Agreement between Cadiz, Inc. (“Cadiz”), and SMWD (“2012 Water Agreement”); and

WHEREAS, the Project scope was later memorialized in the Authority’s JPA; and

WHEREAS, the Authority, the Fenner Gap Mutual Water Company, and Cadiz wish to enter into a Memorandum of Understanding (“MOU”) with respect to the Northern Pipeline, which is attached hereto as Exhibit A, and incorporated herein by reference;

WHEREAS, the purpose of the MOU is to document how the Northern Pipeline fits into the scope of the Project and the respective obligations of the Fenner Gap Mutual Water Company, Cadiz, and the Authority with respect to the development, financing, construction and operation of the facilities and associated appurtenances necessary for the conveyance and delivery of Project water through the Northern Pipeline. The rights and obligations of the Authority under the MOU with respect to the Northern Pipeline are substantially consistent with the terms of the 2012 Water Agreement, which provides that Cadiz will lease the Project Facilities to the Authority to enable the Authority to monitor compliance of the Project with all environmental, regulatory, and permitting requirements; and

WHEREAS, pursuant to the California Environmental Quality Act (Pub. Resources Code, §§ 21000 et seq.) (“CEQA”) and the State CEQA Guidelines (Cal. Code Regs., §§ 15000 et seq.), the Authority is the Lead Agency for actions related to the implementation of the Project; and

WHEREAS, pursuant to CEQA, when taking subsequent discretionary actions in furtherance of a project for which an EIR has already been certified, the Lead Agency is prohibited from requiring a subsequent or supplemental EIR or negative declaration unless at least one of the circumstances identified in Public Resources Code section 21166 or State CEQA Guidelines section 15162 are present; and

WHEREAS, pursuant to State CEQA Guidelines section 15164, the Authority has overseen the preparation of an additional Addendum to the 2012 EIR (“Addendum No. 2”) to evaluate the potential for the Project Modification to result in any new significant impacts or a substantial increase in the severity of previously identified significant impacts; and

WHEREAS, according to Addendum No. 2, the Project Modification would not trigger any of the circumstances described in Public Resources Code section 21166 or State CEQA Guidelines section 15162, and thus a supplemental or subsequent EIR or negative declaration is not required; and

WHEREAS, the Authority has reviewed Addendum No. 2, along with all information in the previously certified Final EIR, Addendum No. 1, all oral and written testimony submitted to the Authority in relation to the Project Modification, and all other information in the

administrative record, prior to taking any action on the Project Modification; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, the Board of Directors of the Authority does hereby find, determine, and order as follows:

Section 1. The above recitals are true and correct and incorporated herein by reference.

Section 2. State CEQA Guidelines section 15164 requires lead agencies to prepare an addendum to a previously certified EIR if some changes or additions to a project are necessary, but none of the conditions requiring preparation of a subsequent EIR are present. The Authority has reviewed and considered the previously certified Final EIR, Addendum No. 1 and Addendum No. 2, and finds that these documents, taken together, contain a complete and accurate reporting of all of the potential environmental impacts associated with the Project Modification. The Authority further finds that Addendum No. 2 has been completed in compliance with CEQA and the State CEQA Guidelines. The Authority further finds and determines that Addendum No. 2 reflects the Authority's independent judgment.

Section 3. Based on the substantial evidence set forth in the record, including but not limited to the certified Final EIR, Addendum No. 1, Addendum No. 2 and all oral and written testimony submitted to the Authority in relation to the Project Modification, the Authority finds that an addendum is the appropriate document for disclosing the changes to the Project described in Addendum No. 2, and that none of the conditions identified in Public Resources Code section 21166 and State CEQA Guidelines section 15162 requiring subsequent environmental review have occurred, because:

(a) The Project Modification described in Addendum No. 2 do not constitute a substantial change that would require major revisions of the Final EIR or Addendum No. 1 due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

(b) There is not a substantial change with respect to the circumstances under which the Project Modification will be constructed that would require major revisions of the Final EIR or Addendum No. 1 due to the involvement of new significant environmental effects or a substantial increase in the severity of the previously identified significant effects.

(c) No new information of substantial importance has been presented that was not known and could not have been known with the exercise of reasonable diligence at the time the Final EIR was certified, or Addendum No. 1 was approved, showing any of the following:

(i) That the Project Modification would have one or more significant effects not discussed in the earlier environmental documentation;

(ii) That significant effects previously examined would be substantially more

severe than shown in the Final EIR and Addendum No. 1;

(iii) That mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects, but the Authority declines to adopt such measures; or

(iv) That mitigation measures or alternatives considerably different from those analyzed previously would substantially reduce one or more significant effects on the environment, but which the Authority declines to adopt.

Section 4. The Authority hereby approves and adopts Addendum No. 2 and the MOU. The Final EIR, Addendum No. 1, and Addendum No. 2 are provided on the Authority's website, www.FVWA.org, directly below the Board package link as "Meeting Attachment" and on the Resources page, and on file with the custodian of records.

Section 5. The Authority hereby approves and adopts the Project Modification.

Section 6. The Board directs the Authority staff to prepare, execute and file a CEQA Notice of Determination with the appropriate County Clerks' offices within five working days of the Authority's approval of the Project Modification.

Section 7. The Board directs the Authority staff to execute the MOU within five working days of the Authority's approval of the MOU.

Section 8. The Final EIR, Addendum No. 1, Addendum No. 2, and all other documents and materials that constitute the record of proceedings upon which these findings have been based are on file and available for public review at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688. The custodian of these records is the Executive Director of the Authority.

PASSED AND ADOPTED by the Board of Directors of Fenner Valley Water Authority this 25th day of September 2025.

Frank Ury
Board of Directors, Chair
Fenner Valley Water Authority

ATTEST

Kelly Howell
Secretary
Fenner Valley Water Authority

EXHIBIT A

Memorandum of Understanding

**MEMORANDUM OF UNDERSTANDING
FOR LEASE AND OPERATION OF
CADIZ NORTHERN PIPELINE WATER DELIVERY FACILITIES**

This Memorandum of Understanding (“MOU”) dated as of September [REDACTED], 2025, is entered into between Fenner Valley Water Authority, a California joint powers authority (“FVWA”), Fenner Gap Mutual Water Company, a California nonprofit mutual benefit corporation (“FGMWC”) and Cadiz Inc., a Delaware corporation, and its affiliates (collectively, “Cadiz”). FVWA, FGMWC and Cadiz are sometimes hereinafter individually referred to as a “Party” or collectively as the “Parties”.

This MOU is made with reference to the following facts:

(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”). Cadiz also owns a 30-inch diameter, 220-mile, existing steel pipeline originating in Cadiz, California, with a terminus at Wheeler Ridge, California (“Northern Pipeline”). Cadiz has agreed to develop, finance and construct the Water Project in accordance with the terms of a Water Purchase and Sale Agreement between Cadiz, FGMWC and Santa Margarita Water District (“SMWD”) dated July 31, 2012 (“Project Agreement”).

(b) The Final Environmental Impact Report for the Water Project (“Project FEIR”) was certified by SMWD on July 31, 2012. SMWD is a public agency with broad powers under the California Water District Act, Cal. Water §§ 34000 et seq. and was the Lead Agency under the California Environmental Quality Act (“CEQA”) for the Water Project. In connection with approval of the Project FEIR, a Groundwater Management, Monitoring and Mitigation Plan (“GM3P”) for the Water Project was also approved by the County of San Bernardino (“County”) on October 1, 2012.

(c) FVWA is a joint powers authority formed through a joint exercise of powers agreement (“JPA”) between SMWD and FGMWC, with SMWD serving as the managing member. In August 2023, the County executed a joinder agreement with SMWD and FGMWC to become an ex-officio member of FVWA. FVWA’s purpose is to (i) maintain through its property interest the facilities and associated appurtenances necessary for the conveyance and delivery of water from the Water Project (“Capital Facilities”) and (ii) provide oversight for the operation of the Water Project by FGMWC in accordance with the GM3P. As facilities “necessary, advisable or appropriate to extract, convey or deliver Project water to Project Participants,” Capital Facilities constitute “Project Facilities” as defined in Section 1.32 of the Project Agreement. Under the terms of the Project Agreement, FVWA will enter into a “Facility Lease” which gives FVWA a possessory interest in the Project Facilities, including the Capital Facilities, for the Initial Term of fifty (50) years.

(d) FGMWC, f/k/a Fenner Valley Mutual Water Company or FVMWC, is a California nonprofit mutual benefit corporation established by Cadiz as a mutual water company, exempt from California Public Utilities Commission jurisdiction pursuant to California Public Utilities Code §§ 2704 and 2705, authorized to deliver water to its shareholders at cost, inclusive of water supply, capital, operations, and maintenance. Cadiz will make “**Conserved Water**” available to FGMWC as authorized under the GM3P for delivery to FGMWC members. FGMWC will operate and manage the Water Project under the oversight of FVWA. FGMWC members will ultimately be comprised of entities that have contracted to receive water from the Water Project (“**Project Participants**”).

(e) The proposed Project Facilities assessed in the Project FEIR included an array of groundwater extraction wells and pumps, a wellfield manifold piping system, a 43-mile water conveyance pipeline (“**Southern Pipeline**”), monitoring features, other appurtenances and fire suppression mechanism. The Project FEIR evaluated the Northern Pipeline as a Project Facility Alternative.

(f) In June 2019, FVWA, serving as Lead Agency, approved and adopted an Addendum to the Project FEIR (“**Addendum 1**”) and approved proposed modifications to the Water Project that included the proposed construction of a groundwater treatment facility on Cadiz property and minor modifications to the Project pipeline alignment.

(g) FVWA has prepared a second addendum to the Project FEIR pursuant to the requirements of CEQA to evaluate project modifications that would result in use of the Northern Pipeline to deliver Conserved Water to Project Participants (“**Addendum 2**”). The Northern Pipeline would be part of the Project Facilities and provide conveyance capacity for up to 25,000 AFY of water.

(h) In May 2025, FGMWC submitted an application for a right-of-way authorizing transportation of water in the Northern Pipeline from the Bureau of Land Management pursuant to the requirements of the Federal Land Policy and Management Act of 1976 (“**BLM Right-of-Way**”), and related approvals for the use of the Northern Pipeline for water conveyance.

(i) Cadiz and FGMWC have entered into long term water supply purchase agreements with Project Participants, which grant the Project Participants the right to take delivery of Conserved Water through the Northern Pipeline (“**Purchase Agreements**”) subject to certain conditions precedent.¹

(j) Cadiz, in coordination with FGMWC, continues to negotiate with other potential Project Participants who will be served Conserved Water from the Water Project through the

¹ As of the execution of this MOU, Cadiz and FGMWC have secured Purchase Agreements for 85% of the capacity of the Northern Pipeline, bringing the cumulative total AFY under contract for delivery via the Northern Pipeline to 21,275 AFY. These Purchase Agreements include: (i) an agreement dated February 2024 with Fontana Water Company for 5,000 AFY; (ii) an agreement dated March 2024 with Golden State Water Company for 5,000 AFY; (iii) an agreement dated April 2024 with Solstra Communities California LLC for 1,275 AFY; (iv) an agreement dated July 2024 with SMWD for 5,000 AFY; and (v) an agreement dated August 2024 with Cucamonga Valley Water District for 5,000 AFY.

Northern Pipeline, including potential terms for funding capital improvements that will be necessary in connection with the Northern Pipeline (“**NP Improvements**”). The Northern Pipeline and the NP Improvements are referred to collectively as the “**NP Capital Facilities**”.

(k) The Parties desire to set forth the terms and conditions upon which Cadiz, FGMWC and FVWA will cooperate in the improvement of the NP Capital Facilities to provide for delivery of Conserved Water to Project Participants through the Northern Pipeline.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and promises set forth herein, the parties hereto agree as follows:

1. Construction of the Northern Pipeline Improvements. The Parties acknowledge and agree that the improvements to the Northern Pipeline will provide critical infrastructure for the delivery of Conserved Water and the success of the Water Project. In connection with such development, FVWA will cooperate with Cadiz and FGMWC to undertake all design and permitting requirements for the construction and implementation of the NP Capital Facilities, including in the application process for the BLM FLPMA Right-of-Way and related approvals for the use of the Northern Pipeline for water conveyance. Cadiz will be responsible for all filing fees, costs and expenses, including consulting, engineering and legal fees, in connection with the design, permitting and approval process and will reimburse FVWA and SMWD for any costs or expenses incurred in connection with such activities in the same manner as Cadiz currently reimburses FVWA and SMWD for Water Project related costs. In no event will FVWA be required to participate in any financing for the construction of the NP Capital Facilities or incur any cost in connection with the construction thereof.

2. Lease of Northern Pipeline.

(a) The Parties acknowledge and agree that the NP Capital Facilities constitute Project Facilities as defined in the Project Agreement.

(b) Subject to the conditions precedent contained in the MOU, it is contemplated that the Facility Lease will give FVWA a possessory interest in the NP Capital Facilities for the term of fifty (50) years, with potential options to extend.

3. Discretion to Assign Ownership Interests in Project Facilities: Should Cadiz determine that it would be to the benefit of the Water Project to transfer its ownership interests in the Project Facilities, including the Capital Facilities, to an entity that would develop these facilities (“**Project Company**”), then Cadiz in its sole and absolute discretion shall have a right to freely assign its ownership interests in these facilities to that Project Company. In the event that Cadiz does transfer its ownership interests in the Project Facilities to the Project Company, then Cadiz shall assign the Facility Lease to the Project Company and the Project Company shall assume the role of Lessor. Nothing in this Section shall be construed to affect any of the expected obligations under the Facility Lease, including that FVWA would hold a possessory interest in the facilities for the term of fifty (50) years, with potential options to extend.

4. Conditions Precedent. The Parties agree that the following conditions will be conditions precedent to the obligation of the Parties to move forward with the transactions set forth herein:

(a) Cadiz will have determined that the use of the Northern Pipeline and the construction of the NP Improvements can be implemented in a manner and on terms that are desirable to Cadiz in its sole and absolute discretion;

(b) the negotiation and execution of the following documents to the sole satisfaction of Cadiz: (i) the Purchase Agreements; (ii) any financing arrangements necessary for the construction of the NP Improvements and operation of the NP Capital Facilities; and (iii) agreements for the construction of the NP Improvements;

(c) all permits and approval of governmental agencies with authority over the NP Improvements and the use of the NP Capital Facilities to deliver Conserved Water to the Project Participants will have been obtained on terms and conditions (including mitigation measures) that are satisfactory to Cadiz;

(d) all real property rights and rights-of-way necessary for the use of the Northern Pipeline and the construction and use of the NP Improvements, including without limitation, the BLM Right-of-Way, will have been obtained; and

(e) Cadiz and FVWA shall have agreed on the terms of the Facility Lease.

5. Termination of MOU. This MOU may be terminated at any time if the conditions precedent have not been satisfied as of December 31, 2029 unless waived or extended by mutual agreement of the Parties, which waiver or extension shall not be unreasonably withheld, conditioned or delayed.

6. Governing Law and Venue. This MOU is governed by the laws of the State of California. Venue for any action arising in connection with this MOU will be in the Superior Court of the State of California sitting in San Bernardino County and the Parties hereby consent to the jurisdiction of such court.

7. Counterparts. This MOU may be executed and delivered in counterparts or by a method of digital signature that has been approved by FVWA consistent with the laws of the State of California. Counterparts that are delivered with original signatures, by PDF or by digital signature, when taken together, will constitute a binding and enforceable document.

8. Notices. All notices delivered pursuant to this MOU may be made in person, via commercial overnight delivery or by electronic mail, provided that any notice delivered by electronic mail will be effective upon hitting “Send” or its equivalent, unless the person sending the electronic mail receives notice or otherwise reasonably should be aware that the electronic mail was not successfully transmitted. All notices will be addressed as set forth below each Party’s signature.

(signature page follows)

IN WITNESS WHEREOF, the Parties have executed this MOU as of the date first set forth above.

CADIZ INC.

By: _____
Name: _____
Title: _____

Address:

(a)

FENNER GAP MUTUAL WATER COMPANY

By: _____
Name: _____
Title: _____

Address:

(a)

FENNER VALLEY WATER AUTHORITY

By: _____
Name: _____
Title: _____

Address: