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**Law Office of Douglas C. Fitzpatrick**

49 Bell Rock Plaza, Suite A  
Sedona, Arizona 86351

48

Phone (928) 284-2190 Fax (928) 284-2191  
e-mail fitzlaw@sedona.net

August 31, 2004

Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007-2996

Arizona Corporation Commission

**DOCKETED**

SEP - 1 2004

RE: Montezuma Estates Property Owners' Association  
DOCKET NO. W-02064A-04-0270  
DOCKET NO. W-04254A-04-0270

DOCKETED BY	<i>CAF</i>
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Dear Sir or Madam:

Enclosed please find the original plus 13 copies of the Motion to Reset Hearing on Montezuma Estates Property Owners' Association Application for Approval of Sale.

Yours truly,

*Douglas C. Fitzpatrick*  
Douglas C. Fitzpatrick

Enclosures

AZ CORP COMMISSION  
DOCUMENT CONTROL

2004 SEP - 1 A 11: 05

RECEIVED

ORIGINAL

Douglas C. Fitzpatrick  
49 Bell Rock Plaza  
Sedona, Arizona 86351  
(928) 284-2190  
Bar ID #005152  
Attorney for Montezuma Estates Property  
Owners' Association

RECEIVED

2004 SEP - 11 A 11: 05

Arizona Corporation Commission  
**DOCKETED**

SEP - 1 2004

ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL

DOCKETED BY **CAR**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION	) DOCKET NO. W-02064A-04-0270
OF MONTEZUMA ESTATES PROPERTY	) DOCKET NO. W-04254A-04-0270
OWNERS' ASSOCIATION dba MONTEZUMA	)
ESTATES WATER COMPANY FOR APPROVAL	) MOTION TO RESET HEARING
OF THE SALE OF ASSETS AND TRANSFER OF	) ON MONTEZUMA ESTATES
ITS CERTIFICATE OF CONVENIENCE AND	) PROPERTY OWNERS'
NECESSITY.	) ASSOCIATION APPLICATION
	) FOR APPROVAL OF SALE

The Montezuma Estates Property Owners' Association [MEPOA], by its undersigned counsel, requests that this matter be reset for hearing to consider its application for sale of its assets and to transfer its Certificate of Convenience to the Montezuma Rimrock Water Company LLC [MRWC].

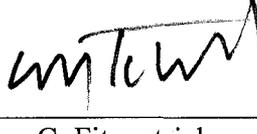
This matter was previously heard on July 8, 2004. The hearing was adjourned in order to afford applicant the opportunity to provide additional information and records which relate to the proposed sale. In that regard, applicant appends hereto a fully-executed and complete contract which relates to the proposed sale along with a Drinking Water Compliance Status Report from the Arizona Department of Environmental Quality. On or about August 12, 2004, Mr. David Ronald, counsel for staff, filed a letter from the Arizona Water Company [AWC] concerning its interest in acquiring the water company. By the time this matter comes to hearing, applicant will know whether sale of its assets to AWC is an option it intends to consider.

WHEREFORE, applicant requests that the hearing on this matter be set at a date and time convenient to all interested parties.

DATED this 31 day of August, 2004.

LAW OFFICE OF DOUGLAS C. FITZPATRICK

BY



Douglas C. Fitzpatrick  
Attorney for applicant

ORIGINAL plus 13 copies  
of the foregoing mailed this  
31 day of August, 2004, to:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

COPY of the foregoing  
mailed this 31 day of  
August, 2004, to:

David M. Ronald  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

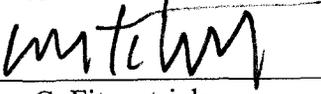
Peter O. Sanchez  
60 Ridgecrest Road  
Sedona, Arizona 86351

Montezuma Rimrock Water Company, LLC  
PO Box 10  
Rimrock, Arizona 86335-0010

Patricia D. Arias  
7209 West Windrose Drive  
Peoria, Arizona 85381

Richard Rink  
6601 N. Mountain View Drive  
Paradise Valley, Arizona 85253  
Intervenor

Owen L. Cotton  
Cotton, Norton, Stevenson  
Consulting, Inc.  
PO Box 44015  
Phoenix, Arizona 85064-4015  
Intervenor

  
\_\_\_\_\_  
Douglas C. Fitzpatrick



**TRANSNATION TITLE INSURANCE COMPANY**

600 E. Gurley, Suite E  
 Prescott, AZ 86301  
 Phone: (928) 445-3350  
 Fax: (928) 445-7003

**ESCROW INSTRUCTIONS**

Date: July 27, 2004

Escrow No.: 01330942

Escrow Officer: Kitty Bush

**MONTEZUMA ESTATES PROPERTY OWNERS ASSOCIATION, HEREIN CALLED SELLER**whose address is **PO Box 592, Rimrock AZ 86335,**

phone:

**MONTEZUMA RIMROCK WATER CO, LLC, HEREIN CALLED BUYER**whose address is **PO Box 10, Rimrock AZ 86335,**

phone:(928) 300-3291

hereby employ **TRANSNATION TITLE INSURANCE COMPANY** to act as Escrow Agent in connection with a sale of real property by Seller to Buyer upon the following terms and conditions which shall be complied with by said parties on or before September 1, 2004 or as soon thereafter as possible unless a demand for cancellation has been made on Escrow Agent as herein provided. The real property herein referred to is situated in Yavapai, ARIZONA, and is described as follows:

See Exhibit A attached hereto and made a part hereof.

Seller describes Property Address as: **Lake Montezuma, AZ 86335, Lake Montezuma, AZ 86335**  
 Tax Parcel No. **405-25-740C and 405-25-740D and 405-25-122B.**

**ESCROW TERMS**

<b>Purchase Price</b>	\$ 100,000.00
<b>Earnest Money</b> deposited with Escrow Agent	\$ 0
<b>Earnest Money</b> paid outside of Escrow, receipt of which is acknowledged by the Seller	\$
<b>Additional Earnest Money Deposit due on</b>	\$
<b>Cash Payment</b> to be deposited prior to close of escrow	\$ 100,000.00
<b>Encumbrance of Record</b> being assumed by Buyer With an estimated unpaid balance of:	\$
<b>New Loan -- lender to be determined</b>	\$

**EARNEST MONEY AND DOWN PAYMENT:**

Buyer has deposited in escrow the sum of \$0 as earnest money which shall apply towards the purchase price at close of escrow. The balance of the purchase price plus applicable closing costs shall be deposited in escrow by Buyer in the form of a cashier's check and/or wired funds prior to close of escrow.

Initials: Initials: 

**ADDITIONAL TERMS AND CONDITIONS**

The value of the land will be established as \$9,000.00 per lot for a total value of \$27,000.00. Escrow Agent will use this figure on the Affidavit of Value at the close of escrow. The escrow fee will be established on the \$100,000.00 purchase price, however, the Owners Title Insurance Policy will be based on the \$27,000.00 value of the land.

The close of escrow is contingent upon the approval of the Arizona Corporation Commission for the sale.

The Seller will provide to the Buyer all papers concerning the wells and water rights. Escrow Agent to transfer the wells at the close of escrow. The transfer fees to be paid by the Buyer.

The Seller herein warrants that all existing easements of record concerning the water company to install, maintain and service existing and future water lines shall convey to the Buyer.

At the request of the parties herein, any certificates, bonds, written agreements, verbal agreements, leases and/or contracts in effect with Montezuma Estates Property Owners Association/Montezuma Estates Water Company shall not convey to Montezuma Rimrock Water Company, LLC. Transnation Title will not have any responsibility and/or liability regarding these items.

The attached list of equipment and inventory shall transfer at the close of escrow and is included in the Purchase Price of \$100,000.00. A bill of sale will be prepared and surrendered to the Buyer at the close of escrow.

**PRO RATATIONS AND COSTS:**

Real Property Taxes, Improvement Lien Assessments, Homeowner's Association Assessments and Irrigation Fees, if applicable, are to be prorated based on the latest tax or assessment bill(s) available to Escrow Agent at the close of escrow. All transfer fees will be split equally between Buyer and Seller.

The amount of any tax or assessment which is payable at close of escrow shall be paid in full by Seller. Any tax or assessment that may become a lien subsequent to the close of escrow shall be Buyer's responsibility. Escrow Agent is not liable in the event a subsequent tax/assessment bill is different from that used as the basis for the proration.

Escrow Agent is hereby authorized and directed to pay from Seller's proceeds at the close of escrow, all amounts necessary to pay in full any existing encumbrances or liens against the subject property.

Any charges for express mail or messenger service will be charged to the appropriate party.

All items checked below are the obligations of that party to pay:

	<b>SELLER</b>	<b>BUYER</b>
Escrow fee	1/2	1/2
Endorsements		✓
Recording Service Fee	1/2	1/2
Courier Fee	If any	If any

Pay balance of proceeds to Seller(s) as their interest may appear.

When these instructions have been complied with, Escrow Agent shall deliver for recording in the appropriate public office all necessary documents, disburse all funds, and issue the title insurance policy.

**SELLER AND BUYER UNDERSTAND AND AGREE THAT:**

Escrow Agent's employees are not licensed real estate agents or attorneys and are prohibited from giving legal real estate or investment advice and will not negotiate the transaction.

*PA*

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**These Escrow Instructions and any amendments or supplements thereto form the only binding contract wherein Seller agrees to sell and Buyer agrees to purchase the subject property under the terms and conditions contained herein.**

They will deposit with Escrow Agent the necessary documents and funds to complete this transaction. They authorize Escrow Agent to deliver or record the documents at the appropriate time.

All money payable shall be paid to Escrow Agent unless otherwise specified. They authorize Escrow Agent to pay from said funds all amounts necessary to procure the documents and to pay charges and obligations necessary to consummate this transaction. They authorize Escrow Agent to act upon any statements furnished by a lien holder or his agent without liability to Escrow Agent. In the event any check given by Buyer is subsequently dishonored after Escrow Agent has disbursed on it, Seller agrees to refund any remittance made to Seller up to the amount of said dishonored check.

They will pay all costs, damages, attorneys' fees and expenses which Escrow Agent may incur or sustain in connection with these instructions, except as caused by the gross negligence of Escrow Agent.

These Escrow Instructions and any amendments, or supplements thereto shall have no effect until signed by the Seller and Buyer and delivered to Escrow Agent. No instruction, demand or notice shall be effective unless it is in writing and signed by the party making such instruction, demand or notice. Escrow Agent shall not be bound by, nor be obligated to act upon, any instruction, demand or notice not in writing and signed by said party. These Escrow Instructions and any amendments or supplements can be executed in counterparts and each counterpart, when taken together, shall constitute one and the same original document.

They grant to Escrow Agent the right to execute on behalf of the Seller and Buyer herein the Affidavit of Value, using the total consideration for the established value.

Should Escrow Agent or County Recorder be closed on day of compliance with these instructions, the requirements may be met on the next succeeding day Escrow Agent is open for business. "Close of Escrow" shall mean recording of the documents

At any time and in its sole discretion, Escrow Agent can resign as Escrow Agent by sending written notice to all parties to the escrow. All money and documents held by Escrow Agent will be returned to the party who delivered them into escrow.

The title insurance provided for, unless otherwise specified herein, shall be evidenced by an ALTA Homeowner's Title Policy or, if not available, an ALTA Residential Title Insurance Policy or, if not available, the standard form of title insurance policy of **Transnation Title Insurance Company** on file with the Department of Insurance of the State of Arizona.

Escrow Agent shall have no responsibility for:

- Possession of Property
- Transfer of utilities
- Collection of cancellation premiums from Seller's hazard insurance
- Renewal, procurement, assignability or effectiveness of flood, hazard or other insurance
- Transfer of personal property, investigation and/or and payment of personal property taxes
- Treatment of wood infestation

#### CANCELLATION

Any party who wishes to cancel this Escrow because of any material breach by the other party, and who is not in material breach except as occasioned by a material breach by the other party, may cancel this Escrow by delivering written notice of cancellation to the breaching party and to Escrow Agent, stating the nature of the breach. Cancellation shall become effective immediately upon delivery of the written notice of cancellation to the breaching party and Escrow Agent.



In the event of a dispute between Buyer and Seller regarding earnest money deposited with Escrow Agent, Buyer and Seller authorize Escrow Agent to release earnest money pursuant to the terms and conditions of these Escrow Instructions. Buyer and Seller specifically authorize Escrow Agent to act in its sole and absolute discretion in the release of earnest money. Buyer and Seller agree to hold harmless and indemnify Escrow Agent against any claim, action or lawsuit of any kind, and from any loss, judgment or expense, including costs and attorneys' fees, arising from or relating in any way to the release of earnest money.

Seller and Buyer acknowledge that some escrows, including For Sale By Owners, are of a complex nature or require special services. Escrow Agent requires an additional fee or charge for those escrows in the amount of \$250.00, paid at the acceptance and opening of the escrow. Should the escrow cancel for any reason, Seller and Buyer agree that the additional fee or charge shall be retained by Escrow Agent as a cancellation/special services charge. The additional fee/charge  will  will not be required for this transaction.

Upon the close of escrow, the additional fee or charge shall be credited against the closing costs of the party depositing the money as shown below:

Amount of additional fee or deposit paid by Seller	\$
Amount of additional fee or deposit paid by Buyer	\$
Total	\$0

#### FUNDS

The money deposited with Escrow Agent will be deposited into a non-interest bearing account with a financial institution (the "funds depository") whose deposits are covered by FDIC insurance. The parties acknowledge that, in calculating the amount of available insurance, the FDIC will consolidate money deposited under this escrow with all other funds of the undersigned which are on deposit with the funds depository. Therefore, the parties hereby release Escrow Agent from any liability and assume all responsibility for any loss which may result from a lack of FDIC insurance in excess of \$100,000.

If so instructed by Seller or Buyer, Escrow Agent will invest any deposited funds in an interest bearing account established in the name of Escrow Agent. The depositing party has a right to earn interest on any escrowed funds which are deposited in the interest bearing account. A good faith estimate for interest earned on a typical investment account with a federally insured institution is as follows: deposit of \$1,000 at 5% per annum would earn approximately \$4.17 per month, or at 6% per annum would earn approximately \$5.00 per month. The account may be established by contacting the Escrow Agent at the telephone number or address listed on the first page hereof and executing Escrow Agent's customary investment instruction.

Pursuant to A.R.S. 44-317 Escrow Agent will charge a \$25.00 service fee for the processing and administration coincidental with any unclaimed funds. This one time \$25.00 charge will be earned by Escrow Agent after Escrow Agent has made a diligent effort to locate the party, which effort includes written notice.

#### NOTICES

##### GOOD FUNDS LAW

All parties are aware and understand that Arizona Revised Statutes Section 6-843 requires that an escrow agent disburse money from an escrow account only if funds are deposited and available for withdrawal. Availability of funds is determined as follows:

- (i) **ELECTRONIC TRANSFERS** ("wired funds") are available for disbursement **THE SAME DAY AS RECEIVED.**
- (ii) **CASHIER'S CHECKS, CERTIFIED CHECKS OR TELLER'S CHECKS** are available for disbursement **THE SAME DAY AS DEPOSITED.**
- (iii) **CHECKS** made by an affiliate of a state or federally regulated depository institution when the check is drawn on that institution are available for disbursement **THE SAME DAY AS DEPOSITED.**

In order to avoid unnecessary delays of two days or more, please use the above methods of payment whenever possible.

*PA*

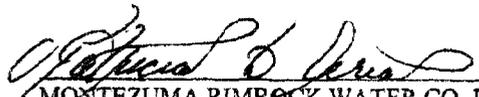
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**PURCHASER DWELLING ACTIONS NOTICE:**

Pursuant to Arizona Revised Statutes Section 12-1363.N, notice is hereby provided to the purchaser of a dwelling of the provisions of Arizona Revised Statutes Sections 12-1361, 1362 and 1363. These statutory sections set forth the requirements to be met by a purchaser prior to bringing an action against the seller of a dwelling arising out of or related to the design, construction, condition or sale of the dwelling. "Dwelling" means a single or multifamily unit designed for residential use and common areas and improvements owned or maintained by an association or its members. "Seller" means any person, firm, partnership, corporation, association or other organization engaged in the business of designing, constructing or selling dwellings. The complete statutory sections (located in House Bill 2620) can be viewed on the Arizona State Legislature's web site: [www.azleg.state.az.us/legtext/bills.htm](http://www.azleg.state.az.us/legtext/bills.htm).

**PRIVACY NOTICE (15 U.S.C 6801 and 16 CFR Part 313):**

We collect nonpublic personal information about you from information you provide on forms and documents and from other people such as your lender, real estate agent, attorney, escrow, etc. We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. We restrict access to nonpublic personal information about you to those employees who need to know that information in order to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

**BUYER:**

MONTEZUMA RIMROCK WATER CO, LLC

**SELLER:**MONTEZUMA ESTATES PROPERTY OWNERS  
ASSOCIATION

File No.: 01330942

**EXHIBIT "A"**PARCEL NO. 1:

That portion of Tract A, Lake Montezuma Estates, Unit Two, according to Book 13 of Maps, page 30, records of Yavapai County, Arizona, described as follows

BEGINNING at the Southeast corner of Lot 533 of said Lake Montezuma Estates, Unit Two;  
Thence South 09 degrees 06 minutes East 100.00 feet;  
Thence South 86 degrees 36 minutes 40 seconds West 50.00 feet;  
Thence North 09 degrees 06 minutes West 100.00 feet to the rear lot line of Lot 533;  
Thence North 86 degrees 36 minutes 40 seconds East 50.00 feet to the POINT OF  
BEGINNING.

PARCEL NO. 2:

The East 50 feet of the South 50 feet of Lot 105, MONTEZUMA LAKE ESTATES UNIT ONE, according to Book 13 of Maps, page 29, records of Yavapai County, Arizona.



## Exhibit A

That portion of Tract A, Lake Montezuma Estates, Unit Two, according to Book 13 of Maps, page 30, records of Yavapai County, Arizona, described as follows

**BEGINNING** at the Southeast corner of Lot 533 of said Lake Montezuma Estates, Unit Two;  
Thence South 09 degrees 06 minutes East 100.00 feet;  
Thence South 86 degrees 36 minutes 40 seconds West 50.00 feet;  
Thence North 09 degrees 06 minutes West 100.00 feet to the rear lot line of Lot 533;  
Thence North 86 degrees 36 minutes 40 seconds East 50.00 feet to the POINT OF BEGINNING.

Sale of Montezuma Estates Water Company Assets to Montezuma Rimrock Water Company LLC

Infrastructure	Real Estate	Administrative/Office	Tools	Supplies
POE 1	Parcel @ POE 1	Compaq Desk Top Computer	Barricades/Traffic cones	12 - 3/4" meters
POE 2	Parcel adjacent to POE 1	Quickbooks Pro	Colorimeter	8 - meter boxes
POE 3	Parcel @ POE 2	Hewlett Packard Printer	pH meter	8 - Y's
10,000 gallon tank @ POE 1	Right of ways	2 fax machines	Hardness meter (Ca & Mg)	8 - 4" pipe lapp
10,000 gallon tank @ POE 2	Easements	Toshiba Laptop	5,000 w Coleman generator	8 - 6" pipe lapp
2,000 gallon pressure tank @ POE 1	Water Rights	2 drawer file cabinet	Hand tools	2 - 4" gate valves
2,000 gallon pressure tank @ POE 2	Shed located @ POE 1	Folding table/file cabinet	Power tools	2 - 8" gate valves
4 booster pumps, 3.5 hp		Telephone/answering machine	Golf cart and charger	1 booster pumps
2 air tank compressors		Paper/envelopes on hand	extension cords	1 well pump
2 electric panels				1 pulse feeder
2 propane generators				1 pulse feeder housing
distribution system pipes				4 - 4" repair bands
gate valves				4 - 8" repair bands
water meters				
supply lines				
meter boxes				
gate valve boxes				
hydrants				
blow-off valves				
pump @ POE 1				
pump @ POE 2				
chlorinator units (shed, tank, pulse feeders)				

*BA*

ISSUED BY  
TRANSNATION TITLE INSURANCE COMPANY

COMMITMENT FOR TITLE INSURANCE



Transnation Title Insurance Company, an Arizona Corporation herein called the Company, for a valuable consideration, hereby commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed insured named in Schedule A, as owner or mortgagee of the estate or interest covered hereby in the land described or referred to in Schedule A, upon payment of the premiums and charges therefore; all subject to the exceptions and conditions and stipulations shown herein, the Exclusions from Coverage, the Schedule B exceptions, and the conditions and stipulations of the policy or policies requested. (See back cover for printed Exclusions from Coverage and Schedule B exceptions contained in various policy forms.)

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A hereof by the Company, either at the time of the issuance of this Commitment or by subsequent endorsements and is subject to the Conditions and Stipulations on the back cover.

This Commitment is preliminary to the issuance of such policy or policies of title insurance and all liability and obligations hereunder shall cease and terminate six months after the effective date hereof or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue such policy or policies is not the fault of the Company.

*IN WITNESS WHEREOF*, Transnation Title Insurance Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers on the date shown in Schedule A.

TRANSNATION TITLE INSURANCE COMPANY

Attest: *Wm. Chadwick Perrine* Secretary



By: *Janet A. Alpert* President

## **DISCLOSURE NOTICES**

### **Good Funds Law**

Arizona Revised Statutes Section 6-843 regulates the disbursement of escrow funds by an escrow agent. The law requires that funds be deposited in the escrow agent's escrow account and available for withdrawal prior to disbursement. Funds deposited with the Company by wire transfer may be disbursed upon receipt. Funds deposited with the Company in the form of cashier's checks, certified checks or teller's checks, or checks which are made by an affiliate of a state or federally regulated depository institution when the check is drawn on that institution, may be disbursed the same day as deposited. If funds are deposited with the Company by other methods, recording and/or disbursement may be delayed.

### **Privacy Notice (15 U.S.C. 6801 and 16 CFR Part 313):**

We collect nonpublic personal information about you from information you provide on forms and documents and from other people such as your lender, real estate agent, attorney, escrow, etc. We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. We restrict access to nonpublic personal information about you to those employees who need to know that information in order to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

### **PURCHASER DWELLING ACTIONS NOTICE**

Pursuant to Arizona Revised Statutes Section 12-1363.N, notice is hereby provided to the purchaser of a dwelling of the provisions of Arizona Revised Statutes Sections 12-1361, 1362 and 1363. These statutory sections set forth the requirements to be met by a purchaser prior to bringing an action against the seller of a dwelling arising out of or related to the design, construction, condition or sale of the dwelling. "Dwelling" means a single or multifamily unit designed for residential use and common areas and improvements owned or maintained by an association or its members. "Seller" means any person, firm, partnership, corporation, association or other organization engaged in the business of designing, constructing or selling dwellings. The complete statutory sections can be viewed on the Arizona State Legislature's web site: [www.azleg.state.az.us/ars/ars.htm](http://www.azleg.state.az.us/ars/ars.htm).

### **NOTICE:**

Pursuant to Arizona Revised Statutes 11-480, effective January 1, 1991, the County Recorder may not accept documents for recording that do not comply with the following:

- a Print must be ten-point type (pica) or larger.
- b Margins of at least one-half inch along the left and right sides one-half inch across the bottom and at least two inches on top for recording and return address information.
- c Each instrument shall be no larger than 8 ½ inches in width and 14 inches in length.

Escrow Officer: **Kitty Bush**  
Transnation Title Insurance Company  
600 E. Gurley  
Suite E  
Prescott, AZ 86301

### COMMITMENT FOR TITLE INSURANCE

*Issued by*

**Transnation Title Insurance Company**

#### SCHEDULE A

1. Effective Date: **June 29, 2004** at 7:30 a.m. File No.: 01330942
2. Policy or Policies to be issued: **ALTA Standard Owners 1992**  
  
Proposed Insured: **MONTEZUMA RIMROCK WATER CO, LLC, An Arizona Limited Liability Company**  
  
Liability: **\$100,000.00**  
  
Policy or Policies to be issued: **ALTA Loan Policy (10-17-92)**  
  
Proposed Insured:  
  
Liability: **\$100,000.00**  
  
Policy or Policies to be issued: **None**  
  
Proposed Insured:  
  
Liability: **\$**
3. The estate or interest in the land described or referred to in the Commitment and covered herein is **A FEE**.
4. Title to the said estate or interest in said land is at the effective date hereof vested in:  
  
**Montezuma Estates Property Owners Association, an Arizona corporation**
5. The land referred to in this Commitment is situated in the County of Yavapai, State of ARIZONA, and is described as follows:  
  
**As fully set forth on "Exhibit A" attached hereto and by this reference incorporated herein.**

Title Officer: **Larry Reynolds/rrs**  
Typist: **bs1**  
Amended: July 28, 2004 **No. 1**

Page 3 of 10

File No.: 01330942

**EXHIBIT "A"****PARCEL NO. 1:**

That portion of Tract A, Lake Montezuma Estates, Unit Two, according to Book 13 of Maps, page 30, records of Yavapai County, Arizona, described as follows

BEGINNING at the Southeast corner of Lot 533 of said Lake Montezuma Estates, Unit Two;  
Thence South 09 degrees 06 minutes East 100.00 feet;  
Thence South 86 degrees 36 minutes 40 seconds West 50.00 feet;  
Thence North 09 degrees 06 minutes West 100.00 feet to the rear lot line of Lot 533;  
Thence North 86 degrees 36 minutes 40 seconds East 50.00 feet to the POINT OF  
BEGINNING.

**PARCEL NO. 2:**

The East 50 feet of the South 50 feet of Lot 105, MONTEZUMA LAKE ESTATES UNIT ONE, according to Book 13 of Maps, page 29, records of Yavapai County, Arizona.

File No.: 01330942

### SCHEDULE B - SECTION I REQUIREMENTS

The following are the requirements to be complied with prior to the issuance of said policy or policies. Any other instrument recorded subsequent to the date hereof may appear as an exception under Schedule B of the policy to be issued. Unless otherwise noted, all documents must be recorded in the office of the Recorder of the County in which said property is located.

1. PAYMENT OF any and all assessments.
2. PROPER showing that all assessments, if any, levied by the owners association have been paid.
3. USUAL preliminary inspection report by an employee of the Company. The right is reserved to make additional requirements or exceptions upon examination.
4. FURNISH the Company with Owner's Affidavit executed by Montezuma Estates Property Owners Association, an Arizona corporation
5. FURNISH currently certified copy of a Resolution of the Board of Directors of the Corporation named below, authorizing the execution and delivery by the proper officers of all instruments required to consummate this transaction. Said certification must be by an officer other than the officer(s) authorized to sign and must state that the Resolution has not been revoked:

Montezuma Estates Property Owners Association, an Arizona limited liability company

6. FURNISH the Company a copy of the Articles of Organization, stamped "filed" by the Arizona Corporation Commission and a fully executed copy of the Operating Agreement and all amendments thereto for the following named Limited Liability Company:

Limited Liability Company

Montezuma Rimrock Water Co., LLC, an  
Arizona limited liability company

7. RECORD Deed from Montezuma Estates Property Owners Association, an Arizona corporation to Montezuma Rimrock Water Co., LLC, an Arizona limited liability company.

NOTE: ARS 11:1133 may require the completion and filing of an Affidavit of Value.

8. RECORD Deed of Trust to be insured.

**TAX NOTE:**

Year	2003
Parcel No.	405-25-740C 9
Total Tax	\$6.04
First Half	\$PAID
Second Half	\$PAID

**TAX NOTE:**

Year	2003
Parcel No.	405-25-740D 8
Total Tax	\$6.04
First Half	\$PAID
Second Half	\$PAID

File No.: 01330942

**SCHEDULE B - SECTION I  
REQUIREMENTS  
(Continued)**

TAX NOTE:

Year	2003
Parcel No.	948-22-690 9
Total Tax	\$1,070.72
First Half	\$PAID
Second Half	\$PAID (Covers Parcel Nos. 405-25-122B, 740C and 740D)

**END OF SCHEDULE B - SECTION I**



File No.: 01330942

**SCHEDULE B - SECTION II**  
**EXCEPTIONS**  
**Continued**

11. RESTRICTIONS, CONDITIONS, COVENANTS, RESERVATIONS, including but not limited to any recitals creating easements, liabilities, obligations or party walls, omitting, if any, from the above, any restrictions based on race, color, religion sex, handicap, familial status or national origin contained in instrument:

Recorded in Book 556 of Official Records, page 55

12. ADVERSE MATTERS that may be revealed by an inspection of the land.  
NOTE: This exception will be amended or deleted upon the submission of the corresponding documents required in Schedule B, Part I.

13. RIGHTS OF PARTIES in possession.  
NOTE: This exception will be amended or deleted upon the submission of the corresponding documents required in Schedule B, Part I.

14. THE LACK of a legal right of access recorded in insurable form to and from said land to a public street.  
Notwithstanding the affirmative assurance of Paragraph 4, the Company is unwilling to insure access.

15. RESTRICTIONS, CONDITIONS, COVENANTS, RESERVATIONS, including but not limited to any recitals creating easements, liabilities, obligations or party walls, omitting, if any, from the above, any restrictions based on race, color, religion sex, handicap, familial status or national origin contained in instrument:

Recorded in Official Records            507  
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**END OF SCHEDULE B - SECTION II**

## COMMITMENT CONDITIONS AND STIPULATIONS

- The term mortgage, when used herein shall include deed of trust, trust deed, or other security instrument.
- If the proposed insured has or acquires actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act or reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions and Stipulations.
- Liability of the Company under this Commitment shall be only to the named proposed insured and such parties included under the definition of insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith, (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions, the Conditions and Stipulations, and the Exclusions from Coverage of the form of policy or policies committed for in favor of the proposed insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.
- Any action or actions or rights of action that the proposed insured may have or may bring against the Company arising out of the status of the title to the estate or interest or the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.

**AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)**  
**WITH ALTA ENDORSEMENT-FORM 1 COVERAGE**  
 and  
**AMERICAN LAND TITLE ASSOCIATION LEASEHOLD LOAN POLICY (10-17-92)**  
**WITH ALTA ENDORSEMENT-FORM 1 COVERAGE**  
**EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- (i) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land, (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part, or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental policy power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
- Defects, liens, encumbrances, adverse claims or other matters:
  - created, suffered, assumed or agreed to by the insured claimant;
  - not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - resulting in no loss or damage to the insured claimant;
  - attaching or created subsequent to Date of Policy, (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material) or
  - resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
- Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
- Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
- Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
- Any claim which arises out of the transaction creating the interest of the mortgage insured by this Policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer, or
  - the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
  - the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
    - to timely record the instrument of transfer; or
    - of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following General Exceptions:

## EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

- Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
- Any facts, rights, interests or claim which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
- Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
- Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
- (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

**AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-92)**  
 And  
**AMERICAN LAND TITLE ASSOCIATION LEASEHOLD OWNER'S POLICY (10-17-92)**  
**EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part, or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental policy power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
- Defects, liens, encumbrances, adverse claims or other matters:
  - created, suffered, assumed or agreed to by the insured claimant;
  - not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - resulting in no loss or damage to the insured claimant;
  - attaching or created subsequent to Date of Policy, (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material) or
  - resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
- Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by the policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer, or
  - the transaction creating the estate or interest insured by the policy being deemed a preferential transfer except where the preferential transfer results from the failure:
    - to timely record the instrument of transfer; or
    - of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage Policy will also include the following General Exceptions:

## EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

- Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
- Any facts, rights, interests or claim which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
- Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
- Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
- (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

**AMERICAN LAND TITLE ASSOCIATION  
HOMEOWNER'S POLICY OF TITLE INSURANCE (10/17/98)  
EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
  - a. building
  - b. zoning
  - c. land use
  - d. improvements on the Land
  - e. land division
  - f. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.

This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.

2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
  - a. a notice of exercising the right appears in the Public Records at the Policy Date, or
  - b. the taking happened before the Policy date and is binding on You if You bought the Land without knowing of the taking
4. Risks:
  - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records,
  - b. that are known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date,
  - c. that result in no loss to You, or
  - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8d, 22, 23, 24 or 25
5. Failure to pay value for Your Title.
6. Lack of a right:
  - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A, and
  - b. in streets, alleys, or waterways that touch the land

This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

**AMERICAN LAND TITLE ASSOCIATION  
RESIDENTIAL TITLE INSURANCE POLICY (6-2-87)  
EXCLUSIONS**

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
  - Land use
  - Improvements on the land
  - Land division
  - Environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.

This exclusion does not limit the zoning coverage described in items 12 and 13 of Covered Title Risks.

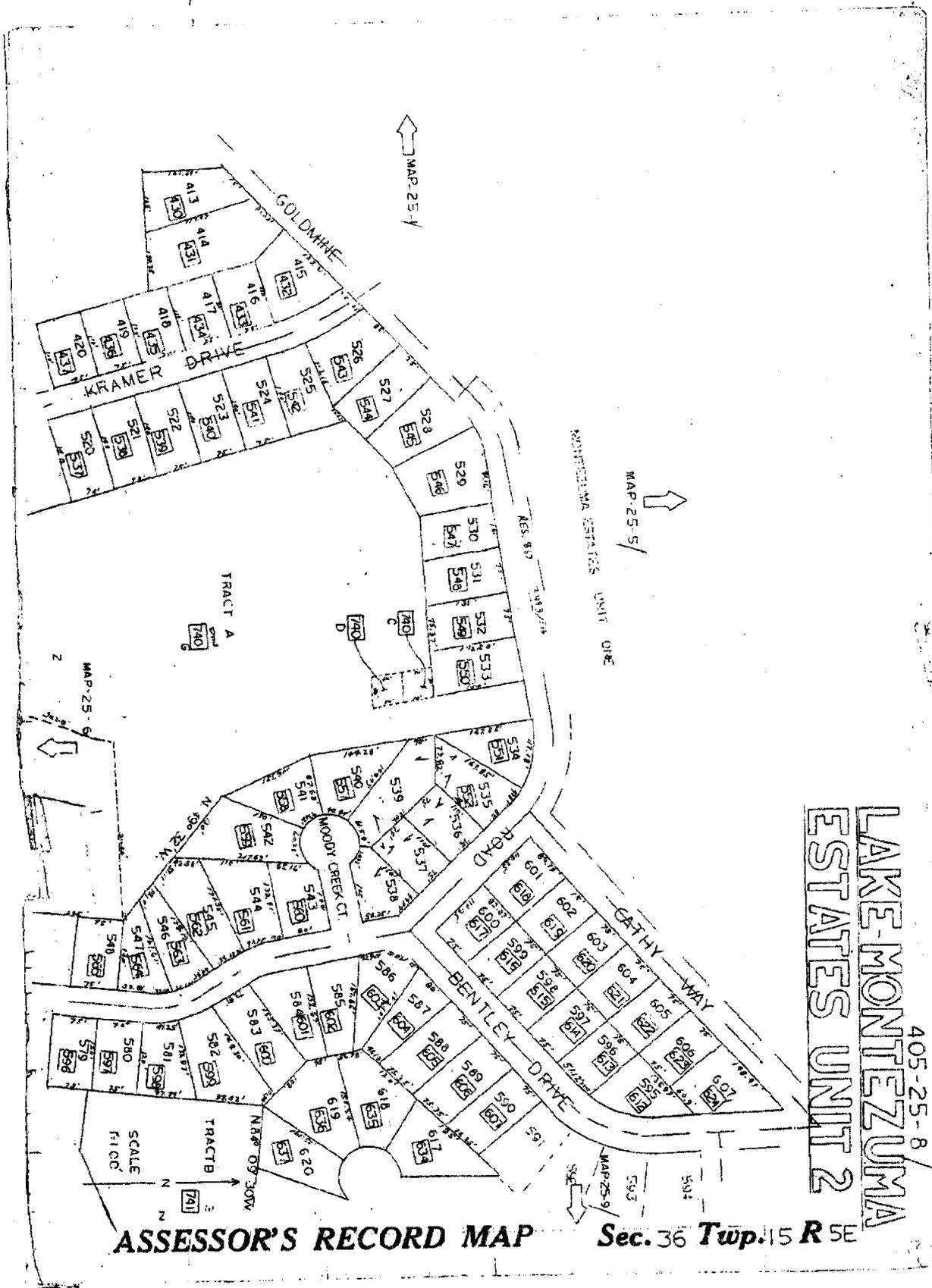
2. The right to take the land by condemning it, unless:
  - A notice of exercising the right appears in the public records on the Policy Date
  - The taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:
  - That are created, allowed, or agreed to by you
  - That are known to you, but not to us, on the Policy Date - unless they appeared in the Public Records
  - That result in no loss to you
  - That first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item B of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
  - To any land outside the area specifically described and referred to in Item 3 of Schedule A
  - OR
  - In streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks



# Assessor Map

Order # 1330942  
Applicable assessor map,  
Based on parcel number written in the report.



Description: Yavapai, AZ Assessor Map 405.25 Page 8 of 9 Only  
 Order: 1 Comment: