

# GENERAL TERMS OF SALE

**PROCEDURE; REGISTRATION:** The Property will be offered as a total unit. The conduct of the auction and increments of bidding will be at the direction and discretion of the Auctioneer. Bidders can either preregister with the Auction Company on or before Thursday, February 21st, 2013 by submitting the preregistration form available on the Auction Company's website, or provide a bank letter of credit on the day of auction.

**PURCHASE CONTRACT; SELLER'S ACCEPTANCE:** The final bid price is subject to the Seller's acceptance or rejection. The successful bidder will be required to sign a purchase contract at the auction site immediately following the close of the auction. Copies of the purchase contract will be available prior to the auction upon request. The terms of the written purchase contract will supersede and take precedence over any prior statements or advertisements.

**PROPERTY:** The successful bidder at auction will purchase and acquire all of Seller's rights with respect to the Property, including:

- Surface rights, with existing improvements and irrigation equipment;
- Mineral, oil and solar rights;
- The **"First Tier Water Rights"** (i.e., the right to produce water from the Property up to and including 10,000 acre-feet in any calendar year); and
- The **"Additional Water Rights"** (i.e., the right to produce water from the Property in excess of 10,000 acre-feet in a calendar year).

Certain statements in the previously-printed auction brochure require clarification with regard to the water rights. All water production rights are included in the sale of the Property and will be acquired by the purchaser at closing. However, only the First Tier Water Rights will be included in the Bid Price paid at closing. The purchase price for the Additional Water Rights will be paid **post-closing** based on actual production volume over and above 10,000 acre feet per year.

**PAYMENT OF BID PRICE; EARNEST MONEY:** An earnest money deposit in the amount of 10% of the winning Bid Price will be due on the day of auction and the balance of the Bid Price will be due in cash at closing. The earnest money deposit may be paid in the form of a cashier's check, personal check, or corporate check. **YOUR BIDDING IS NOT CONDITIONAL UPON FINANCING**, so be sure you have arranged financing, if needed, and are capable of paying cash at closing.

**ADDITIONAL WATER RIGHTS:** The purchase price for the Additional Water Rights will be determined and paid in the manner and amounts and at the times set forth in the purchase contract, on the following basic terms:

- Water produced from the Property in any calendar year in excess of 10,000 acre-feet and up to 15,000 acre-feet shall be purchased as a permanent Additional Water Right at a price of \$5,500 per acre-foot. For example, if the purchaser/producer who previously had not produced water in a calendar year exceeding a volume of 10,000 acre-feet produces 12,002 acre-feet in a calendar year, that producer shall then pay to seller the sum of \$11,011,000.00 and shall have the permanent right to produce up to 12,002 acre-feet annually.
- 15,000 acre-feet up to 20,000 acre-feet shall be purchased as a permanent Additional Water Right at a price of \$6,500 per acre-foot.
- Production in excess of 20,000 acre-feet shall be purchased as a permanent Additional Water Right at a price of \$7,500 per acre-foot.
- The purchase price per acre-foot for Additional Water Rights shall be increased, on each January 1 following the fourth year subsequent to the auction, by the percentage increase in the Mojave Water Agency Replacement Water Assessment from January 1 of the previous year.
- Payment for Additional Water Rights produced shall be due on or before the March 1 immediately following the calendar year in which that production occurred. The payment shall be made together with accounting materials sufficient to document the amount of production which occurred in the previous calendar year. The payment and supporting materials shall be subject to audit by Seller at its discretion. The Purchase Agreement will contain more detailed provisions on payment for Additional Water Rights.

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**POST-CLOSING AGREEMENTS:** Seller has a substantial interest in the development of the full water production potential of the Property. Accordingly, the Purchaser shall be obligated to employ its best efforts to promptly conduct necessary studies to establish the maximum amount of water which can be produced from the Property and supplied for reasonable and beneficial uses and, upon establishing that amount, to continue to employ its best efforts to sell and provide that maximum amount of water through the applicable regulatory, construction and marketing processes. Those efforts shall include, but not be limited to, the following:

1. By July 1, 2014, complete a bore hole on the Property at least 3,000 feet in depth and 8” to 10” in diameter and produce a full detailed drill log with an explanation of materials drilled every 5 feet, a full E-log with commentary and a full temperature log every 50 feet; and
2. By January 1, 2016, complete the construction of two commercial production wells on the Property capable of producing 4000 GPM each with 1,000 feet of 24” casing with adequate Roscoe Moss louvered screening, in accordance with the specifications provided in this material.
3. Upon construction of the wells specified above, provide Seller with the results of a 72 hour minimum pump test of the wells (at a minimum of 7,000 gpm), monitoring all on-site wells, and, if possible, at least one well located off the Property to the south (e.g. well #7 mentioned in the Barto Report).

The Purchaser shall provide to Seller copies of all information concerning the Property and its water bearing capacity and water quality obtained by Purchaser, including all test results, reports and the product of computer models, generated by all tests performed on and investigations of the Property together with the consideration of other available data.

**DELIVERY OF TITLE; TITLE INSURANCE:** Seller will deliver title and provide title insurance in accordance with the terms and conditions of the purchase contract. The cost of title insurance will be shared equally (50:50) by Seller and Buyer.

**CLOSING; POSSESSION:** The closing will be held as and when provided in the purchase contract. The closing agent’s fee for administering the closing will be shared equally (50:50) by Seller and Buyer. Possession will be delivered at closing.

**PROPERTY TAXES:** Buyer will assume the property taxes beginning with those assessed for the calendar year 2013. All prior property taxes will be paid by Seller at or prior to closing or via credit to Buyer at closing. **UPDATE:** The property taxes will not be pro-rated (notwithstanding the terms stated in the previously-printed auction brochure).

**SURVEY; ACREAGE:** The Property will be conveyed using existing legal descriptions, without a new survey. All tract acreages, dimensions and boundaries stated or depicted in the marketing materials are approximate and have been estimated based on existing legal descriptions and/or aerial photos.

**AGENCY:** The Auction Company and Broker and their respective agents and representatives are exclusively the agents of the Seller.

**DISCLAIMER AND ABSENCE OF WARRANTIES: THE PROPERTY IS BEING SOLD “AS IS, WHERE IS”. SELLER, BROKER AND AUCTION COMPANY MAKE NO WARRANTY OR REPRESENTATION, STATED OR IMPLIED, CONCERNING THE PROPERTY.** Prospective bidders are responsible for conducting their own independent inspections, investigations, inquiries, and due diligence concerning the Property. The Seller, Broker and Auction Company assume no responsibility or liability for errors or omissions. The Seller and its representatives reserve the right to preclude any person from bidding if there is any question as to the person’s credentials, fitness, etc. All decisions of the Auctioneer are final with regard to the conduct of the auction.

**CHANGES:** These general terms are subject to change. Check the auction website for updates at [www.schraderauction.com](http://www.schraderauction.com). The terms of the written purchase contract, written auction day announcements, and/or official announcements made at the auction podium during the auction will supersede and take precedence over any other terms, statements or advertisements, whether oral, in print, or posted to the auction website.