

NEW APPLICATION



0000003167

Keaton Development Company, Inc. ORIGINAL RECEIVED

P.O. Box 905
Salome, AZ 85348
(928) 859-3982 Fax (928) 859-3984
E-mail - keatonwater@tds.net

2004 MAY 13 P 12:59

Arizona Corporation Commission
DOCKETED

AZ CORP COMMISSION
DOCUMENT CONTROL

12 May 2004

MAY 13 2004

Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

DOCKETED BY	<i>CAT</i>
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W-02169A-04-0363

Attn: Utilities Division
RE: System ID W-02169 A
WIFA Loan Application

Submitted here for your approval are the original plus 16 copies of the completed WIFA loan application for Keaton Development Company. Keaton Development Company has been in communication with Mr. James Johnson, from your offices, with regard to the completion and filing of this application.

Thank you for your prompt processing and expedition of this application.

Sincerely,

Claire V. Tuno
Office Manager

NEW APPLICATION ORIGINAL
ARIZONA CORPORATION COMMISSION



RECEIVED

2004 MAY 13 P 12:56

AZ CORP COMMISSION
DOCUMENT CONTROL

FINANCING APPLICATION

W-02169A-04-0363

Keaton Development Company
UTILITY NAME

You must complete all items in the application according to the instructions provided. If you have any questions regarding the application, call the Chief, Financial & Regulatory Analysis Section at (602) 542-0743 for assistance.

Send the original and sixteen copies of the application and cover sheet to the following address:

DOCKET CONTROL CENTER
1200 W WASHINGTON STREET
PHOENIX AZ 85007-2927

**ARIZONA CORPORATION COMMISSION
FINANCING APPLICATION
KEATON DEVELOPMENT COMPANY**

- 1. *The applicant's exact name and address of principle business office.***
- 2. *Name and address of the person authorized, on behalf of applicant, to receive notices and communications regarding the application.***

Attached, as Schedule 1, is the Applicant Information section of the Water Infrastructure Finance Authority of Arizona (WIFA) Project Finance Application. This section provides not only the information requested, but also additional information regarding authorized representatives, a list of the officers of the Keaton Development Company and a list of the professionals used by the company.

- 3. *A full description of the financing (debt or equity) proposed to be issued showing the kind, nature and amount, the interest or dividend rate if any and its frequency, date of maturity, call features, voting privileges, and other detailed information regarding the financing itself. An explanation of whether the assets of the company will be encumbered by the financing (e.g. bank loan that is secured by company assets). If the financing is debt then provide a schedule of interest and principle payments. If the financing is a line of credit then provide a schedule of expected drawdowns. Provide a description of the proposed method of issuing and selling the financing, including any special distributions rights to existing holders of the company's security.***

This request is for new debt. The debt will take the form of a loan from the WIFA. The loan will be for \$40,000, with a 20 year term and an interest rate of no more than 5.5%. We anticipate the loan to be secured by any and all real property owned by Keaton Development Company. The principle and interest payments on the loan will be 240 equal payments of \$275.17. An amortization schedule can be provided upon request.

- 4. *A statement showing the expected gross proceeds, issuance expenses and net proceeds from the issuance and sale.***

This is not an issuance, however the proceeds of the loan will be \$40,000 and will be funded as the work on the project is completed. We expect a fee of ½% or \$200.00

- 5. *A complete description of the uses of the net proceeds of plant, property, or other assets to be acquired. Provide any capital budget that supports the use of proceeds.***

Attached as Schedule 2 is the Project Data Addendum from the WIFA Project Finance Application. This addendum will provide the reason for the project, a description of the project itself, the project schedule and the project funding sources and uses. For this project, there are no capital expenditures and therefore no capital expenditure budget.

6. A statement that demonstrates why the financing is,

a. within the corporate powers of the applicant:

Attached in Schedule 3 are the Articles of Incorporation for Keaton Development Company the Certificate of Good Standing, and the Articles of Incorporation and several amendments. These documents show that Keaton Development Company is a legal corporate entity and that William S. Scott in his current capacity as President of Keaton Development has the authority to obtain loans on behalf of Keaton Development Company.

b. compatible with the public interest;

As you read the purpose, in Schedule 3, of the project, you will see that there are several major issues regarding the proper chlorination and consistency of delivery in the water system owned by Keaton Development Company. The loan for the proposed study is the best way to determine how Keaton Development Company can address these issues with the maximum amount of results for the minimum amount of increase in water rates. If these issues are not resolved then, with the anticipated growth in the next two to three years the individuals and businesses served by this system will be adversely impacted, therefore from a quality, capacity and consistency standpoint, it would be a great benefit to the customers of this system to find a solution to the problems that currently exist.

c. compatible with sound financial practices;

Attached in Schedule 4, you will find a schedule of historical operating results for the last 12 months as well as the supporting financial statements. In Schedule 5 you will find projections for fiscal year 2004 through 2010 and the assumptions the projections are based on. When you review the projections you can see that the operations of the company are adequate to meet the additional loan payments. In Schedule 6, we have attached the balance sheet as of 02/29/04 as well as a summary of the balance sheet, the accounting for the \$40,000 loan and the impact on the balance sheet if the loan would have been funded on 02/29/04. As you will see in Schedule 6, the impact on the balance sheet is negligible.

In every aspect, the impact of this loan is minor on the operations of the company, however the potential long term benefits from this study are very important to the water system and the customers it serves.

d. compatible with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service.

This loan is specifically for a study that will provide the necessary information to allow Keaton Development Company to provide the proper service that the customers deserve from a public service corporation. The study will enhance the ability to provide better

service by identifying solutions to major issues that were in the water system prior to ownership change, one year ago. On the other hand, if this request for the approval of debt were denied, the company would be greatly impaired in its ability to correct the issues related to this water system.

7. The name and address of any person receiving, or entitled to, a fee for service in connection with the issuance or sale of the financing and a demonstration that such fees do not exceed customary fees for such service in an arms-length transaction and are reasonable.

We have hired a consultant to help us with several issues related to Keaton Development Company. The company is Sebree Business Partners and is located at 4207 W. 13th St. Yuma, AZ 85364. The owner is Roderick J. Sebree. He has worked with us on the loan application to WIFA and this request for approval by the Arizona Corporation Commission. As part of this process the company the consultant has also helped with future budgetary issue. The anticipated fee for this work will be between \$2,500 and \$3,000.

8. Provide a copy of any documents to be executed in the matter.

The loan documents from WIFA have not been completed. One of the issues with WIFA is whether the approval to obtain this loan is obtained by the Arizona Corporation Commission. This is a key issue since without the approval the loan would have to be paid back in one year instead of twenty. As you can see in Schedule 3, this would not be financially feasible. If required, WIFA may provide you a copy of blank documents that may used for this loan.

9. Provide the most recent balance sheet and income statement showing booked amounts and pro forma adjustments to record and show the effect of the transaction. Provide any other statements (such as pro forma statement from prior periods) that would demonstrate that the security issuance and sale is consistent with sound financial practices.

Keaton Development Company has provided in Schedule 6 the balance sheet at 02/29/04, the changes that would occur if the loan were funded and a balance sheet as of 02/29/04 if the loan had been funded. As discussed above, the impact on the balance sheet is minimal.

10. The Commission requires the Company to notice customers of the financing application. Attached is a copy of the notice to be used. Fill in the notice's blanks and either insert, a copy of the notice as it appeared in the newspaper or the receipt from the newspaper showing he date the notice is to be published.

Attached, in Schedule 7, is the copy of the notice and the verification of publication.

11. Submit the original and sixteen (16) copies of the application and supporting documents to the following:

The original and 16 copies are being hand delivered to the Arizona Corporation Commission at 1200 W. Washington Street, Room 130, Phoenix, AZ 85007-2927.

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Section 1: Applicant Information

- 1.1 Name of Applicant:** Keaton Development Company
- 1.2 Mailing Address and/or Principal Place of Business:** 66798 HWY 60 / P. O. Box 905
Salome, AZ 85348
- 1.3 System Identification Number:** W-02169A

1.4 Designated Contact Person *(for all matters relating to the submission of this application)*

Name: William S. Scott Title: President
Telephone: (928) 859-3982 FAX: (928) 859-3984
Mailing Address: 66798 HWY 60 - P.O. Box 905, Salome, AZ 85348
E-Mail Address: keatonwater@tds.net

1.5 Authorized Representative *(individual authorized by applicant to execute assistance agreements)*

Name: William S. Scott Title: President
Telephone: (928) 859-3982 FAX: (928) 859-3984
Mailing Address: 66798 HWY 60 - P.O. Box 905, Salome, AZ 85348
E-Mail Address: keatonwater@tds.net

1.6 Officers of the Organization

Members Name	Title	Term of Position	Time in Position
William S. Scott	President	1/1 Year	
William S. Scott	Secretary/Treasurer	1/1 Year	

1.7 Professional Services

- A. Project Engineer: Gannett Fleming, Inc. C/O Mr. Alan O'Brian
Mailing Address: 3001 E. Camelback Road, Suite 130, Phoenix, AZ 85016
E-Mail Address:
Website Address:
Telephone: (602) 553-8817 FAX: (602) 553-8816

- B. Financial Advisor: Sebree Business Partners C/O Rod Sebree
Mailing Address: 4207 W. 13th St., Yuma, AZ 85364
E-Mail Address: sebreebp@aol.com
Website Address: N/A
Telephone: (928) 920-9009 FAX: (928) 343-1171
- C. Legal Counsel: Weil & Weil, P.L.L.C. C/O John Weil
Mailing Address: 1600 S. 4th Ave. Suite C, Yuma, AZ 85364
E-Mail Address:
Website Address: N/A
Telephone: (928) 783-2161 FAX: (928) 783-6082
- D. Legal Counsel: Law Office of John C. Churchill C/O John Churchill
Mailing Address: 1300 Joshua Ave. Suite B, Parker, AZ 85344
E-Mail Address: jchurchil@rivcom.net
Website Address: N/A
Telephone: (928) 669-6195 FAX: (928) 669-5376

2

Project Data Addendum

1. Explain the reason or need for the Project – *Attach additional pages, if necessary:*

There are four areas of need that are being addressed by this project. These areas are; the lack of a master plan for the expansion that will be required in the very new future, the lack of any information on the existing ground storage reservoirs, the extreme shortcomings in the chlorination system and the lack of any electric back-up for power outages.

Currently Keaton Development Company does not have a master plan for the expansion of the existing water system to meet the growing demands of the area. While Keaton Development Company has plans regarding the existing water system and plans for the current expansions, it has absolutely no master plan for future developments planned for the area. It is imperative that Keaton Development Company have a concise plan to meet the future needs of the community it serves.

Keaton Development Company currently has three existing ground storage reservoirs. At this time the owner has absolutely no information regarding the existing conditions of these reservoirs. In addition, the current storage capacity of 55k-60k will not be adequate to serve the current requirements plus the additional 126 lots that are in development at this time. It is clear that we need to find out what repairs, improvements and expansion is needed to ensure reliable service of these important system components.

The current chlorination system is not of adequate size and design to facilitate the needs created by the current and increasing demands of our growing customer base. We need to have the system reviewed to see what can be done to overhaul or replace the plant piping to provide for adequate contact time to eliminate the “short circuit” situation that exists under certain conditions, at this time. The plant piping also needs to be examined to see what revisions can be made so that the system will include “no slam” check valves downstream from pressure pumps to eliminate water hammer shock to the water system and remove noise nuisance to the neighborhood. Currently the individuals that live near the plant are subjected to loud slam-bang noises every few minutes 24 hours a day.

Currently Keaton Development Company does not have electric backup during power outages. Keaton Development Company has purchased a Diesel Electric Generator Set, however, the site electric system needs to be redesigned to accommodate the unit. Keaton Development Company is also concerned that the existing site electrical system may be substandard. We need to have this evaluated at the same time.

2. Project Description -- *Attach additional pages, if necessary:*

A. Give a detailed description of the proposed project. – *Include all components to be constructed*

This project is an evaluation of the four areas discussed above. From this evaluation, a construction/redesign project will be engineered to allow the Keaton Development Company to

Keaton Development Company – DW 060-2003

obtain the construction funding necessary to complete the required improvements. This evaluation will examine each of the four problem areas discussed above.

The lack of a plan to meet future development will be addressed by the development of a Master Plan. The Master Plan will include a thorough evaluation of the existing water production, storage and distribution facilities and determine an orderly sequence to update the facilities to satisfy the existing conditions and prepare for the future anticipated growth of the water system.

The issues regarding the reservoirs will be addressed by the draining of the three existing ground storage reservoirs so that a thorough inspection can be conducted to determine the existing conditions. From the results of the inspection, Keaton Development Company will receive the information required to complete all necessary improvements or expansion to ensure the continued reliable service of these important systems.

The chlorination issue will be addressed by a thorough examination of the existing chlorination system to determine if there is adequate chlorine contact time. From the examination Keaton Development Company will obtain the required modifications to the existing flow process to ensure compliance with ADEQ chlorination requirements.

The electric issue will be handled through an evaluation of the existing electrical system. From the evaluation, Keaton Development Company will receive the required modifications to include the diesel electric generator and correct any existing deficiencies in the system.

For a more comprehensive list of the work that will be accomplished, Keaton Development Company has attached as Schedule 1, a complete list of the scope of work to be completed by Gannett Flemming, Inc.

- B. Indicate what has been completed to date with the planning, design and/or construction for the project.

To date, Keaton Development Company has purchased a diesel electrical generator, has worked through WIFA to obtain three quotes for the project and with the approval of WIFA has hired Gannett Flemming, Inc. as the engineers for the project. Gannett Flemming agreed to a Scope of Work prepared by WIFA for the completion of the project and provided a contract for the work to be completed.

- C. Project Information:

Attach copies of available Project Engineering Information, such as:

- Plans and Specifications
- Project Engineering Reports
- Project Feasibility Studies

Keaton Development Company – DW 060-2003

Other Technical Data, if related to the Project

Capital Improvement Plan

The Scope of Work prepared by WIFA and agreed to by Gannett Flemming is attached.

3. Estimated Project Schedule

Task	Date
Planning, Design & Specifications Submitted	May 1, 2004
Approval to Construct	N/A
Advertisement for Bids	Completed
Construction Commencement	N/A
Construction Completion	N/A
Initiate Operation	N/A

4. Contractor Selection:

Have you selected a Contractor(s)? Yes No *If "Yes," summarize the bidding process. If "No," on what date will the Contractors be selected?*

William S. Scott, President of Keaton Development Company submitted a request to WIFA regarding this project. Layla Hadayat, of WIFA evaluated the ability of several companies that were interested in completing this project. Of the three approved by WIFA, Keaton Development Company chose the top ranked company, Gannett Flemming, Inc.

5. Licenses and Permits

List Local, State, and Federal Licenses and Permits required for the Proposed Project.

License/Permit Approvals	Date Expected	Date Approved
N/A		

6. Project Funding Sources & Uses

Uses by Budget Item	WIFA Funding	Local Funding	Other:	Total By Use
Planning				
Design & Engineering	\$35,000	\$40,000	\$0	\$75,000
Legal/Debt Authorization				
Financial Advisor				
Land/System Acquisition				
Equipment/Materials				
Construction/Installation/Improvement				
Inspection & Construction Management				
Project Officer				
Administration				
Staff Training				
Capitalized Interest				
Other				
Total by Source	\$35,000	\$40,00	\$0	
Total for Project			\$75,000	

Attached as Schedule 2 is the Task Cost Estimate for the project.

7. **Project Costs Expended to Date:** Keaton Development Company has spent \$2,547.83 for consultants and has purchased a diesel generator for \$24,000. For this project we will be seeking reimbursement for the consultant fees. We will not be seeking reimbursement for the costs of the generator, however once the construction project is approved, reimbursement may be requested.

8. Will you seek reimbursement for Project Costs Expended to Date? Yes No
 If "Yes," identify the costs and explain why WIFA should reimburse these costs.

The consultant fees are directly related to the study of the issues identified in this request.

9. **Operation and Technical impact:**

Will there be significant operating or technical impacts as the result of the proposed technology? Yes No Explain response below.

There will not be an immediate operating or technical impact, due to the fact that this is an evaluation of problem areas of the overall water system. This project will, however, allow Keaton Development Company to obtain the necessary information needed to start the improvements and expansions to the system that will have a major impact on the quality, delivery, and reliability of the system to the consumer.

Exhibit A
Scope of Work
Keaton Development Company
Water Master Plan
September 18, 2003

I. Project Purpose

The purpose of this project is to:

1. Develop system map of the existing water system showing water main alignments, sizes and material; and valve locations.
2. Evaluate condition of existing third well and water tanks.
3. Develop a Master Plan for the system, including relocating existing water tank to the third well and providing a standby generator.

II. Project Scope

A. Basic Services

Based on the information available, the project will be performed as follows:

Task I - Develop System Map

1. Request system information including: well capacities, tank capacities, pump capacities, water use records, number of current and projected customers and type of customer (residential, commercial), water rights, water quality records, repair records, complaint records and other data as appropriate.
2. Prepare an Initial AutoCAD map of service area based on 12/96 map. Provide two copies to Owner for markup.
3. Show information provided by Owner on Preliminary AutoCAD map. Provide copy to the Owner. Review with the Owner at Development and address Owner's comments.
4. Prepare Preliminary Water Model of existing water system based on Preliminary AutoCAD map.
5. Based on Preliminary Water Model, identify water mains and valves requiring physical identification. Provide copy of Preliminary AutoCAD map to Owner with identified water mains and valves noted. Review with the Owner in Phoenix and address Owner's comments.
6. Develop methodology(s) for locating identified water mains and valves. Provide to Owner. Review with the Owner in Phoenix and address Owner's comments.
7. Request quotes for the work to locate the valves and water mains and provide to the Owner.
8. Assist Owner with evaluating quotes. Owner awards contract and proceeds to locate existing water mains. Gannett Fleming provides assistance during location activities as requested by the Owner (as Special Services).
9. Update Preliminary AutoCAD map based on information provided by Owner. Provide copy of Final AutoCAD map to Owner.

**Exhibit A
Keaton Development Company
Water Master Plan**

Task 2 – Develop Water Master Plan

1. Develop projected water demands based on long range (20 year) growth projections provided by Owner.
2. Evaluate water production versus water demands.
3. Perform visual review of condition of existing water storage tanks (inside and outside as accessible) and provide summary of their condition, operation and control system.
4. Based on existing well information provided by Owner, provide summary of the condition of the wells, pumps and operation of control and alarm system.
5. Prepare Final Water Model of existing water system based on information from location of water mains and valves in Task I. Perform flow tests to validate water model.
6. Evaluate feasibility of relocating water tanks to Well No. 3.
7. Prepare conceptual design for installation of a backup diesel generator power system.
8. Comment on water rights versus water needs, present and future (20 year).
9. Evaluate existing water quality/sampling data for compliance with state criteria.
10. Prepare conceptual-level cost estimates for correcting identified system deficiencies and modifications.
11. Prepare and submit Draft Master Plan for review.
12. Meet with Owner at Development to receive comments on Draft Master Plan.
13. Address comments from Draft Master Plan review.
14. Prepare Final Master Plan and submit to Owner.

B. Special Services

1. Test pump well(s), CCTV well(s) or other investigations to determine well condition or capacity.
2. Perform water sampling or other tests.
3. Perform aerial photography, surveying or other mapping functions.
4. Detailed evaluation of power, controls, and alarm systems, condition of equipment requiring specific testing equipment, detailed electrical, controls, alarms or power system design, evaluation for conformance with code requirements.
5. Detailed evaluation of the hydrogeologic properties of the wells or aquifer.
6. Preparation of conceptual designs for water treatment, O&M Manuals and other items not specifically identified in the Basic Services.
7. Vulnerability assessment of water facilities to outsider, insider and cyber attacks.
8. Third party services.
9. Attending additional meetings or site visits.
10. Other services as mutually agreed upon in writing.

Exhibit A
Keaton Development Company
Water Master Plan

III. Information to be provided by Client

1. Provide 12/96 system map and other available system information including: water rights, well construction and operation information, well records, well capacities, tank capacities, pump capacities, water use records, number of current and projected customers and type of customer (residential, commercial), water rights, water quality records, historic water levels (static and pumping), repair records, complaint records, system operation sequencing, control methodology, alarms systems and other data as appropriate.
2. Mark up water system AutoCAD maps provided to show street type (paved, gravel, width), known valves, estimated water main alignment, known pipe sizes and materials, water service locations for each lot, existing water production, storage and pumping facilities, and problem areas.
3. Water meters for flow tests.
4. Access to facilities.
5. Response to inquiries.
6. Comments on documents.
7. Other as necessary.

IV. Deliverables

1. Initial, Preliminary and Final AutoCAD maps of system.
2. Methodology for locating prioritized water mains
3. Final Water Model
4. Draft Master Plan
5. Final Master Plan

V. Schedule

1. Deliver Initial AutoCAD map of the system within two weeks of receipt of system data.
2. Deliver Preliminary AutoCAD maps of the system within two weeks of receipt of markup from Initial AutoCAD map.
3. Deliver Preliminary AutoCAD map showing prioritized water main and valves within three weeks of completion of Preliminary AutoCAD map.
4. Provide methodology for locating prioritized water mains within two weeks of receipt of comments on the map in item 3.
5. Deliver Draft Master Plan with Draft Water Model within two weeks of receipt of data from locating prioritized water mains and valves.
6. Deliver Final AutoCAD map of the system within two weeks of receipt of information from the Owner.
7. Deliver Final Master Plan with Final Water Model and Final AutoCAD map within two weeks of receipt of comments on the Draft Master Plan.

End of Scope of Work

3

STATE OF ARIZONA

Corporation Commission



To all to Whom these Presents shall Come, Greeting:

I, WILLIAM R. JOHNSON, SECRETARY OF THE ARIZONA CORPORATION COMMISSION, DO HEREBY CERTIFY THAT the annexed is a true and complete copy of the ARTICLES OF INCORPORATION of KEATON DEVELOPMENT COMPANY

which were filed in the office of the Arizona Corporation Commission on the 26th day of April, 1971, as provided by law.

IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THE ARIZONA CORPORATION COMMISSION. AT THE CAPITOL, IN THE CITY OF PHOENIX, THIS 26th DAY OF April A. D. 1971

William R. Johnson
SECRETARY.

BY

82640

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

FILED

APR 26 1971
4:40 P. M.

At Byrne, Green & Ellsworth at request of

Address 152 First Avenue

Yuma, Arizona 85364

By Mary L. Sanchez

William R. Johnson,

INDEXED

MICROFILMED

State of Arizona }
County of Yuma } No. 7855

I hereby certify that the within instrument
was filed and recorded at the request of

Byrne, Green & Ellsworth

1971 APR 28 PM 3 16

In Docket 646 on Page 49-57

Witness my hand and official seal this day
and year aforesaid.

CARA M. BETTS

Barbara A. Johnson
County Recorder
Deputy Recorder 300

STATE OF ARIZONA

Corporation Commission



To all to Whom these Presents shall Come, Greeting:

BE IT KNOWN THAT KEATON DEVELOPMENT COMPANY

HAVING SUBMITTED TO THE ARIZONA CORPORATION COMMISSION EVIDENCE OF COMPLIANCE WITH THE LAWS OF THE STATE OF ARIZONA GOVERNING THE INCORPORATION OF COMPANIES, IS, BY VIRTUE OF THE POWER VESTED IN THE COMMISSION UNDER THE CONSTITUTION AND THE LAWS OF THE STATE OF ARIZONA, HEREBY GRANTED THIS

CERTIFICATE OF INCORPORATION

AUTHORIZING SAID COMPANY TO EXERCISE THE FUNCTIONS OF A CORPORATION, UNDER THE LAWS NOW IN EFFECT IN THE STATE OF ARIZONA, AND SUBJECT TO SUCH LAWS AS MAY HEREAFTER BE ENACTED, FOR A PERIOD OF TWENTY-FIVE YEARS FROM THE DATE HEREOF, UNLESS SOONER REVOKED BY AUTHORITY OF LAW.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

In Witness Whereof, I,

RUSSELL WILLIAMS

THE CHAIRMAN, HAVE HEREUNTO SET MY HAND AND CAUSED THE OFFICIAL SEAL OF THE ARIZONA CORPORATION COMMISSION TO BE AFFIXED AT THE CAPITOL, IN THE CITY OF PHOENIX, THIS 29th
DAY OF April A. D. 1971

Russell Williams
CHAIRMAN.

ATTEST:

William R. Johnson
SECRETARY.

BY

ASSISTANT SECRETARY.

NO.

82640

#4

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, James G. Jayne, Interim Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****KEATON DEVELOPMENT COMPANY*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on April 26, 1971.

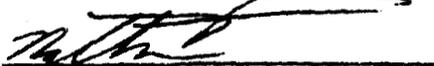
I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 1st Day of August, 2003, A. D.




Interim Executive Secretary

By 

ARTICLES OF INCORPORATION
of
KEATON DEVELOPMENT COMPANY

- - - - -

KNOW ALL MEN BY THESE PRESENTS:

That we, KEATON KELLER, REX E. KELLER and EVA KELLER, the undersigned, having this day associated ourselves together for the purpose of forming a corporation under the laws of the State of Arizona, do hereby adopt the following Articles of Incorporation:

ARTICLE I

The name of the corporation is KEATON DEVELOPMENT COMPANY.

ARTICLE II

The names, residences and post office addresses of the incorporators of KEATON DEVELOPMENT COMPANY are as follows:

KEATON KELLER
P. O. Box 424
Salome, Arizona 85348

REX E. KELLER
P. O. Box 415
Salome, Arizona 85348

EVA KELLER
P. O. Box 415
Salome, Arizona 85348

ARTICLE III

The principal place of business of KEATON DEVELOPMENT

COMPANY is Salome, Arizona. Other offices may be established and maintained within or without the State of Arizona, at such places as the Board of Directors may designate.

ARTICLE IV

The general nature of the business proposed to be transacted and in which this corporation may engage is as follows:

1. To acquire by purchase, development or otherwise, a water distribution system; to distribute water for irrigation and domestic purposes; to acquire water by purchase, development, or otherwise; to construct reservoirs or water towers; to sink wells; to erect pumping machinery and equipment, lay water mains, pipes, gates, valves, hydrants and ditches.
2. To buy, lease, or in any manner acquire real or personal property; to plan, develop, subdivide and in any manner provide for establishing of mobile home parks, together with facilities and services incident to such parks.
3. To sell, lease or rent mobile home spaces for cash or on terms; to provide facilities and services incident to the enjoyment of such mobile home spaces and mobile home parks, and to charge for such facilities and services where same is indicated.
4. To own, manage or in any other manner engage in the operation of mobile home parks, and to promulgate rules and regulations for such parks.
5. To buy, sell, trade, rent, lease, service, transport,

and in any other manner deal in mobile or modular homes, trailers, equipment, motor vehicles, furniture, appliances and goods, products and services of all kinds and nature, both at wholesale and retail, and to do and perform such other services as may become usual, customary, proper or necessary in connection with any of the foregoing purposes.

6. To buy, lease, rent and sell property, real and personal, of every kind and nature, either for cash or on credit, or in exchange for other property or otherwise, and to mortgage same; to construct buildings, store rooms, offices, and to lease, operate or manage such property.

7. To lend money and negotiate loans, to draw, accept, endorse, discount, buy, sell and deliver negotiable instruments and securities of all types and characters, including but without limitation of the foregoing, bills of exchange, promissory notes, bonds, debentures, mortgages, security agreements, and generally to carry on any business undertaking and actions or operation commonly carried on by a financial business.

8. To borrow or lend money and to give and receive any kind of evidence thereof, and to raise money by the sale of any character of indebtedness.

9. To enter into joint venture and partnership agreements with individuals, other corporations and partnerships.

10. To act as trustee and place corporation property in trust.

11. Without limiting any of the objects or purposes or powers of the Corporation, the business or purposes of this Corporation shall be from time to time to do any one or more or all of the acts herein set forth, and all other such acts, things and business in any manner connected therewith, or necessary, incidental, convenient or auxiliary thereto, or calculated directly or indirectly to promote the interests of the Corporation or enhance the value of or render profitable any of its property or rights, such as a Corporation may lawfully do.

ARTICLE V

The capital stock of this corporation shall be the sum of ONE MILLION DOLLARS (\$1,000,000.00), divided into ONE MILLION (1,000,000) SHARES of the par value of ONE DOLLAR (\$1.00) each, which shall be paid for at such time and in such manner as the Board of Directors may designate. All or any portion of the said stock may be issued in payment of real or personal property, services, or any other thing of value for the use of the corporation, and when so issued, it shall become and be fully paid, as if paid for in cash or at par, and the directors shall be the sole judges of the property, right or thing acquired in exchange for any capital stock.

ARTICLE VI

The time of the commencement of this corporation shall be the date of the filing of these Articles of Incorporation with the Corporation Commission of the State of Arizona, and the termination thereof shall be TWENTY-FIVE (25) years thereafter, with the right of the corporation to renew its charter as provided by law.

ARTICLE VII

The affairs of the corporation shall be conducted by a Board of Directors consisting of not less than Three (3) nor more than Five (5) persons who shall be elected annually by the stockholders at their annual meeting to be held on the Second Tuesday of FEBRUARY of each year, commencing in 1972, and who shall serve until their successors have been elected and qualified.

ARTICLE VIII

The highest amount of indebtedness of liability, direct or contingent to which the corporation is at any time to subject itself, shall in no case exceed two-thirds (2/3rds) of the par value of the authorized capital stock.

ARTICLE IX

The private property of the stockholders, directors and officers of this corporation shall be forever exempt from all corporate debts and obligations.

ARTICLE X

DAVID S. ELLSWORTH, having been a bona fide resident

of Yuma County, Arizona, for the last three (3) years, and whose address is 152 First Avenue, Yuma, Arizona 85364, is hereby appointed and made legal agent for and on behalf of this corporation in and for the State of Arizona, to accept and acknowledge service on and upon whom may be served all necessary process or processes in any action, suit or proceeding that may be had, or brought against said corporation, and in any other courts of the State of Arizona, such service of process or notice of the acceptance thereof by him endorsed thereon, to have the same force and effect as if served upon the President and Secretary of the company. This appointment may be revoked at any time by filing an appointment of another agent.

IN WITNESS WHEREOF, we have hereunto affixed our signatures this 21 day of April, 1971.

151 Keaton Keller

KEATON KELLER
Incorporator
P. O. Box 424
Salome, Arizona 85348

151 Rex E Keller

REX E. KELLER
Incorporator
P. O. Box 415
Salome, Arizona 85348

151 Eva Keller

EVA KELLER
Incorporator
P.O. Box 415
Salome, Arizona 85348

AMENDMENT TO THE ARTICLES OF INCORPORATION
OF THE
KEATON DEVELOPMENT COMPANY

SEP 23 8 09 AM '96
DATE APPR 2-13-92
DATE _____ TIME _____

Pursuant to Arizona Revised Statutes, Section 10-1002, the Articles of Incorporation of Keaton Development Company, are hereby amended in the following respects:

0082640-8

ARTICLE IV

The time of the commencement of this corporation shall be the date of the filing of the original Articles of Incorporation with the Corporation Commission of the State of Arizona, and the term of duration shall be perpetual.

ARTICLE VII

Effective on September 4, 1996, the affairs of the Corporation shall be conducted by a Board of Directors consisting of not less than one (1) nor more than five (5) persons who shall be elected annually by the stockholders at their annual meeting to be held on the Second Tuesday of February of each year, and who shall serve until their successors have been elected and qualified.

All other provisions of the original Articles of Incorporation of Keaton Development Company remain unchanged.

CERTIFICATION

I, Dorothy Matthews, the duly elected, qualified and acting Secretary of Keaton Development Company, an Arizona corporation, do hereby certify that the above is the Amendment to Articles of Incorporation of this Corporation duly and regularly adopted by the Directors thereof at a meeting duly and regularly called and held at the law office of Churchill & Krueger on the 4th day of September, 1996. Further, this amendment was adopted by the Board of Directors without shareholder action, as shareholder action was not required.

Dated this 4th day of September, 1996.

Keaton Development Company, an
Arizona corporation

By: Dorothy Matthews
Dorothy Matthews, Secretary

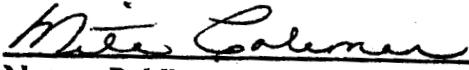
APPROVED:

Marcus Matthews
Marcus Matthews, Director

STATE OF ARIZONA)
 :SS
County of La Paz)

On this 4th day of September, 1996, before me, the undersigned Notary Public, personally appeared DOROTHY MATTHEWS and MARCUS MATTHEWS, known to me to be the persons whose names are subscribed to the foregoing Instrument and acknowledged that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.



Notary Public

My Commission expires:

3/28/2000



BY-LAWS
OF
KEATON DEVELOPMENT COMPANY

ARTICLE I.

OFFICES - STATUTORY AGENT

Section 1. OFFICES. The principal place of business of the corporation shall be in the City of Salome, County of Yuma, State of Arizona. The corporation may have offices and places of business at such other places as may be determined by the Board of Directors.

Section 2. STATUTORY AGENT. The statutory agent of the corporation in Arizona, upon whom all notices and processes, including summons, may be served, is DAVID S. ELLSWORTH, who at the time of his appointment was a bona fide resident of Arizona for at least three (3) years.

ARTICLE II.

STOCKHOLDERS

Section 1. PLACE OF MEETINGS. All meetings of the stockholders shall be held at the office of the corporation, in the City of Yuma, County of Yuma, and State of Arizona, or at such other place within Arizona as shall from time to time be determined by the Board of Directors.

Section 2. ANNUAL MEETINGS. An annual meeting of

stockholders shall be held on the Second Tuesday of FEBRUARY in each year, if not a legal holiday, and if a legal holiday, then on the next secular day following at _____ o'clock ____ .M., when they shall elect by a majority vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

Section 3. SPECIAL MEETINGS. Special Meetings of the stockholders for any purposes, unless otherwise prescribed by statute, may be called by the President, and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning twenty-five percent (25%) in amount of the entire capital stock of the corporation issued and outstanding, and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. The business transacted at all special meetings shall be confined to the objects stated in the call.

Section 4. NOTICES. Written notice of annual and special meetings of stockholders, stating the time, place and object thereof, shall be mailed, postage prepaid, at least ten (10) days before such meeting, to each stockholder, entitled to vote thereat at such address as appears on the books of the corporation, except such as may in writing waive such notice; provided, however, that thirty (30) days notice shall be given.

at which it is proposed to amend the Articles of Incorporation as provided for by Section 53-303 of the General Corporation Law of Arizona.

Section 5. QUORUM. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by law. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meetings at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 6. CUMULATIVE VOTING. At all stockholders meetings at which directors of this corporation are to be elected, each stockholder entitled to vote shall have as many votes as shall equal the number of shares of voting stock owned by him, multiplied by the number of directors to be elected, and he may cast all of such votes for a single director or may distribute them among the number to be voted for, or any two or more of them as he may see fit.

ARTICLE III.

DIRECTORS

Section 1. NUMBER, QUALIFICATION AND TERM. The property and business of the corporation shall be managed by its Board of Directors, consisting of not less than three (3) nor more than five (5) persons. Directors need not be stockholders. They shall be elected at the annual meeting of the stockholders, or from time to time by resolution of the Board of Directors, and each director shall be elected to serve until his successor shall be elected and shall qualify.

Section 2. VACANCIES. If the office of any director or directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the remaining directors, though less than a quorum shall choose a successor or successors who shall hold office until the next annual election and until a successor or successors have been duly elected, unless sooner displaced.

Section 3. ADDITIONAL POWERS. In addition to the powers and authorities by these By-Laws expressly conferred upon it, the Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 4. MEETINGS OF THE BOARD OF DIRECTORS. A regular meeting of the Board of Directors shall be held without notice immediately after the annual meeting of stockholders at the same place at which such meeting is held, or at such other place within the State of Arizona as the directors shall designate; thereafter, regular meetings of the Board of Directors shall be held on five (5) days' notice, at such time and such place as the Board of Directors shall designate.

Special meetings may be held at any time upon the call of the President, and shall be called by the President or Secretary or other officer performing his duties, on the request of two (2) directors, which request need not be in writing. Notice of special meetings shall be given by the Secretary or other officer performing his duties, orally or by telegraph or by mail. Such notice shall be given or sent or mailed not less than five (5) days before the meeting. Meetings may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in writing, either before or after the meeting.

Section 5. QUORUM. A majority of the directors shall constitute a quorum at any meeting, except when otherwise provided by law, but a less number may adjourn any meeting from time to time and the meeting may be held as adjourned without further notice.

ARTICLE IV.

OFFICERS AND AGENTS

Section 1. ELECTION AND APPOINTMENT. The Board of Directors, as soon as may be after each annual meeting of stockholders and election, shall choose a President of the corporation, and from time to time shall choose one or more Vice-Presidents, a Secretary and a Treasurer, and from time to time may appoint such other officers, agents and employees as it may deem proper.

The office of Secretary and Treasurer may be held by the same person, and a President or a Vice-President of the corporation may also be the Treasurer. Any Vice-President may also be a Secretary. The President shall be chosen from among the directors.

Section 2. TERM OF OFFICE. The President shall hold office, unless he shall become disqualified or sooner removed by a vote of a majority of all the members of the Board, for the term of one (1) year. All other officers shall hold office at the pleasure of the Board.

Section 3. POWERS AND DUTIES OF THE PRESIDENT. The President be the chief executive officer of the corporation, and shall have the general management and superintendence of the affairs of the corporation; he shall preside at all meetings of the stockholders and directors; and in all cases where,

and to the extent that, the duties of the other officers of the company are not specially prescribed by the By-Laws, rules or regulations of the Board of Directors, the President may prescribe such duties. He shall have and may exercise any and all powers and perform any and all duties pertaining to the office of President, or conferred or imposed upon the President by the By-Laws, or by the Board of Directors.

Subject to such limitations as the Board of Directors may from time to time prescribe, the President shall have power to appoint and dismiss all such agents and employees of the company (including any appointed by the Board) as he may deem proper, and to prescribe their duties, and subject to like limitations, may from time to time, delegate to other officers of the company any of the powers and duties conferred upon him by the By-Laws or by the Board of Directors.

Section 4. POWERS AND DUTIES OF THE VICE-PRESIDENTS.

The Vice-Presidents in the order of their seniority, in the absence or disability of the President, shall perform the duties and exercise the powers of the President and shall perform such other duties, as may be prescribed by the Board of Directors and subject thereto by the President.

Section 5. POWERS AND DUTIES OF THE SECRETARY. The

Secretary shall attend all sessions of the Board and all meetings of the stockholders and act as Clerk thereof, and record

all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for any committee of the Board when required. He shall cause to be given notice of all meetings of stockholders and directors and shall perform such other duties as pertain to his office. He shall keep in safe custody the seal of the corporation when authorized by the Board of Directors, affix it when required to any instrument.

Section 6. POWERS AND DUTIES OF THE TREASURER. The Treasurer shall have the custody of all the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and directors at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the corporation.

Section 7. POWERS AND DUTIES OF OTHER OFFICERS. All other officers shall have such duties and exercise such powers as generally pertain to their respective offices as well as

such duties and powers as from time to time may be prescribed by the President or the Board of Directors.

ARTICLE V.

STOCK AND STOCK CERTIFICATES

Section 1. TRANSFERS. The shares of stock of the corporation shall be transferable only on the books of the corporation.

Section 2. STOCK CERTIFICATES. Certificates of stock shall be signed by the President or Vice-President and the Secretary or Treasurer, and shall be sealed with the corporate seal.

ARTICLE VI.

FINANCE

Section 1. RESERVES. Before making any distribution of profits there may be set aside out of the net profits of the corporation such sum or sums as the directors from time to time in their absolute discretion deem expedient as a reserve fund to meet contingencies, or for equalizing dividends, or for maintaining any property of the corporation, or for any other purpose, and any profits of any year not distributed as dividends shall be deemed to have been thus set apart until otherwise disposed of by the Board of Directors.

Section 2. CHECKS. The moneys of the corporation shall be deposited in the name of the corporation in such bank

or banks or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check signed by such persons as may be designated from time to time by resolution of the of the Board of Directors.

Section 3. FISCAL YEAR. The fiscal year of the corporation shall begin on the 1st day of JULY and end on the 30th day of JUNE of each year, unless otherwise provided by the Board of Directors.

ARTICLE VII.

WAIVER OF NOTICE

Section 1. WAIVER OF NOTICE. Any stockholder, officer or director may waive any notice required to be given under these By-Laws.

When under the provisions of these By-Laws notice is required to be given to any director, officer or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing by depositing the same in a post office or letter box, in a postpaid, sealed wrapper, addressed to such stockholder, officer or director, at such address as appears on the books of the corporation.

ARTICLE VIII.

SEAL

Section 1. CORPORATE SEAL. The Corporate Seal of the corporation shall consist of two concentric circles, between

which shall be the name of the corporation, and in the center shall be inscribed the year of its incorporation and the words, "Corporate Seal, Arizona."

ARTICLE IX.

AMENDMENTS

Section 1. AMENDMENTS. These By-Laws may be amended by vote of a majority of the stockholders entitled to vote at any annual meeting, or at any special meeting of stockholders called for that purpose.

AMENDMENT TO THE BY-LAWS
OF THE
KEATON DEVELOPMENT COMPANY

Pursuant to Article IX, Amendment of Bylaws, the By-Laws of Keaton Development Company, an Arizona corporation, are hereby amended in the following respects:

ARTICLE III
Directors

SECTION 1. Number, Qualification and Term. The property and business of the corporation shall be managed by its Board of Directors, consisting of not less than one (1) nor more than five (5) persons. Directors need not be stockholders. They shall be elected at the annual meeting of the stockholders, or from time to time by resolution of the Board of Directors, and each director shall be elected to serve until his successor shall be elected and shall qualify.

ARTICLE IV
Officers

SECTION 1. Election and Appointment. The officers of the Corporation shall be a President and a Secretary/Treasurer. Such other officers, assistant officers and agents as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person.

SECTION 5. and SECTION 6. Secretary and Treasurer, respectively. The duties of these two offices shall be combined and become the duties of the Secretary/Treasurer.

All other provisions of the original By-Laws of Keaton Development Company remain unchanged.

CERTIFICATION

I, Dorothy Matthews, the duly elected, qualified and acting Secretary of Keaton Development Company, an Arizona corporation, do hereby certify that the above is the Amendment to By-Laws of this Corporation duly and regularly adopted by the Directors thereof at a meeting duly and regularly called and held at the law office of Churchill & Krueger on the 4th day of September, 1996.

Dated this 4th day of September, 1996.

Keaton Development Company, an
Arizona corporation

By: Dorothy Matthews
Dorothy Matthews, Secretary

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KEATON DEVELOPMENT COMPANY

FINANCIAL RESULTS FOR JANUARY 1, 2003 THROUGH DECEMBER 31, 2003

PAGE ONE OF ONE

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPT.	OCTOBER	NOV.	DECEMBER	12 MONTH TOTAL	
TOTAL INCOME	\$11,816.36	\$11,886.18	\$11,842.96	\$12,176.10	\$11,408.72	\$15,950.66	\$14,326.84	\$14,499.09	\$12,263.40	\$11,895.51	\$12,735.83	\$10,724.33	\$151,525.98	100.00%
EXPENSES														
LEGAL FEES	\$0.00	\$343.54	\$509.57	\$15,638.80	\$346.21	\$309.16	\$166.34	\$58.10	\$71.11	\$0.00	\$110.00	\$0.00	\$17,552.83	11.58%
CONTRACTED - PROFESSIONALS	\$0.00	\$0.00	\$675.00	\$85.00	\$385.00	\$2,200.00	\$218.45	\$0.00	\$0.00	\$0.00	\$0.00	\$1,615.00	\$5,178.45	3.42%
CONTRACTED TESTING	\$824.00	\$250.00	\$195.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,269.00	0.84%
RENT - AUTO & EQUIPMENT	\$0.00	\$400.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$369.87	\$0.00	\$0.00	\$2,608.31	\$3,378.18	2.23%
METER READING	\$220.17	\$135.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$355.17	0.23%
CONTRACTED MAINTENANCE	\$497.01	\$95.00	\$0.00	\$0.00	\$60.00	\$405.00	\$220.00	\$195.00	\$577.50	\$932.50	\$606.00	\$0.00	\$3,588.01	2.37%
PAYROLL EXPENSE	\$1,666.67	\$2,547.95	\$2,428.07	\$3,604.44	\$2,569.63	\$1,747.51	\$2,434.84	\$1,873.38	\$1,850.07	\$2,260.58	\$1,126.07	\$1,475.27	\$25,584.48	16.88%
OFFICER SALARY	\$208.77	\$0.00	\$0.00	\$0.00	\$3,500.00	\$2,000.00	\$2,000.00	\$2,750.00	\$1,000.00	\$3,750.00	\$0.00	\$1,666.67	\$16,875.44	11.14%
UTILITIES - ELECTRIC	-\$250.00	\$813.60	\$784.51	\$1,648.79	\$1,008.83	\$78.21	\$2,333.61	\$945.19	\$1,006.62	\$816.05	\$0.00	\$840.89	\$10,026.30	6.62%
UTILITIES - WATER	\$1,301.63	\$8.80	\$8.80	\$8.80	\$10.34	\$8.80	\$0.00	\$0.00	\$26.40	\$8.80	\$8.80	\$8.97	\$1,400.14	0.92%
CHEMICALS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$156.92	\$0.00	\$295.00	\$0.00	\$451.92	0.30%
MATERIALS & SUPPLIES	\$908.00	\$250.00	\$52.52	\$459.00	\$1,127.55	\$989.15	\$756.17	\$309.87	\$440.60	\$270.74	\$977.71	\$1,366.16	\$7,907.47	5.22%
OFFICE & SUPPLIES EXPENSE	\$450.00	\$339.07	\$748.61	\$827.72	\$738.00	\$107.03	\$1,143.98	\$1,813.25	\$214.72	\$1,340.39	\$613.69	\$1,153.28	\$9,489.74	6.26%
ANNUAL SAMPLING FEE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,088.35	\$0.00	\$0.00	\$1,088.35	0.72%
RENT OFFICE & YARD	\$265.07	\$831.78	\$325.00	\$650.00	\$0.00	\$0.00	\$325.00	\$325.00	\$325.00	\$325.00	\$325.00	\$325.00	\$4,021.85	2.65%
TRANSPORTATION EXPENSE	\$0.00	\$0.00	\$103.00	\$0.00	\$171.00	\$52.25	\$192.38	\$750.79	\$288.59	\$202.49	\$274.38	\$20.00	\$2,054.88	1.36%
INSURANCE EXPENSE	\$0.00	\$0.00	\$0.00	\$299.00	\$0.00	\$1,135.00	\$5,000.00	\$674.45	\$0.00	\$0.00	\$1,207.29	\$0.00	\$8,315.74	5.49%
REGULATORY COMMISSION EXP.	\$739.32	\$0.00	\$0.00	\$235.00	\$0.00	\$540.00	\$230.00	\$195.00	\$195.00	\$240.00	\$195.00	\$0.00	\$2,569.32	1.70%
MISCELLANEOUS EXPENSE	\$0.00	\$87.70	\$0.00	\$3,145.00	\$800.53	\$19.21	\$364.90	\$87.56	\$314.35	\$540.30	\$45.37	\$65.00	\$5,269.92	3.48%
PAYROLL, PROPERTY & SALES TAXES	\$214.69	\$93.15	\$203.33	\$305.39	\$571.26	\$574.07	\$333.37	\$347.56	\$9,091.99	\$474.55	\$76.72	\$1,654.50	\$13,940.58	9.20%
INTEREST EXPENSE	\$0.00	\$718.35	\$548.34	\$622.65	\$666.52	\$523.88	\$0.00	\$151.98	\$151.98	\$151.98	\$0.00	\$151.98	\$3,840.04	2.53%
DEPRECIATION EXPENSE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$23,596.85	\$23,596.85	15.57%
TOTAL EXPENSES	\$7,045.33	\$6,913.94	\$6,581.75	\$27,529.59	\$11,754.87	\$10,689.27	\$15,719.04	\$10,477.13	\$16,080.72	\$12,401.73	\$6,013.41	\$36,547.88	\$167,754.66	110.71%
OPERATING INCOME	\$4,771.03	\$4,972.24	\$5,261.21	-\$15,353.49	-\$346.15	\$5,261.39	-\$1,392.20	\$4,021.96	-\$3,817.32	-\$506.22	\$6,722.42	-\$25,823.55	-\$16,228.68	-10.71%

1:04 PM
 05/11/04
 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Jan 03
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	11,581.50
474 Other Water Revenues	
Construction	0.00
Late Fees	84.86
SEC Charges	150.00
Total 474 Other Water Revenues	234.86
Total 400 Operating Revenues	11,816.36
Uncategorized Income	0.00
Total Income	11,816.36
Gross Profit	11,816.36
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	22.54
1099 accounts	
631 Contractual - Professional	
Accounting	800.00
Consulting	0.00
Engineering	0.00
Total 631 Contractual - Professional	800.00
635 Contract - Testing	
Contractual - Testing	0.00
Total 635 Contract - Testing	0.00
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	0.00
Meter Reading	220.17
Operation and Maintenance	0.00
Outside Labor	0.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	220.17
Total 1099 accounts	1,020.17
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	1,291.50
601 Payroll Expenses - Other	10.13
Total 601 Payroll Expenses	1,468.07
603 Officer Salary	1,666.67
615 Utilities	
Electric	739.32
water	0.00
Total 615 Utilities	739.32
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	0.00
Equipment Repairs	-250.00
Freight & Delivery	0.00
Job Materials	0.00
krc expense	0.00
Meter Repairs	0.00

1:04 PM
 05/11/04
 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Jan 03
Safety Equipment	0.00
Supplies for the Wells	0.00
Tools and Machinery	0.00
Total 620 Materials & Supplies	-250.00
621 Office Supplies & Expense	
Administration	0.00
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	0.00
NSF fee	0.00
Return Item Fee	0.00
Returned Customer Check	43.29
Bank Service Charges - Other	0.00
Total Bank Service Charges	43.29
Cleaning Supplies	0.00
Communications	
Cell Phone (Trk)	0.00
Internet Service	0.00
Local Service (TDS)	214.69
Long Distance(MCI)	0.00
Telephone-Equip & Installation	0.00
Total Communications	214.69
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	0.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	0.00
Total FAX Expense	0.00
Office Supplies & Equipment	198.61
Postage and Delivery	298.40
Printing and Reproduction	0.00
Total 621 Office Supplies & Expense	754.99
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton	588.00
Office/Shop	0.00
Total 640 Rent	588.00
650 Transportation Expense	
Fuel	0.00
fuel/chap 11	0.00
Truck Servicing	0.00
Total 650 Transportation Expense	0.00
655 Insurance	
Automobile Insurance	0.00
Liability Insurance	0.00
Work Comp	0.00
Total 655 Insurance	0.00
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	0.00
Dues and Subscriptions	0.00

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Jan 03
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	0.00
Meals	0.00
meals/chap 11	0.00
Travel	0.00
Total Travel & Ent	0.00
Total 675 Miscellaneous	0.00
Total 401 Operating Expenses	6,009.76
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	184.03
FUTA	23.74
Medicare	43.04
Penalties & Interest	0.00
SUI	20.73
Total Payroll Taxes	271.54
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	-6.47
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	-6.47
Total 408 Taxes other than Income	265.07
427 Interest Expense	
Finance Charge	436.75
Late Fee	0.00
Penalties & Interest	0.00
WIFA - Fee Payments	105.02
WIFA - Interest Expense	112.13
Total 427 Interest Expense	653.90
Uncategorized Expenses	0.00
Total Expense	6,928.73
Net Ordinary Income	4,887.63
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	0.00
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	4,887.63

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Keaton Development Company
Profit & Loss
 January through December 2003

	Feb 03
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	11,699.91
474 Other Water Revenues	
Construction	0.00
Late Fees	36.27
SEC Charges	150.00
Total 474 Other Water Revenues	186.27
Total 400 Operating Revenues	11,886.18
Uncategorized Income	0.00
Total Income	11,886.18
Gross Profit	11,886.18
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	343.54
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	0.00
Engineering	0.00
Total 631 Contractual - Professional	0.00
635 Contract - Testing	
Contractual - Testing	250.00
Total 635 Contract - Testing	250.00
636 Contractual - Other	
Auto - Rent	400.00
Equipment Rental	0.00
krc/electrical	0.00
Meter Reading	135.00
Operation and Maintenance	95.00
Outside Labor	0.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	630.00
Total 1099 accounts	880.00
601 Payroll Expenses	
Advance	1,333.01
Benefits	166.44
Bonuses	0.00
Gross Wages	1,041.75
601 Payroll Expenses - Other	6.75
Total 601 Payroll Expenses	2,547.95
603 Officer Salary	0.00
615 Utilities	
Electric	813.60
water	8.80
Total 615 Utilities	822.40
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	0.00
Equipment Repairs	250.00
Freight & Delivery	0.00
Job Materials	0.00
krc expense	0.00
Meter Repairs	0.00

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Keaton Development Company
Profit & Loss
 January through December 2003

	Feb 03	
Safety Equipment	0.00	
Supplies for the Wells	0.00	
Tools and Machinery	0.00	
Total 620 Materials & Supplies	250.00	
621 Office Supplies & Expense		
Administration	0.00	
Bank Service Charges		
Deposit Correction Fee	0.00	
New Checks	0.00	
NSF fee	0.00	
Return Item Fee	0.00	
Returned Customer Check	41.97	
Bank Service Charges - Other	0.00	
Total Bank Service Charges	41.97	
Cleaning Supplies	0.00	
Communications		
Cell Phone (Trk)	0.00	
Internet Service	20.95	
Local Service (TDS)	204.54	
Long Distance(MCI)	0.00	
Telephone-Equip & Installation	0.00	
Total Communications	225.49	
Computer		
Equipment	0.00	
Total Computer	0.00	
Contributions	0.00	
Copier	0.00	
FAX Expense		
Outside FAX Charges	0.00	
FAX Expense - Other	68.78	
Total FAX Expense	68.78	
Office Supplies & Equipment	2.00	
Postage and Delivery	0.83	
Printing and Reproduction	0.00	
Total 621 Office Supplies & Expense	339.07	
635 Annual Sampling Fee	0.00	
640 Rent		
640 Rent/Tipton	325.00	
Office/Shop	506.78	
Total 640 Rent	831.78	
650 Transportation Expense		
Fuel	0.00	
fuel/chap 11	0.00	
Truck Servicing	0.00	
Total 650 Transportation Expense	0.00	
655 Insurance		
Automobile Insurance	0.00	
Liability Insurance	0.00	
Work Comp	0.00	
Total 655 Insurance	0.00	
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	
Total 665 Regulatory Commission Exp	0.00	
675 Miscellaneous		
Chapter 11 Qtrly fee	0.00	
Dues and Subscriptions	87.70	

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Keaton Development Company
Profit & Loss
 January through December 2003

	Feb 03
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	0.00
Meals	0.00
meals/chap 11	0.00
Travel	0.00
Total Travel & Ent	0.00
Total 675 Miscellaneous	87.70
Total 401 Operating Expenses	6,102.44
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	65.01
FUTA	8.39
Medicare	15.21
Penalties & Interest	0.00
SUI	4.54
Total Payroll Taxes	93.15
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	0.00
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	0.00
Total 408 Taxes other than Income	93.15
427 Interest Expense	
Finance Charge	531.37
Late Fee	35.00
Penalties & Interest	0.00
WIFA - Fee Payments	111.76
WIFA - Interest Expense	104.68
Total 427 Interest Expense	782.81
Uncategorized Expenses	0.00
Total Expense	6,978.40
Net Ordinary Income	4,907.78
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	0.00
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	4,907.78

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Keaton Development Company
Profit & Loss
 January through December 2003

Mar 03

Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	11,563.96
474 Other Water Revenues	
Construction	0.00
Late Fees	69.00
SEC Charges	210.00
Total 474 Other Water Revenues	279.00
Total 400 Operating Revenues	11,842.96
Uncategorized Income	0.00
Total Income	11,842.96
Gross Profit	
	11,842.96
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	509.57
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	0.00
Engineering	675.00
Total 631 Contractual - Professional	675.00
635 Contract - Testing	
Contractual - Testing	195.00
Total 635 Contract - Testing	195.00
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	0.00
Meter Reading	0.00
Operation and Maintenance	0.00
Outside Labor	0.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	0.00
Total 1099 accounts	870.00
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	2,244.75
601 Payroll Expenses - Other	16.88
Total 601 Payroll Expenses	2,428.07
603 Officer Salary	0.00
615 Utilities	
Electric	784.51
water	8.80
Total 615 Utilities	793.31
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	32.16
Equipment Repairs	0.00
Freight & Delivery	0.00
Job Materials	20.36
krc expense	0.00
Meter Repairs	0.00

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Keaton Development Company
Profit & Loss
 January through December 2003

	Mar 03	
Safety Equipment	0.00	
Supplies for the Wells	0.00	
Tools and Machinery	0.00	
Total 620 Materials & Supplies	52.52	
621 Office Supplies & Expense		
Administration	85.00	
Bank Service Charges		
Deposit Correction Fee	0.00	
New Checks	0.00	
NSF fee	0.00	
Return Item Fee	0.00	
Returned Customer Check	40.47	
Bank Service Charges - Other	0.00	
Total Bank Service Charges	40.47	
Cleaning Supplies	15.94	
Communications		
Cell Phone (Trk)	0.00	
Internet Service	9.95	
Local Service (TDS)	172.45	
Long Distance(MCI)	0.00	
Telephone-Equip & Installation	51.55	
Total Communications	233.95	
Computer		
Equipment	0.00	
Total Computer	0.00	
Contributions	34.00	
Copier	0.00	
FAX Expense		
Outside FAX Charges	0.00	
FAX Expense - Other	119.48	
Total FAX Expense	119.48	
Office Supplies & Equipment	21.80	
Postage and Delivery	148.00	
Printing and Reproduction	49.97	
Total 621 Office Supplies & Expense	748.61	
635 Annual Sampling Fee	0.00	
640 Rent		
640 Rent/Tipton	325.00	
Office/Shop	0.00	
Total 640 Rent	325.00	
650 Transportation Expense		
Fuel	103.00	
fuel/chap 11	0.00	
Truck Servicing	0.00	
Total 650 Transportation Expense	103.00	
655 Insurance		
Automobile Insurance	0.00	
Liability Insurance	0.00	
Work Comp	0.00	
Total 655 Insurance	0.00	
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	
Total 665 Regulatory Commission Exp	0.00	
675 Miscellaneous		
Chapter 11 Qtrly fee	0.00	
Dues and Subscriptions	0.00	

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Keaton Development Company
Profit & Loss
 January through December 2003

	Mar 03
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	0.00
Meals	0.00
meals/chap 11	0.00
Travel	0.00
Total Travel & Ent	0.00
Total 675 Miscellaneous	0.00
Total 401 Operating Expenses	5,830.08
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	140.22
FUTA	18.09
Medicare	32.79
Penalties & Interest	0.00
SUI	12.22
Total Payroll Taxes	203.32
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	0.01
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	0.01
Total 408 Taxes other than Income	203.33
427 Interest Expense	
Finance Charge	396.36
Late Fee	0.00
Penalties & Interest	0.00
WIFA - Fee Payments	111.39
WIFA - Interest Expense	104.34
Total 427 Interest Expense	612.09
Uncategorized Expenses	0.00
Total Expense	6,645.50
Net Ordinary Income	5,197.46
Other Income/Expense	
Other Income	
419 Interest Income	0.06
Total Other Income	0.06
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.06
Net Income	5,197.52

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Keaton Development Company
Profit & Loss
 January through December 2003

Apr 03

Ordinary Income/Expense		
Income		
400 Operating Revenues		
461.1 Water - Residential Cust.		11,779.73
474 Other Water Revenues		
Construction	0.00	
Late Fees	36.37	
SEC Charges	360.00	
Total 474 Other Water Revenues		<u>396.37</u>
Total 400 Operating Revenues		12,176.10
Uncategorized Income		0.00
Total Income		<u>12,176.10</u>
Gross Profit		12,176.10
Expense		
401 Operating Expenses		
1099 - 631 Legal Fees		15,638.80
1099 accounts		
631 Contractual - Professional		
Accounting	0.00	
Consulting	0.00	
Engineering	85.00	
Total 631 Contractual - Professional		<u>85.00</u>
635 Contract - Testing		
Contractual - Testing	235.00	
Total 635 Contract - Testing		<u>235.00</u>
636 Contractual - Other		
Auto - Rent	0.00	
Equipment Rental	0.00	
krc/electrical	0.00	
Meter Reading	0.00	
Operation and Maintenance	0.00	
Outside Labor	0.00	
636 Contractual - Other - Other	0.00	
Total 636 Contractual - Other		<u>0.00</u>
Total 1099 accounts		320.00
601 Payroll Expenses		
Advance	0.00	
Benefits	166.44	
Bonuses	0.00	
Gross Wages	3,417.75	
601 Payroll Expenses - Other	20.25	
Total 601 Payroll Expenses		<u>3,604.44</u>
603 Officer Salary		0.00
615 Utilities		
Electric	1,648.79	
water	8.80	
Total 615 Utilities		<u>1,657.59</u>
618 Chemicals		0.00
620 Materials & Supplies		
Booster Pump Repair	240.00	
Building Repairs	0.00	
Equipment Repairs	0.00	
Freight & Delivery	0.00	
Job Materials	0.00	
krc expense	0.00	
Meter Repairs	0.00	

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Keaton Development Company
Profit & Loss
 January through December 2003

	Apr 03
Safety Equipment	4.00
Supplies for the Wells	215.00
Tools and Machinery	0.00
Total 620 Materials & Supplies	459.00
621 Office Supplies & Expense	
Administration	0.00
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	119.83
NSF fee	0.00
Return Item Fee	3.25
Returned Customer Check	0.00
Bank Service Charges - Other	8.23
Total Bank Service Charges	131.31
Cleaning Supplies	0.00
Communications	
Cell Phone (Trk)	0.00
Internet Service	0.00
Local Service (TDS)	280.63
Long Distance(MCI)	0.00
Telephone-Equip & Installation	0.00
Total Communications	280.63
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	0.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	48.61
Total FAX Expense	48.61
Office Supplies & Equipment	0.00
Postage and Delivery	339.91
Printing and Reproduction	27.26
Total 621 Office Supplies & Expense	827.72
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton	650.00
Office/Shop	0.00
Total 640 Rent	650.00
650 Transportation Expense	
Fuel	0.00
fuel/chap 11	0.00
Truck Servicing	0.00
Total 650 Transportation Expense	0.00
655 Insurance	
Automobile Insurance	0.00
Liability Insurance	0.00
Work Comp	299.00
Total 655 Insurance	299.00
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	0.00
Dues and Subscriptions	3,145.00

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Keaton Development Company
Profit & Loss
January through December 2003

	Apr 03
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	0.00
Meals	0.00
meals/chap 11	0.00
Travel	0.00
Total Travel & Ent	0.00
Total 675 Miscellaneous	3,145.00
Total 401 Operating Expenses	26,601.55
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	213.16
FUTA	27.51
Medicare	49.85
Penalties & Interest	0.00
SUI	14.87
Total Payroll Taxes	305.39
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	0.00
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	0.00
Total 408 Taxes other than Income	305.39
427 Interest Expense	
Finance Charge	435.67
Late Fee	35.00
Penalties & Interest	0.00
WIFA - Fee Payments	111.03
WIFA - Interest Expense	103.99
Total 427 Interest Expense	685.69
Uncategorized Expenses	0.00
Total Expense	27,592.63
Net Ordinary Income	-15,416.53
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	0.00
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	-15,416.53

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Keaton Development Company
Profit & Loss
January through December 2003

May 03

Ordinary Income/Expense
Income

400 Operating Revenues	
461.1 Water - Residential Cust.	11,197.17
474 Other Water Revenues	
Construction	10.00
Late Fees	51.55
SEC Charges	150.00
Total 474 Other Water Revenues	211.55
Total 400 Operating Revenues	11,408.72
Uncategorized Income	0.00
Total Income	11,408.72

Gross Profit 11,408.72

Expense

401 Operating Expenses	
1099 - 631 Legal Fees	346.21
1099 accounts	
631 Contractual - Professional	
Accounting	385.00
Consulting	0.00
Engineering	0.00
Total 631 Contractual - Professional	385.00
635 Contract - Testing	
Contractual - Testing	0.00
Total 635 Contract - Testing	0.00
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	0.00
Meter Reading	0.00
Operation and Maintenance	0.00
Outside Labor	0.00
636 Contractual - Other - Other	60.00
Total 636 Contractual - Other	60.00
Total 1099 accounts	445.00
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	2,384.63
601 Payroll Expenses - Other	18.56
Total 601 Payroll Expenses	2,569.63
603 Officer Salary	3,500.00
615 Utilities	
Electric	1,008.83
water	10.34
Total 615 Utilities	1,019.17
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	0.00
Equipment Repairs	453.51
Freight & Delivery	470.00
Job Materials	42.19
krc expense	0.00
Meter Repairs	12.41

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Keaton Development Company
Profit & Loss
 January through December 2003

	May 03	
Safety Equipment	99.44	
Supplies for the Wells	0.00	
Tools and Machinery	50.00	
Total 620 Materials & Supplies	1,127.55	
621 Office Supplies & Expense		
Administration	0.00	
Bank Service Charges		
Deposit Correction Fee	0.00	
New Checks	0.00	
NSF fee	0.00	
Return Item Fee	0.00	
Returned Customer Check	0.00	
Bank Service Charges - Other	8.72	
Total Bank Service Charges	8.72	
Cleaning Supplies	18.54	
Communications		
Cell Phone (Trk)	99.54	
Internet Service	0.00	
Local Service (TDS)	301.22	
Long Distance(MCI)	1.54	
Telephone-Equip & Installation	0.00	
Total Communications	402.30	
Computer		
Equipment	78.89	
Total Computer	78.89	
Contributions	5.00	
Copier	0.00	
FAX Expense		
Outside FAX Charges	0.00	
FAX Expense - Other	52.53	
Total FAX Expense	52.53	
Office Supplies & Equipment	15.43	
Postage and Delivery	148.00	
Printing and Reproduction	8.59	
Total 621 Office Supplies & Expense	738.00	
635 Annual Sampling Fee	0.00	
640 Rent		
640 Rent/Tipton	0.00	
Office/Shop	0.00	
Total 640 Rent	0.00	
650 Transportation Expense		
Fuel	107.00	
fuel/chap 11	0.00	
Truck Servicing	64.00	
Total 650 Transportation Expense	171.00	
655 Insurance		
Automobile Insurance	0.00	
Liability Insurance	0.00	
Work Comp	0.00	
Total 655 Insurance	0.00	
665 Regulatory Commission Exp		
Annual Report Filing Fee	0.00	
Total 665 Regulatory Commission Exp	0.00	
675 Miscellaneous		
Chapter 11 Qtrly fee	0.00	
Dues and Subscriptions	0.00	

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Keaton Development Company
Profit & Loss
 January through December 2003

	<u>May 03</u>	
Licenses and Permits	0.00	
Recording fees	0.00	
Travel & Ent		
Lodging	67.24	
Meals	42.63	
meals/chap 11	0.00	
Travel	490.66	
<u>Total Travel & Ent</u>	<u>600.53</u>	
Total 675 Miscellaneous	600.53	
Total 401 Operating Expenses		10,517.09
403 Depreciation Expense		0.00
408 Taxes other than Income		
Payroll Taxes		
FICA	365.99	
FUTA	47.22	
Medicare	85.60	
Penalties & Interest	0.00	
SUI	31.87	
<u>Total Payroll Taxes</u>	<u>530.68</u>	
Property		
Penalty & Interest	0.00	
Property - Other	0.00	
<u>Total Property</u>		<u>0.00</u>
Sales Tax		
Accounting Credit	0.00	
Penalties & Interest	40.58	
Sales Tax - Other	0.00	
<u>Total Sales Tax</u>	<u>40.58</u>	
Total 408 Taxes other than Income		571.26
427 Interest Expense		
Finance Charge	479.54	
Late Fee	35.00	
Penalties & Interest	0.00	
WIFA - Fee Payments	220.94	
WIFA - Interest Expense	206.95	
<u>Total 427 Interest Expense</u>	<u>942.43</u>	
Uncategorized Expenses		0.00
Total Expense		12,030.78
Net Ordinary Income		-622.06
Other Income/Expense		
Other Income		
419 Interest Income		0.00
<u>Total Other Income</u>		<u>0.00</u>
Other Expense		
426 Other Expenses		0.00
<u>Total Other Expense</u>		<u>0.00</u>
Net Other Income		0.00
Net Income		-622.06

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Keaton Development Company
Profit & Loss
 January through December 2003

	<u>Jun 03</u>
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	15,715.55
474 Other Water Revenues	
Construction	0.00
Late Fees	85.11
SEC Charges	150.00
Total 474 Other Water Revenues	<u>235.11</u>
Total 400 Operating Revenues	15,950.66
Uncategorized Income	0.00
Total Income	<u>15,950.66</u>
Gross Profit	15,950.66
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	309.16
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	2,200.00
Engineering	0.00
Total 631 Contractual - Professional	<u>2,200.00</u>
635 Contract - Testing	
Contractual - Testing	540.00
Total 635 Contract - Testing	<u>540.00</u>
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	110.00
Meter Reading	0.00
Operation and Maintenance	295.00
Outside Labor	0.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	<u>405.00</u>
Total 1099 accounts	3,145.00
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	1,569.26
601 Payroll Expenses - Other	11.81
Total 601 Payroll Expenses	<u>1,747.51</u>
603 Officer Salary	2,000.00
615 Utilities	
Electric	78.21
water	8.80
Total 615 Utilities	<u>87.01</u>
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	840.50
Equipment Repairs	0.00
Freight & Delivery	0.00
Job Materials	3.65
krc expense	0.00
Meter Repairs	10.00

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Jun 03
Safety Equipment	0.00
Supplies for the Wells	135.00
Tools and Machinery	0.00
Total 620 Materials & Supplies	989.15
621 Office Supplies & Expense	
Administration	87.75
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	0.00
NSF fee	0.00
Return Item Fee	0.00
Returned Customer Check	0.00
Bank Service Charges - Other	9.17
Total Bank Service Charges	9.17
Cleaning Supplies	0.00
Communications	
Cell Phone (Trk)	134.63
Internet Service	0.00
Local Service (TDS)	92.45
Long Distance(MCI)	10.99
Telephone-Equip & Installation	0.00
Total Communications	238.07
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	0.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	40.32
Total FAX Expense	40.32
Office Supplies & Equipment	-334.73
Postage and Delivery	58.55
Printing and Reproduction	7.90
Total 621 Office Supplies & Expense	107.03
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton	0.00
Office/Shop	0.00
Total 640 Rent	0.00
650 Transportation Expense	
Fuel	52.25
fuel/chap 11	0.00
Truck Servicing	0.00
Total 650 Transportation Expense	52.25
655 Insurance	
Automobile Insurance	477.00
Liability Insurance	0.00
Work Comp	658.00
Total 655 Insurance	1,135.00
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	0.00
Dues and Subscriptions	0.00

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Keaton Development Company
Profit & Loss
January through December 2003

	Jun 03
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	0.00
Meals	19.21
meals/chap 11	0.00
Travel	0.00
Total Travel & Ent	19.21
Total 675 Miscellaneous	19.21
Total 401 Operating Expenses	9,591.32
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	222.03
FUTA	15.45
Medicare	51.92
Penalties & Interest	274.24
SUI	10.43
Total Payroll Taxes	574.07
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	0.00
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	0.00
Total 408 Taxes other than Income	574.07
427 Interest Expense	
Finance Charge	453.88
Late Fee	35.00
Penalties & Interest	35.00
WIFA - Fee Payments	0.00
WIFA - Interest Expense	0.00
Total 427 Interest Expense	523.88
Uncategorized Expenses	0.00
Total Expense	10,689.27
Net Ordinary Income	5,261.39
Other Income/Expense	
Other Income	
419 Interest Income	0.49
Total Other Income	0.49
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.49
Net Income	5,261.88

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Keaton Development Company
Profit & Loss
 January through December 2003

	Jul 03
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	13,892.54
474 Other Water Revenues	
Construction	263.25
Late Fees	81.05
SEC Charges	90.00
Total 474 Other Water Revenues	<u>434.30</u>
Total 400 Operating Revenues	14,326.84
Uncategorized Income	0.00
Total Income	<u>14,326.84</u>
Gross Profit	14,326.84
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	166.34
1099 accounts	
631 Contractual - Professional	
Accounting	160.00
Consulting	0.00
Engineering	58.45
Total 631 Contractual - Professional	<u>218.45</u>
635 Contract - Testing	
Contractual - Testing	195.00
Total 635 Contract - Testing	<u>195.00</u>
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	110.00
Meter Reading	0.00
Operation and Maintenance	110.00
Outside Labor	0.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	<u>220.00</u>
Total 1099 accounts	633.45
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	1,806.39
601 Payroll Expenses - Other	462.01
Total 601 Payroll Expenses	<u>2,434.84</u>
603 Officer Salary	2,000.00
615 Utilities	
Electric	2,333.61
water	0.00
Total 615 Utilities	<u>2,333.61</u>
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	0.00
Equipment Repairs	407.00
Freight & Delivery	0.00
Job Materials	49.49
krc expense	0.00
Meter Repairs	0.00

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Keaton Development Company
Profit & Loss
 January through December 2003

	Jul 03
Safety Equipment	9.68
Supplies for the Wells	290.00
Tools and Machinery	0.00
Total 620 Materials & Supplies	756.17
621 Office Supplies & Expense	
Administration	35.00
Bank Service Charges	
Deposit Correction Fee	50.23
New Checks	140.93
NSF fee	0.00
Return Item Fee	0.00
Returned Customer Check	0.00
Bank Service Charges - Other	24.84
Total Bank Service Charges	216.00
Cleaning Supplies	0.00
Communications	
Cell Phone (Trk)	551.89
Internet Service	0.00
Local Service (TDS)	99.24
Long Distance(MCI)	11.15
Telephone-Equip & Installation	0.00
Total Communications	662.28
Computer Equipment	0.00
Total Computer	0.00
Contributions	0.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	40.57
Total FAX Expense	40.57
Office Supplies & Equipment	44.73
Postage and Delivery	180.40
Printing and Reproduction	0.00
Total 621 Office Supplies & Expense	1,178.98
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton Office/Shop	325.00
	0.00
Total 640 Rent	325.00
650 Transportation Expense	
Fuel	137.57
fuel/chap 11	0.00
Truck Servicing	54.81
Total 650 Transportation Expense	192.38
655 Insurance	
Automobile Insurance	0.00
Liability Insurance	5,000.00
Work Comp	0.00
Total 655 Insurance	5,000.00
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	250.00
Dues and Subscriptions	0.00

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Keaton Development Company
Profit & Loss
 January through December 2003

	Jul 03
Licenses and Permits	5.00
Recording fees	10.00
Travel & Ent	
Lodging	0.00
Meals	15.90
meals/chap 11	0.00
Travel	84.00
Total Travel & Ent	99.90
Total 675 Miscellaneous	364.90
Total 401 Operating Expenses	15,385.67
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	264.65
FUTA	4.07
Medicare	61.90
Penalties & Interest	0.00
SUI	2.75
Total Payroll Taxes	333.37
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	0.00
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	0.00
Total 408 Taxes other than Income	333.37
427 Interest Expense	
Finance Charge	0.00
Late Fee	0.00
Penalties & Interest	0.00
WIFA - Fee Payments	109.91
WIFA - Interest Expense	102.95
Total 427 Interest Expense	212.86
Uncategorized Expenses	0.00
Total Expense	15,931.90
Net Ordinary Income	-1,605.06
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	0.00
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	-1,605.06

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Keaton Development Company
Profit & Loss
 January through December 2003

	Aug 03
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	14,258.55
474 Other Water Revenues	
Construction	34.33
Late Fees	86.21
SEC Charges	120.00
Total 474 Other Water Revenues	240.54
Total 400 Operating Revenues	14,499.09
Uncategorized Income	0.00
Total Income	14,499.09
Gross Profit	14,499.09
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	58.10
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	0.00
Engineering	0.00
Total 631 Contractual - Professional	0.00
635 Contract - Testing	
Contractual - Testing	195.00
Total 635 Contract - Testing	195.00
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	0.00
Meter Reading	0.00
Operation and Maintenance	95.00
Outside Labor	100.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	195.00
Total 1099 accounts	390.00
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	1,592.88
601 Payroll Expenses - Other	114.06
Total 601 Payroll Expenses	1,873.38
603 Officer Salary	2,750.00
615 Utilities	
Electric	945.19
water	0.00
Total 615 Utilities	945.19
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	3.80
Building Repairs	54.74
Equipment Repairs	69.40
Freight & Delivery	6.63
Job Materials	126.30
krc expense	0.00
Meter Repairs	0.00

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Keaton Development Company
Profit & Loss
 January through December 2003

	Aug 03
Safety Equipment	32.33
Supplies for the Wells	0.00
Tools and Machinery	16.67
Total 620 Materials & Supplies	309.87
621 Office Supplies & Expense	
Administration	7.34
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	53.20
NSF fee	25.00
Return Item Fee	0.00
Returned Customer Check	0.00
Bank Service Charges - Other	126.12
Total Bank Service Charges	204.32
Cleaning Supplies	0.00
Communications	
Cell Phone (Trk)	293.90
Internet Service	0.00
Local Service (TDS)	95.79
Long Distance(MCI)	45.02
Telephone-Equip & Installation	0.00
Total Communications	434.71
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	20.00
Copier	300.73
FAX Expense	
Outside FAX Charges	2.00
FAX Expense - Other	40.46
Total FAX Expense	42.46
Office Supplies & Equipment	623.99
Postage and Delivery	155.70
Printing and Reproduction	24.00
Total 621 Office Supplies & Expense	1,813.25
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton	325.00
Office/Shop	0.00
Total 640 Rent	325.00
650 Transportation Expense	
Fuel	272.97
fuel/chap 11	12.44
Truck Servicing	465.38
Total 650 Transportation Expense	750.79
655 Insurance	
Automobile Insurance	674.45
Liability Insurance	0.00
Work Comp	0.00
Total 655 Insurance	674.45
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	0.00
Dues and Subscriptions	0.00

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Keaton Development Company
Profit & Loss
January through December 2003

	Aug 03
Licenses and Permits	10.00
Recording fees	0.00
Travel & Ent	
Lodging	36.08
Meals	30.80
meals/chap 11	10.68
Travel	0.00
Total Travel & Ent	77.56
Total 675 Miscellaneous	87.56
Total 401 Operating Expenses	9,977.59
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	276.32
FUTA	8.62
Medicare	64.63
Penalties & Interest	0.00
SUI	5.83
Total Payroll Taxes	355.40
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	-7.84
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	-7.84
Total 408 Taxes other than Income	347.56
427 Interest Expense	
Finance Charge	0.00
Late Fee	0.00
Penalties & Interest	0.00
WIFA - Fee Payments	109.54
WIFA - Interest Expense	102.60
Total 427 Interest Expense	212.14
Uncategorized Expenses	0.00
Total Expense	10,537.29
Net Ordinary Income	3,961.80
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	0.00
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	3,961.80

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Keaton Development Company
Profit & Loss
 January through December 2003

Sep 03

Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	12,054.42
474 Other Water Revenues	
Construction	46.33
Late Fees	42.65
SEC Charges	120.00
Total 474 Other Water Revenues	208.98
Total 400 Operating Revenues	12,263.40
Uncategorized Income	0.00
Total Income	12,263.40
Gross Profit	12,263.40
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	71.11
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	0.00
Engineering	0.00
Total 631 Contractual - Professional	0.00
635 Contract - Testing	
Contractual - Testing	195.00
Total 635 Contract - Testing	195.00
636 Contractual - Other	
Auto - Rent	369.87
Equipment Rental	0.00
krc/electrical	577.50
Meter Reading	0.00
Operation and Maintenance	0.00
Outside Labor	0.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	947.37
Total 1099 accounts	1,142.37
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	1,594.38
601 Payroll Expenses - Other	89.25
Total 601 Payroll Expenses	1,850.07
603 Officer Salary	1,000.00
615 Utilities	
Electric	1,006.62
water	26.40
Total 615 Utilities	1,033.02
618 Chemicals	156.92
620 Materials & Supplies	
Booster Pump Repair	32.84
Building Repairs	0.00
Equipment Repairs	185.82
Freight & Delivery	0.00
Job Materials	90.59
krc expense	45.04
Meter Repairs	16.78

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Keaton Development Company
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	Sep 03
Safety Equipment	11.29
Supplies for the Wells	0.00
Tools and Machinery	58.24
Total 620 Materials & Supplies	440.60
621 Office Supplies & Expense	
Administration	12.00
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	0.00
NSF fee	0.00
Return Item Fee	0.00
Returned Customer Check	0.00
Bank Service Charges - Other	8.04
Total Bank Service Charges	8.04
Cleaning Supplies	3.29
Communications	
Cell Phone (Trk)	0.00
Internet Service	0.00
Local Service (TDS)	96.24
Long Distance(MCI)	38.72
Telephone-Equip & Installation	0.00
Total Communications	134.96
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	0.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	40.46
Total FAX Expense	40.46
Office Supplies & Equipment	0.00
Postage and Delivery	15.97
Printing and Reproduction	0.00
Total 621 Office Supplies & Expense	214.72
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton	325.00
Office/Shop	0.00
Total 640 Rent	325.00
650 Transportation Expense	
Fuel	288.59
fuel/chap 11	0.00
Truck Servicing	0.00
Total 650 Transportation Expense	288.59
655 Insurance	
Automobile Insurance	0.00
Liability Insurance	0.00
Work Comp	0.00
Total 655 Insurance	0.00
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	0.00
Dues and Subscriptions	5.00

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Keaton Development Company
Profit & Loss
 January through December 2003

	<u>Sep 03</u>
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	35.57
Meals	190.81
meals/chap 11	82.97
Travel	0.00
Total Travel & Ent	<u>309.35</u>
Total 675 Miscellaneous	<u>314.35</u>
Total 401 Operating Expenses	6,836.75
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	147.44
FUTA	1.35
Medicare	34.49
Penalties & Interest	36.07
SUI	7.08
Total Payroll Taxes	<u>226.43</u>
Property	
Penalty & Interest	0.00
Property - Other	8,873.54
Total Property	<u>8,873.54</u>
Sales Tax	
Accounting Credit	-7.98
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	<u>-7.98</u>
Total 408 Taxes other than Income	9,091.99
427 Interest Expense	
Finance Charge	0.00
Late Fee	0.00
Penalties & Interest	0.00
WIFA - Fee Payments	109.16
WIFA - Interest Expense	102.24
Total 427 Interest Expense	<u>211.40</u>
Uncategorized Expenses	<u>0.00</u>
Total Expense	<u>16,140.14</u>
Net Ordinary Income	-3,876.74
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	<u>0.00</u>
Other Expense	
426 Other Expenses	0.00
Total Other Expense	<u>0.00</u>
Net Other Income	<u>0.00</u>
Net Income	<u><u>-3,876.74</u></u>

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Keaton Development Company
Profit & Loss
 January through December 2003

	Oct 03
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	11,554.55
474 Other Water Revenues	
Construction	20.00
Late Fees	114.96
SEC Charges	180.00
Total 474 Other Water Revenues	314.96
Total 400 Operating Revenues	11,869.51
Uncategorized Income	26.00
Total Income	11,895.51
Gross Profit	11,895.51
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	0.00
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	0.00
Engineering	0.00
Total 631 Contractual - Professional	0.00
635 Contract - Testing	
Contractual - Testing	195.00
Total 635 Contract - Testing	195.00
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	26.00
Meter Reading	0.00
Operation and Maintenance	301.50
Outside Labor	605.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	932.50
Total 1099 accounts	1,127.50
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	2,078.38
601 Payroll Expenses - Other	15.76
Total 601 Payroll Expenses	2,260.58
603 Officer Salary	3,750.00
615 Utilities	
Electric	816.05
water	8.80
Total 615 Utilities	824.85
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	0.00
Equipment Repairs	38.88
Freight & Delivery	0.00
Job Materials	28.65
krc expense	169.01
Meter Repairs	0.00

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Keaton Development Company
Profit & Loss
 January through December 2003

	Oct 03
Safety Equipment	5.92
Supplies for the Wells	0.00
Tools and Machinery	28.28
Total 620 Materials & Supplies	270.74
621 Office Supplies & Expense	
Administration	2.50
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	0.00
NSF fee	50.00
Return Item Fee	3.25
Returned Customer Check	57.11
Bank Service Charges - Other	8.52
Total Bank Service Charges	118.88
Cleaning Supplies	41.62
Communications	
Cell Phone (Trk)	515.98
Internet Service	0.00
Local Service (TDS)	94.84
Long Distance(MCI)	27.09
Telephone-Equip & Installation	0.00
Total Communications	637.91
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	60.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	40.42
Total FAX Expense	40.42
Office Supplies & Equipment	110.03
Postage and Delivery	324.40
Printing and Reproduction	4.63
Total 621 Office Supplies & Expense	1,340.39
635 Annual Sampling Fee	1,088.35
640 Rent	
640 Rent/Tipton	325.00
Office/Shop	0.00
Total 640 Rent	325.00
650 Transportation Expense	
Fuel	202.49
fuel/chap 11	0.00
Truck Servicing	0.00
Total 650 Transportation Expense	202.49
655 Insurance	
Automobile Insurance	0.00
Liability Insurance	0.00
Work Comp	0.00
Total 655 Insurance	0.00
665 Regulatory Commission Exp	
Annual Report Filing Fee	45.00
Total 665 Regulatory Commission Exp	45.00
675 Miscellaneous	
Chapter 11 Qtrly fee	500.00
Dues and Subscriptions	0.00

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Keaton Development Company
Profit & Loss
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	Oct 03
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	0.00
Meals	40.30
meals/chap 11	0.00
Travel	0.00
Total Travel & Ent	40.30
Total 675 Miscellaneous	540.30
Total 401 Operating Expenses	11,775.20
403 Depreciation Expense	0.00
408 Taxes other than Income	
Payroll Taxes	
FICA	355.29
FUTA	9.26
Medicare	83.09
Penalties & Interest	20.04
SUI	6.87
Total Payroll Taxes	474.55
Property	
Penalty & Interest	0.00
Property - Other	0.00
Total Property	0.00
Sales Tax	
Accounting Credit	0.00
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	0.00
Total 408 Taxes other than Income	474.55
427 Interest Expense	
Finance Charge	0.00
Late Fee	0.00
Penalties & Interest	0.00
WIFA - Fee Payments	108.78
WIFA - Interest Expense	101.89
Total 427 Interest Expense	210.67
Uncategorized Expenses	0.00
Total Expense	12,460.42
Net Ordinary Income	-564.91
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	0.00
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	-564.91

Keaton Development Company
Profit & Loss
 January through December 2003

	Nov 03
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	12,201.57
474 Other Water Revenues	
Construction	0.00
Late Fees	294.26
SEC Charges	240.00
Total 474 Other Water Revenues	534.26
Total 400 Operating Revenues	12,735.83
Uncategorized Income	0.00
Total Income	12,735.83
Gross Profit	12,735.83
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	110.00
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	0.00
Engineering	0.00
Total 631 Contractual - Professional	0.00
635 Contract - Testing	
Contractual - Testing	195.00
Total 635 Contract - Testing	195.00
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	0.00
krc/electrical	65.00
Meter Reading	0.00
Operation and Maintenance	41.00
Outside Labor	500.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	606.00
Total 1099 accounts	801.00
601 Payroll Expenses	
Advance	0.00
Benefits	166.44
Bonuses	0.00
Gross Wages	911.75
601 Payroll Expenses - Other	47.88
Total 601 Payroll Expenses	1,126.07
603 Officer Salary	0.00
615 Utilities	
Electric	0.00
water	8.80
Total 615 Utilities	8.80
618 Chemicals	295.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	0.00
Equipment Repairs	226.69
Freight & Delivery	595.39
Job Materials	78.72
krc expense	21.02
Meter Repairs	0.00

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Nov 03
Safety Equipment	10.18
Supplies for the Wells	0.00
Tools and Machinery	45.71
Total 620 Materials & Supplies	977.71
621 Office Supplies & Expense	
Administration	39.75
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	0.00
NSF fee	0.00
Return Item Fee	3.25
Returned Customer Check	19.38
Bank Service Charges - Other	36.30
Total Bank Service Charges	58.93
Cleaning Supplies	0.00
Communications	
Cell Phone (Trk)	123.79
Internet Service	0.00
Local Service (TDS)	94.84
Long Distance(MCI)	14.77
Telephone-Equip & Installation	0.00
Total Communications	233.40
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	35.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	40.42
Total FAX Expense	40.42
Office Supplies & Equipment	39.68
Postage and Delivery	166.51
Printing and Reproduction	0.00
Total 621 Office Supplies & Expense	613.69
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton	325.00
Office/Shop	0.00
Total 640 Rent	325.00
650 Transportation Expense	
Fuel	239.49
fuel/chap 11	0.00
Truck Servicing	34.89
Total 650 Transportation Expense	274.38
655 Insurance	
Automobile Insurance	1,207.29
Liability Insurance	0.00
Work Comp	0.00
Total 655 Insurance	1,207.29
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	0.00
Dues and Subscriptions	0.00

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Nov 03	
Licenses and Permits	0.00	
Recording fees	0.00	
Travel & Ent		
Lodging	0.00	
Meals	45.37	
meals/chap 11	0.00	
Travel	0.00	
Total Travel & Ent	<u>45.37</u>	
Total 675 Miscellaneous	<u>45.37</u>	
Total 401 Operating Expenses		5,784.31
403 Depreciation Expense		0.00
408 Taxes other than Income		
Payroll Taxes		
FICA	59.50	
FUTA	1.99	
Medicare	13.90	
Penalties & Interest	0.00	
SUI	1.33	
Total Payroll Taxes	<u>76.72</u>	
Property		
Penalty & Interest	0.00	
Property - Other	0.00	
Total Property	<u>0.00</u>	
Sales Tax		
Accounting Credit	0.00	
Penalties & Interest	0.00	
Sales Tax - Other	0.00	
Total Sales Tax	<u>0.00</u>	
Total 408 Taxes other than Income		76.72
427 Interest Expense		
Finance Charge	0.00	
Late Fee	0.40	
Penalties & Interest	0.00	
WIFA - Fee Payments	108.40	
WIFA - Interest Expense	101.53	
Total 427 Interest Expense	<u>210.33</u>	
Uncategorized Expenses		0.00
Total Expense		<u>6,071.36</u>
Net Ordinary Income		6,664.47
Other Income/Expense		
Other Income		
419 Interest Income		0.00
Total Other Income		<u>0.00</u>
Other Expense		
426 Other Expenses		229.65
Total Other Expense		<u>229.65</u>
Net Other Income		-229.65
Net Income		<u><u>6,434.82</u></u>

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Dec 03
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	10,444.76
474 Other Water Revenues	
Construction	100.38
Late Fees	29.19
SEC Charges	150.00
Total 474 Other Water Revenues	279.57
Total 400 Operating Revenues	10,724.33
Uncategorized Income	0.00
Total Income	10,724.33
Gross Profit	10,724.33
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	0.00
1099 accounts	
631 Contractual - Professional	
Accounting	0.00
Consulting	1,615.00
Engineering	0.00
Total 631 Contractual - Professional	1,615.00
635 Contract - Testing	
Contractual - Testing	0.00
Total 635 Contract - Testing	0.00
636 Contractual - Other	
Auto - Rent	0.00
Equipment Rental	2,608.31
krc/electrical	0.00
Meter Reading	0.00
Operation and Maintenance	0.00
Outside Labor	0.00
636 Contractual - Other - Other	0.00
Total 636 Contractual - Other	2,608.31
Total 1099 accounts	4,223.31
601 Payroll Expenses	
Advance	-1,333.01
Benefits	338.02
Bonuses	125.00
Gross Wages	2,336.88
601 Payroll Expenses - Other	8.38
Total 601 Payroll Expenses	1,475.27
603 Officer Salary	1,666.67
615 Utilities	
Electric	840.89
water	8.97
Total 615 Utilities	849.86
618 Chemicals	0.00
620 Materials & Supplies	
Booster Pump Repair	0.00
Building Repairs	0.00
Equipment Repairs	0.00
Freight & Delivery	0.00
Job Materials	1,366.16
krc expense	0.00
Meter Repairs	0.00

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Dec 03
Safety Equipment	0.00
Supplies for the Wells	0.00
Tools and Machinery	0.00
Total 620 Materials & Supplies	1,366.16
621 Office Supplies & Expense	
Administration	0.00
Bank Service Charges	
Deposit Correction Fee	0.00
New Checks	0.00
NSF fee	0.00
Return Item Fee	0.00
Returned Customer Check	0.00
Bank Service Charges - Other	90.90
Total Bank Service Charges	90.90
Cleaning Supplies	0.00
Communications	
Cell Phone (Trk)	414.89
Internet Service	0.00
Local Service (TDS)	96.18
Long Distance(MCI)	34.20
Telephone-Equip & Installation	0.00
Total Communications	545.27
Computer	
Equipment	0.00
Total Computer	0.00
Contributions	0.00
Copier	0.00
FAX Expense	
Outside FAX Charges	0.00
FAX Expense - Other	40.42
Total FAX Expense	40.42
Office Supplies & Equipment	0.00
Postage and Delivery	476.69
Printing and Reproduction	0.00
Total 621 Office Supplies & Expense	1,153.28
635 Annual Sampling Fee	0.00
640 Rent	
640 Rent/Tipton	325.00
Office/Shop	0.00
Total 640 Rent	325.00
650 Transportation Expense	
Fuel	20.00
fuel/chap 11	0.00
Truck Servicing	0.00
Total 650 Transportation Expense	20.00
655 Insurance	
Automobile Insurance	0.00
Liability Insurance	0.00
Work Comp	0.00
Total 655 Insurance	0.00
665 Regulatory Commission Exp	
Annual Report Filing Fee	0.00
Total 665 Regulatory Commission Exp	0.00
675 Miscellaneous	
Chapter 11 Qtrly fee	0.00
Dues and Subscriptions	65.00

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	Dec 03
Licenses and Permits	0.00
Recording fees	0.00
Travel & Ent	
Lodging	0.00
Meals	0.00
meals/chap 11	0.00
Travel	0.00
Total Travel & Ent	0.00
Total 675 Miscellaneous	65.00
Total 401 Operating Expenses	11,144.55
403 Depreciation Expense	23,596.85
408 Taxes other than Income	
Payroll Taxes	
FICA	248.71
FUTA	18.64
Medicare	58.16
Penalties & Interest	0.00
SUI	8.99
Total Payroll Taxes	334.50
Property	
Penalty & Interest	1,320.00
Property - Other	0.00
Total Property	1,320.00
Sales Tax	
Accounting Credit	0.00
Penalties & Interest	0.00
Sales Tax - Other	0.00
Total Sales Tax	0.00
Total 408 Taxes other than Income	1,654.50
427 Interest Expense	
Finance Charge	0.00
Late Fee	0.00
Penalties & Interest	0.00
WIFA - Fee Payments	108.02
WIFA - Interest Expense	101.17
Total 427 Interest Expense	209.19
Uncategorized Expenses	0.00
Total Expense	36,605.09
Net Ordinary Income	-25,880.76
Other Income/Expense	
Other Income	
419 Interest Income	0.00
Total Other Income	0.00
Other Expense	
426 Other Expenses	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	-25,880.76

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	TOTAL
Ordinary Income/Expense	
Income	
400 Operating Revenues	
461.1 Water - Residential Cust.	147,944.21
474 Other Water Revenues	
Construction	474.29
Late Fees	1,011.48
SEC Charges	2,070.00
Total 474 Other Water Revenues	3,555.77
Total 400 Operating Revenues	151,499.98
Uncategorized Income	26.00
Total Income	151,525.98
Gross Profit	151,525.98
Expense	
401 Operating Expenses	
1099 - 631 Legal Fees	17,575.37
1099 accounts	
631 Contractual - Professional	
Accounting	1,345.00
Consulting	3,815.00
Engineering	818.45
Total 631 Contractual - Professional	5,978.45
635 Contract - Testing	
Contractual - Testing	2,195.00
Total 635 Contract - Testing	2,195.00
636 Contractual - Other	
Auto - Rent	769.87
Equipment Rental	2,608.31
krc/electrical	888.50
Meter Reading	355.17
Operation and Maintenance	937.50
Outside Labor	1,205.00
636 Contractual - Other - Other	60.00
Total 636 Contractual - Other	6,824.35
Total 1099 accounts	14,997.80
601 Payroll Expenses	
Advance	0.00
Benefits	2,168.86
Bonuses	125.00
Gross Wages	22,270.30
601 Payroll Expenses - Other	821.72
Total 601 Payroll Expenses	25,385.88
603 Officer Salary	18,333.34
615 Utilities	
Electric	11,015.62
water	98.51
Total 615 Utilities	11,114.13
618 Chemicals	451.92
620 Materials & Supplies	
Booster Pump Repair	276.64
Building Repairs	927.40
Equipment Repairs	1,381.30
Freight & Delivery	1,072.02
Job Materials	1,806.11
krc expense	235.07
Meter Repairs	39.19

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Accrual Basis

Keaton Development Company
Profit & Loss
January through December 2003

	<u>TOTAL</u>
Safety Equipment	172.84
Supplies for the Wells	640.00
Tools and Machinery	198.90
Total 620 Materials & Supplies	6,749.47
621 Office Supplies & Expense	
Administration	269.34
Bank Service Charges	
Deposit Correction Fee	50.23
New Checks	313.96
NSF fee	75.00
Return Item Fee	9.75
Returned Customer Check	202.22
Bank Service Charges - Other	320.84
Total Bank Service Charges	972.00
Cleaning Supplies	79.39
Communications	
Cell Phone (Trk)	2,134.62
Internet Service	30.90
Local Service (TDS)	1,843.11
Long Distance(MCI)	183.48
Telephone-Equip & Installation	51.55
Total Communications	4,243.66
Computer	
Equipment	78.89
Total Computer	78.89
Contributions	154.00
Copier	300.73
FAX Expense	
Outside FAX Charges	2.00
FAX Expense - Other	572.47
Total FAX Expense	574.47
Office Supplies & Equipment	721.54
Postage and Delivery	2,313.36
Printing and Reproduction	122.35
Total 621 Office Supplies & Expense	9,829.73
635 Annual Sampling Fee	1,088.35
640 Rent	
640 Rent/Tipton	3,838.00
Office/Shop	506.78
Total 640 Rent	4,344.78
650 Transportation Expense	
Fuel	1,423.36
fuel/chap 11	12.44
Truck Servicing	619.08
Total 650 Transportation Expense	2,054.88
655 Insurance	
Automobile Insurance	2,358.74
Liability Insurance	5,000.00
Work Comp	957.00
Total 655 Insurance	8,315.74
665 Regulatory Commission Exp	
Annual Report Filing Fee	45.00
Total 665 Regulatory Commission Exp	45.00
675 Miscellaneous	
Chapter 11 Qtrly fee	750.00
Dues and Subscriptions	3,302.70

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 Accrual Basis

Keaton Development Company
Profit & Loss
 January through December 2003

	TOTAL
Licenses and Permits	15.00
Recording fees	10.00
Travel & Ent	
Lodging	138.89
Meals	385.02
meals/chap 11	93.65
Travel	574.66
Total Travel & Ent	1,192.22
Total 675 Miscellaneous	5,269.92
Total 401 Operating Expenses	125,556.31
403 Depreciation Expense	23,596.85
408 Taxes other than Income	
Payroll Taxes	
FICA	2,542.35
FUTA	184.33
Medicare	594.58
Penalties & Interest	330.35
SUI	127.51
Total Payroll Taxes	3,779.12
Property	
Penalty & Interest	1,320.00
Property - Other	8,873.54
Total Property	10,193.54
Sales Tax	
Accounting Credit	-22.28
Penalties & Interest	40.58
Sales Tax - Other	0.00
Total Sales Tax	18.30
Total 408 Taxes other than Income	13,990.96
427 Interest Expense	
Finance Charge	2,733.57
Late Fee	140.40
Penalties & Interest	35.00
WIFA - Fee Payments	1,313.95
WIFA - Interest Expense	1,244.47
Total 427 Interest Expense	5,467.39
Uncategorized Expenses	0.00
Total Expense	168,611.51
Net Ordinary Income	-17,085.53
Other Income/Expense	
Other Income	
419 Interest Income	0.55
Total Other Income	0.55
Other Expense	
426 Other Expenses	229.65
Total Other Expense	229.65
Net Other Income	-229.10
Net Income	-17,314.63

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KEATON DEVELOPMENT COMPANY

ASSUMPTIONS TO PROJECTIONS

FINANCIAL PROJECTION - JANUARY 1, 2004 THROUGH DECEMBER 31, 2010

Income:

Based on the last 12 months of actual results plus a 7% increase in income per year. The increase is based on an increase of 28 hook ups per year at the average price of \$31.20 per hook up. This increase appears to be conservative based on the fact that there are three developments in the area (Indian Hill Airport, Desert Palms Resort and KRC Development) that will provide 382 hook-ups. These three projects alone, using an absorption period of 15 years, will provide 25 new hook ups per year over the period.

Bad Debts:

Based on historical amounts.

Contracted Testing, Rent - Auto & Equipment, Meter Reading, Contracted Maintenance, Utilities - Electric, Utilities - Water, Chemicals, Materials & Supplies, Office & Supplies Annual Sampling Fee, Transportation, Regulatory Commission, Miscellaneous, other Taxes and Depreciation Expenses

Each of these expense categories are based on a percentage of income from the last 12 months of operations. It is felt that this is the best method for projecting the costs as each should be impacted directly by any increases in income, in proportion to the amount of the change.

Legal Professional:

In 2004, the company will pay the remaining \$16,000 owed to the bankruptcy attorney plus \$3,000 for accounting and miscellaneous legal fees. Going forward, the company feels comfortable that it will be able to keep these fees at \$3,000.

Payroll Expense:

Based on \$2,000.00 per month for the system's maintenance man, \$1,592.50 for the office manager and \$281.17 for a part-time office support person. These payments are anticipated to remain level for 2004 and 2005 with 3% increases for each of the following years.

Officer's Salary:

Based on the current salary under the bankruptcy plan of \$1,500 per month with a \$2,000 increase per year over the term of the projections.

Payroll Expense:

Based on the last twelve months results with a 3% increase in each year of the projections. Rent -

Office:

Based on a current lease of \$325.00 per month for 2004 and 2005. In 2006, the company expects to move to a larger facility and is planning for the rent to increase to \$416.67 per month or \$5,000 per year.

KEATON DEVELOPMENT COMPANY

FINANCIAL PROJECTIONS - JANUARY 1, 2004 THROUGH DECEMBER 31, 2010

PAGE ONE OF TWO

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10							
TOTAL INCOME	\$163,437.30	100.00%	\$174,877.91	100.00%	\$187,119.36	100.00%	\$200,217.72	100.00%	\$214,232.96	100.00%	\$229,229.27	100.00%	\$245,275.32	100.00%
EXPENSES														
BAD DEBTS	\$1,000.00	0.61%	\$1,000.00	0.57%	\$1,000.00	0.53%	\$1,000.00	0.50%	\$1,000.00	0.47%	\$1,000.00	0.44%	\$1,000.00	0.41%
LEGAL FEES	\$16,000.00	9.79%	\$1,500.00	0.86%	\$1,500.00	0.80%	\$1,500.00	0.75%	\$1,500.00	0.70%	\$1,500.00	0.65%	\$1,500.00	0.61%
OTHER PROFESSIONAL FEES	\$3,000.00	1.84%	\$1,500.00	0.86%	\$1,500.00	0.80%	\$1,500.00	0.75%	\$1,500.00	0.70%	\$1,500.00	0.65%	\$1,500.00	0.61%
CONTRACTED TESTING	\$833.53	0.51%	\$891.88	0.51%	\$954.31	0.51%	\$1,021.11	0.51%	\$1,092.59	0.51%	\$1,169.07	0.51%	\$1,250.90	0.51%
RENT - AUTO & EQUIPMENT	\$3,661.00	2.24%	\$3,917.27	2.24%	\$4,191.47	2.24%	\$4,484.88	2.24%	\$4,798.82	2.24%	\$5,134.74	2.24%	\$5,494.17	2.24%
METER READING	\$1,291.15	0.79%	\$1,381.54	0.79%	\$1,478.24	0.79%	\$1,581.72	0.79%	\$1,692.44	0.79%	\$1,810.91	0.79%	\$1,937.68	0.79%
CONTRACTED MAINTENANCE	\$3,677.34	2.25%	\$3,934.75	2.25%	\$4,210.19	2.25%	\$4,504.90	2.25%	\$4,820.24	2.25%	\$5,157.66	2.25%	\$5,518.69	2.25%
PAYROLL EXPENSE	\$26,859.89	16.43%	\$27,665.69	15.82%	\$28,495.66	15.23%	\$29,350.53	14.66%	\$30,231.04	14.11%	\$31,137.97	13.58%	\$32,072.11	13.08%
OFFICER SALARY	\$18,000.00	11.01%	\$20,000.00	11.44%	\$22,000.00	11.76%	\$24,000.00	11.99%	\$26,000.00	12.14%	\$28,000.00	12.21%	\$30,000.00	12.23%
UTILITIES ELECTRIC	\$11,849.20	7.25%	\$12,678.65	7.25%	\$13,566.15	7.25%	\$14,515.78	7.25%	\$15,531.89	7.25%	\$16,619.12	7.25%	\$17,782.46	7.25%
UTILITIES - WATER	\$114.41	0.07%	\$122.41	0.07%	\$130.98	0.07%	\$140.15	0.07%	\$149.96	0.07%	\$160.46	0.07%	\$171.69	0.07%
CHEMICALS	\$637.41	0.39%	\$682.02	0.39%	\$729.77	0.39%	\$780.85	0.39%	\$835.51	0.39%	\$893.99	0.39%	\$956.57	0.39%
MATERIALS & SUPPLIES	\$8,923.68	5.46%	\$9,548.33	5.46%	\$10,216.72	5.46%	\$10,931.89	5.46%	\$11,697.12	5.46%	\$12,515.92	5.46%	\$13,392.03	5.46%
OFFICE & SUPPLIES EXPENSE	\$10,639.77	6.51%	\$11,384.55	6.51%	\$12,181.47	6.51%	\$13,034.17	6.51%	\$13,946.57	6.51%	\$14,922.83	6.51%	\$15,967.42	6.51%
ANNUAL SAMPLING FEE	\$1,160.40	0.71%	\$1,241.63	0.71%	\$1,328.55	0.71%	\$1,421.55	0.71%	\$1,521.05	0.71%	\$1,627.53	0.71%	\$1,741.45	0.71%
RENT OFFICE & YARD	\$3,900.00	2.39%	\$3,900.00	2.23%	\$5,000.00	2.67%	\$5,000.00	2.50%	\$5,000.00	2.33%	\$5,000.00	2.18%	\$5,000.00	2.04%
TRANSPORTATION EXPENSE	\$4,282.06	2.62%	\$4,581.80	2.62%	\$4,902.53	2.62%	\$5,245.70	2.62%	\$5,612.90	2.62%	\$6,005.81	2.62%	\$6,426.21	2.62%
INSURANCE EXPENSE	\$9,040.06	5.53%	\$9,492.06	5.43%	\$9,966.67	5.33%	\$10,465.00	5.23%	\$10,988.25	5.13%	\$11,537.66	5.03%	\$12,114.54	4.94%
REGULATORY COMMISSION EXP.	\$2,516.93	1.54%	\$9,408.43	5.38%	\$10,067.02	5.38%	\$10,771.71	5.38%	\$11,525.73	5.38%	\$12,332.53	5.38%	\$13,195.81	5.38%
MISCELLANEOUS EXPENSE	\$8,792.93	5.38%	\$16,386.06	9.37%	\$17,533.08	9.37%	\$18,760.40	9.37%	\$20,073.63	9.37%	\$21,478.78	9.37%	\$22,982.30	9.37%
PAYROLL, PROP & SALES TAX	\$15,314.08	9.37%	\$4,564.31	2.61%	\$4,883.82	2.61%	\$5,225.68	2.61%	\$5,591.48	2.61%	\$5,982.88	2.61%	\$6,401.69	2.61%
DEPRECIATION EXPENSE	\$25,251.06	15.45%	\$27,018.64	15.45%	\$28,909.94	15.45%	\$30,933.64	15.45%	\$33,098.99	15.45%	\$35,415.92	15.45%	\$37,895.04	15.45%
TOTAL EXPENSES	\$176,744.89	108.14%	\$172,800.03	98.81%	\$184,746.56	98.73%	\$196,169.66	97.98%	\$208,208.22	97.19%	\$220,903.79	96.37%	\$234,300.78	95.53%

KEATON DEVELOPMENT COMPANY

FINANCIAL PROJECTIONS - JANUARY 1, 2004 THROUGH DECEMBER 31, 2010

PAGE TWO OF TWO

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
INCOME BEFORE PRINCIPAL, INTEREST BK PLAN PAYMENTS	-\$13,307.59	\$2,077.88	\$2,372.80	\$4,048.06	\$6,024.74	\$8,325.48	\$10,974.53
		-8.14%	1.19%	1.27%	2.02%	2.81%	3.63%
DEPRECIATION	\$25,251.06	\$27,018.64	\$28,909.94	\$30,933.64	\$33,098.99	\$35,415.92	\$37,895.04
CASH TO MEET DEBT SERVICE AND BK PLAN PMTS	\$11,943.47	\$29,096.52	\$31,282.74	\$34,981.70	\$39,123.73	\$43,741.40	\$48,869.57
DEBT AND BK PAYMENTS							
TRUSTEE FEE	\$2,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WIFA EXISTING	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56	\$3,487.56
LOAN PAYMENT	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00
PLACEMENT RESERVE FUND	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00	\$870.00
DEBT RESERVE FUND	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56	\$5,227.56
TOTAL WIFA EXISTING	\$1,926.21	\$3,302.08	\$3,302.08	\$3,302.08	\$3,302.08	\$3,302.08	\$3,302.08
NEW WIFA	\$0.00	\$5,069.83	\$5,069.83	\$5,069.83	\$5,069.83	\$5,069.83	\$5,069.83
LA PAZ COUNTY UNSECURED	\$0.00	\$13,333.33	\$13,333.33	\$13,333.33	\$13,333.33	\$13,333.33	\$13,333.33
TOTAL DEBT AND BK PMTS	\$7,727.56	\$23,630.72	\$23,630.72	\$23,630.72	\$23,630.72	\$23,630.72	\$23,630.72
CASH AFTER DEBT AND BK PAYMENTS	\$4,215.91	\$5,465.80	\$7,652.02	\$11,350.98	\$15,493.01	\$20,110.68	\$25,238.85

6

KEATON DEVELOPMENT COMPANY
BALANCE SHEET AT 12/31/03 & IMPACT OF \$40M LOAN

	ACTUAL 12/31/03	IMPACT OF LOAN	AFTER LOAN FUNDED
ASSETS			
CURRENT ASSETS			
CASH	\$5,628.88		\$5,628.88
ACCOUNTS RECEIVABLE	\$16,585.94		\$16,585.94
TOTAL CURRENT ASSETS	\$22,214.82		\$22,214.82
LONG TERM ASSETS			
FIXED ASSETS	\$515,175.50		\$515,175.50
ACCUMULATED	\$267,725.85		\$267,725.85
TOTAL FIXED ASSETS	\$247,449.65		\$247,449.65
DEPOSITS	\$4,210.86		\$4,210.86
ENGINEERING FEES TO BE PART OF FIXED ASSET CONST.	\$0.00	\$40,000.00	\$40,000.00
TOTAL LONG TERM ASSETS	\$251,660.51		\$291,660.51
TOTAL ASSETS	\$273,875.33		\$313,875.33
LIABILITIES			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE - CURRENT	\$9,466.64		\$9,466.64
ACCRUALS	\$6,450.07		\$6,450.07
CMLTD	\$2,340.00	\$2,115.30	\$4,455.30
TOTAL CURRENT LIABILITIES	\$18,256.71		\$20,372.01
LONG TERM LIABILITES			
ACCOUNTS PAYABLE - LT	\$128,822.12		\$128,822.12
LONG TERM DEBT	\$42,804.88	\$37,884.70	\$80,689.58
TOTAL LONG TERM DEBT	\$171,627.00		\$209,511.70
ADVANCE IN AID OF CONTSTRUCT	\$246,805.54		\$246,805.54
TOTAL LIABILITIES	\$436,689.25		\$476,689.25
NET WORTH	-\$162,813.92		-\$162,813.92
TOTAL LIABILITIES AND NET WORTH	\$273,875.33		\$313,875.33

Keaton Development Company
Balance Sheet
 As of December 31, 2003

Dec 31, 03

ASSETS

Current Assets

Checking/Savings

131 Cash Accounts

NBA-DIP-General	525.86
NBA-DIP-Payroll	-389.74
NBA-DIP-Taxes	347.57
NBA LaPaz Taxes	5,542.52
Petty Cash	336.69

Total 131 Cash Accounts 6,362.90

Total Checking/Savings 6,362.90

Accounts Receivable

141 Customer Accounts Receivable 16,585.94

Total Accounts Receivable 16,585.94

Other Current Assets

Undeposited Funds -734.02

Total Other Current Assets -734.02

Total Current Assets 22,214.82

Fixed Assets

101 Utility Plant in Service

301 Organization	1,250.00
303 Land	8,200.00

304 Structures and improvements

Utility plant not KRC	965.00
304 Structures and improvements - Other	13,061.88

Total 304 Structures and improvements 14,026.88

307 Wells & Springs 55,911.00

311 Pumping Equipment

krc/booster pump	6,459.42
311 Pumping Equipment - Other	72,562.00

Total 311 Pumping Equipment 79,021.42

330 Distributed Res/Standpipes

330.1 Storage tanks	28,558.00
330.2 Pressure tanks	16,544.00

Total 330 Distributed Res/Standpipes 45,102.00

331 Contributed Mains

Transmission/distribution	614.00
Utility Plant - KRC	210,000.00

Total 331 Contributed Mains 210,614.00

333 Services 57,073.00

334 Meters & Pressure Pumps 6,032.76

335 Hydrants 26,856.00

340 Office Equipment 2,884.44

341 Transportation Equipment 6,900.00

343 Tools Shop/Garage Equipment 1,304.00

Total 101 Utility Plant in Service 515,175.50

108 Accum.Deprec-Util.Plant

301 Organ 25 yrs/4.0 -1,250.00

304 Structures-30yrs/3.33 -1,682.09

307 Wells/springs-30 yrs/3.33 -30,417.95

311 Pumping-8 yrs/12.5 -61,448.68

330 Distributed Res

330.1 Storage tnks-45 yrs/2.22	-8,572.47
330.2 Pressure tnks-20 yrs/5.0	-15,484.20

Total 330 Distributed Res -24,056.67

Keaton Development Company
Balance Sheet
 As of December 31, 2003

	Dec 31, 03
331 Trans/distr-50 yrs/2.0	-117,237.28
333 services - 30yrs/3.33	-17,873.53
334 meters -12 yrs/8.33	-4,785.53
335 Hydrants - 50 yrs/2.0	-4,032.12
340 office equ- 5 yrs/20.0	-2,258.00
341 Trans Equip - 5 yrs/20	-1,380.00
343 Tools - 20 yrs/5.0	-1,304.00
Total 108 Accum.Deprec-Util.Plant	-267,725.85
Total Fixed Assets	247,449.65
Other Assets	
132 Special Deposits	
WIFA - Reserve Deposit Account	3,484.80
Total 132 Special Deposits	3,484.80
Total Other Assets	3,484.80
TOTAL ASSETS	273,149.27
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
231 Accounts Payable	138,288.76
Total Accounts Payable	138,288.76
Other Current Liabilities	
241 Othr Current Liabilities	
Payroll Liabilities	
Federal Withholding	437.88
FICA	
Company	298.46
Employee	298.56
Total FICA	597.02
FUTA	184.33
Medicare	
Company	69.82
Employee	69.82
Total Medicare	139.64
State Withholding	121.75
SUI	21.67
Total Payroll Liabilities	1,502.29
Sales Tax Adj	6.30
Sales Tax Payable	941.48
Short Term Loan	4,000.00
Total 241 Othr Current Liabilities	6,450.07
Total Other Current Liabilities	6,450.07
Total Current Liabilities	144,738.83
Long Term Liabilities	
234 Long Term Debt	
Note Payble-WIFA	43,052.27
Total 234 Long Term Debt	43,052.27
252 Advance in Aid of Const.	
KRC Line Extension	221,732.04
Meter Fees	25,073.50
Total 252 Advance in Aid of Const.	246,805.54

1:13 PM
05/11/04
Accrual Basis

Keaton Development Company
Balance Sheet
As of December 31, 2003

	<u>Dec 31, 03</u>
Total Long Term Liabilities	289,857.81
Total Liabilities	434,596.64
Equity	
201 Common Stock	50,000.00
211 Paid in Capital	
WSS	4,100.00
211 Paid in Capital - Other	19,764.14
Total 211 Paid in Capital	23,864.14
215 Retained Earnings	-217,996.88
Net Income	-17,314.63
Total Equity	-161,447.37
TOTAL LIABILITIES & EQUITY	<u><u>273,149.27</u></u>

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PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER
AUTHORIZING THE ISSUANCE OF Long Term Debt
BY Keaton Development Co., Inc.

Keaton Development Co filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue \$40,000.00 of Long Term Debt. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Salome, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.