

November 15, 2011

Mr. Patrick Call
Chairman, Board of Supervisors
Cochise County
1415 W. Melody Lane
Bisbee, AZ 85603

RE: Grant #2011-1195

Dear Mr. Call,

It is my pleasure to inform you that The Walton Family Foundation, Inc. (the "Foundation") has approved a three-year grant of up to \$1,693,265.00 to Cochise County (the "Grantee"). The project term will be December 1, 2011 to November 30, 2014. This grant is subject to the following terms and conditions:

1. **Purpose:** The purpose of the grant and deliverables are contained in Grantee's proposal to the Foundation dated October 13, 2011 and is incorporated by reference. Grant funds of up to \$1,693,265.00 shall be used to implement two demonstration projects where water from large summer rainstorms will be captured and recharged into the groundwater near the San Pedro River to sustain base river flows. Grantee agrees to use all grant funds exclusively for the grant's purposes. Any changes in these purposes must be authorized in advance by the Foundation in writing.

2. **Amount: One Million Six Hundred Ninety Three Thousand Two Hundred Sixty Five Dollars (1,693,265.00).**

First Installment	Payable upon completion of grant agreement	\$500,000.00
Second Installment	Payable upon terms cited below	\$352,500.00
Third Installment	Payable upon terms cited below	up to \$840,765.00

3. **Payable:** Initial payment of \$500,000.00 shall be payable within 14 days of the receipt of a copy of this letter from Grantee acknowledging the terms and conditions set forth herein.

The second installment, in the amount of \$352,500.00 will be made upon submission by the County of evidence that the following benchmarks have been met:

- A copy of the deed for the Mansker property, or other suitable documentation of property acquisition;
- A copy of completed design plans for the Mansker project, along with final cost estimates for the project and evidence of additional funding for construction and monitoring;
- Documentation of completion of the Geographic Information System (GIS) tool; and
- A summary of the pipeline feasibility analysis, including technical feasibility and cost/benefit analysis.

The third installment, up to \$840,765 will be released upon submission by the County of evidence that the following benchmarks have been met:

- A copy of completed design plans for the Kings Ranch project, along with final cost estimates for the project and evidence of additional funding for construction and monitoring.

The total amount of the third payment will depend on final estimates of costs during the grant period for the Mansker and Kings Ranch projects.

4. **Accounting:** (a) The Foundation encourages, whenever feasible, the deposit of grant funds in an interest-bearing account. For purposes of this letter, the term “grant funds” includes the grant and any income earned thereon.

(b) Grantee will maintain records of receipts and expenditures made in connection with the grant funds and will keep these records during the period covered by the Grantee’s reporting obligations specified in paragraph 5 and for at least four years thereafter (“Maintenance Period”). Grantee will make its books and records in connection with the grant funds available for inspection by the Foundation during normal business hours as the Foundation may request at any time during the Maintenance Period.

5. **Reporting:** Grantee will provide the Foundation with interim reports due June 15, 2012, December 15, 2012, June 15, 2013, December 15, 2013 and June 15, 2014. A final report will be due December 15, 2014. Guidelines for completing these reports will be provided separately. Copies of all reports will be sent electronically to Cheryl McFarland at cmcfarland@wffmail.com. Please reference Grant #2011-1195 on all reports submitted.

6. **Representations:** Grantee represents and warrants to the Foundation that:

(a) Grantee is an organization in good standing, is either an organization described in section 501(c)(3) of the Internal Revenue Code (“Code”) or a governmental unit, and is not a “private foundation” described in section 509(a) of the Code. Grantee will promptly notify the Foundation of any change in Grantee’s tax status under the Code.

(b) In no event will Grantee use any grant funds:

(i) to carry on propaganda, or otherwise to attempt, to influence legislation;

(ii) to influence the outcome of any specific public election or to carry on, directly or indirectly, any voter registration drive; or

(iii) to undertake any activity other than for a charitable, educational or other exempt purpose specified in section 170(c)(2)(B) of the Code.

(c) Grantee will comply with all applicable laws and regulations.

7. **Repayment:** The Foundation may discontinue any further payments to Grantee, and may direct Grantee to repay any unexpended grant funds to the Foundation, if any of the following events occurs:

(i) Grantee ceases to maintain its tax-exempt status as described in paragraph 6(a) above;

(ii) Grantee fails to comply with the terms of this letter; or

(iii) There is a material change in Grantee’s key personnel that in the sole opinion of the Foundation adversely affects Grantee’s management of the grant.

8. **Grant Publicity:** Grant publicity related to this grant consistent with Grantee's normal practice is permitted, subject to the following provisions. The Foundation expects any announcements and other publicity to focus on Grantee's work and the project or issue funded by the grant. Recognition of the Foundation's role in funding the project is permitted, provided that the timing, content and strategic focus of such publicity should be approved by the Foundation contact listed in paragraph 10. Publicizing the grant and the Foundation in Grantee's publications and communications in a manner consistent with similar grants obtained by Grantee is permitted.

The Foundation may ask Grantee to provide illustrations, photographs, videos, recordings, information or other materials related to the grant (collectively "Grant Work Product") for use in Foundation communications including the Foundation's website, annual report, newsletters, board materials, presentations, communications and other publications. Grantee agrees to provide the Foundation with such items upon the Foundation's reasonable request and hereby grants to the Foundation and anyone acting under the authority of the Foundation a fully paid-up, world-wide, right and license to use, reproduce, display and distribute the Grant Work Product in connection with the Foundation's charitable operations and activities. In connection therewith, Grantee shall be responsible for obtaining all necessary rights and permissions from third parties for the Foundation to use the Grant Work Product for these purposes. By signing this Agreement, Grantee also acknowledges and agrees to use by the Foundation of historical, programmatic and other information relating to Grantee and the grant hereunder.

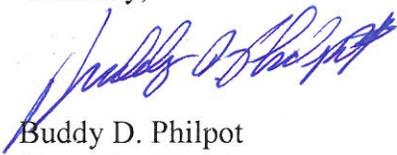
9. **Gratuities:** The Foundation desires that all of Grantee's resources be dedicated to accomplishing its philanthropic purposes. Therefore, Grantee agrees that it will not furnish the Foundation or its Board of Directors, officers, staff or affiliates with any membership, commemorative items, recognition plaques or gratuities or benefits of any kind.

10. **Contact:** For all communications regarding the grant, your point of contact at the Foundation will be Senior Program Officer Margaret Bowman. Margaret can be contacted via email at mbowman@wffmail.com. As stated in section 5 above, copies of all grant reports should be sent to Cheryl McFarland.

We have enclosed two original grant letters. Please sign one copy as Grantee's acknowledgment of the terms and conditions herein stated and return it to me in the enclosed self addressed envelope. If the signed acknowledgment of this letter is not received in the Foundation's office by December 2, 2011, the Foundation will consider the Grantee to have declined the grant.

On behalf of the Foundation, I extend every good wish for the success of your organization's endeavors.

Sincerely,



Buddy D. Philpot
Executive Director

ACKNOWLEDGED AND AGREED

By: _____
Mr. Patrick Call (Date)
Cochise County