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MONTEZUMA ESTATES PROPERTY OWNERS' ASSOCIATION

KNOW ALL MEN BY THESE PRESENTS:

700 NOV 12 10 08 39 AM
the undersigned, do hereby adopt these Articles of Incorporation for the purpose of forming a private, non-profit membership corporation.

AZ CORP COMMISSION
DOCUMENT CONTROL

ARTICLE I

The name of the corporation shall be MONTEZUMA ESTATES PROPERTY OWNERS' ASSOCIATION. Its principal place of business shall be in Rimrock, Arizona. Other offices of business may be established and maintained within the State of Arizona, at such places as the Board of Directors may designate, where meetings of members of the Association and its directors may be held.

ARTICLE II

"Montezuma Estates," as used herein, shall include the property shown in the recorded plats of Lake Montezuma Estates, Units on (1) and two (2) thereof, in the office of the Yavapai County Recorder.

ARTICLE III

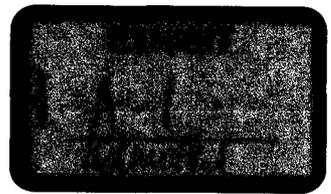
The purpose for which this corporation is formed and the general nature of the business to be transacted, shall be to do all things necessary for the general benefit and welfare of the property owners and residents of lots in Montezuma Estates, and to provide for the operation, maintenance and improvement of all public areas in the recorded plats and protective covenants of Montezuma Estates; to protect and improve public areas and any improvements, equipment and facilities placed thereon; to maintain the standards and protective covenants of Montezuma Estates and to enforce the same, if necessary; to protect the common property interests, and to promote and better the living conditions of members of the Association; to assume all duties, rights, obligations, ownership and maintenance of improvements, equipment, facilities or real estate acquired by the corporation; and to provide the necessary funds for the aforesaid objectives by means of an annual assessment authorized in the manner hereinafter set forth, by a vote of the members of the Association, levied against lots owned by members in Montezuma Estates; to borrow money to secure the payment of the same for the foregoing purposes and objectives; to suspend membership privileges with respect to voting rights and to use of the common facilities for nonpayment of annual assessments; to do all other things necessarily incident to the foregoing objectives and purposes; to establish and adopt By-Laws and rules and regulations deemed necessary and expedient to carry into effect the objectives and purposes heretofore recited in accordance with the laws of the State of Arizona relating to non-profit corporations.

Arizona Corporation Commission

DOCKETED

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The affairs of the Association shall be conducted in a manner so as to comply fully with the recorded restrictive covenants of Montezuma Estates.

Article IV

The affairs of the corporation shall be conducted by a Board of Directors consisting of not less than three (3) nor more than nine (9) members, as shall be specified in the By-Laws of the corporation. Each director shall be a lot owner or resident of a lot in Montezuma Estates. The Board of Directors shall be elected annually by the members at the annual meeting of the members, The first annual meeting of the members shall be held within 60 days following the date of incorporation of this corporation. Thereafter, annual meetings shall be held on a date fixed in and by the By-Laws of the corporation. The directors shall have the power to elect officers of the Association. Any vacancy occurring on the Board of Directors by reason of death, resignation or disqualification of any director shall be filled by the remaining directors, such replacement directors to serve until the next annual meeting of the corporation.

The officers of the Association, to be elected by the Board of Directors at their meeting following the annual membership meeting of the Association, shall be a president, vice-president, secretary and treasurer. More than one office, except that of president and vice-president, may be held by the same person.

Said officers and directors shall serve until the first annual meeting of the members.

ARTICLE V

Ownership of one lot shall entitle the owner to one membership in the corporation, even though title may be vested in the names of husband and wife, jointly, or in more than one owner. In the event that more than one lot is owned by the same individual, firm, partnership or corporation, that individual, firm, partnership or corporation shall be entitled to as many votes as the number of lots owned. The purchaser of any lot shall be regarded as the owner thereof. An owner who leases a lot may designate the lessee as being entitled to membership in the association in lieu of the owner. When ownership, upon which membership in the Association is based, ceases for any reason, membership in the Association shall automatically cease. At any meeting of this corporation, the members present in person or by proxy shall constitute a quorum. Members may vote by proxy at any meeting of the Association duly called pursuant to the By-Laws.

ARTICLE VI

The private property of the members, directors and officers of this corporation shall be forever exempt from its debts and obligations, except as herein set forth.

ARTICLE VII

Subject to the further provisions hereof, the corporation shall indemnify any and all of its directors, officers, former directors and former officers, against all expenses incurred by them, and each of them, including but not limited to legal fees, judgements and penalties which may be incurred, rendered or levied in any legal action brought by any of them for or on account of any action or omission alleged to have been committed while acting within the scope of employment as director or officer of the corporation. Whenever any director or officer, former director or former officer shall report to the president of the corporation or the chairman of the Board of Directors that he has incurred or may incur expenses, including but not limited to legal fees, judgements and penalties in a legal action brought or about to be brought against him for or on account of any action or omission alleged to have been committed by him while acting within the scope of his employment as a director or officer of the corporation, the Board of Directors of the corporation shall, at its next regular or at a special meeting held within a reasonable time thereafter, determine in good faith whether, in regard to the matter involved in the action or contemplated action, such person acted, failed to act or refused to act willfully, with gross negligence or with fraudulent or criminal intent. If the Board of Directors determines in good faith that such person did not act, fail to act or refuse to act willfully or with gross negligence or with fraudulent or criminal intent in regard to the matter involved in the action or contemplated action, indemnification shall be mandatory and shall be automatically extended as specified herein, provided, however, that no such indemnification shall be available with respect to liabilities under the Securities Act of 1933, and provided, further, that the corporation shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the corporation, at its own expense and through counsel of its own choosing, to defend him in the action.

ARTICLE VIII

For the purpose of providing the necessary funds for the carrying out of the purposes of this corporation, as set forth in Article III, and the necessary operating expenses of this corporation, the Board of Directors shall prepare annually a budget covering and showing all operating expenses of the Association for the ensuing year, which shall be presented to, and approved by, the members at the annual meeting or at any special meeting duly called pursuant to the By-Laws for the purpose of determining such assessment. On the basis of said approved budget, there may be levied annually an assessment against each member of the Association. The amount of such assessment for the ensuing year shall be determined by a majority vote of the members. The Board of Directors is authorized to terminate membership in the Association by reason of delinquent and unpaid assessments.

ARTICLE IX

H. J. WOLFINGER, having been a bona fide resident of the State of Arizona for the last three years, is hereby appointed and made lawful agent for and on behalf of this corporation in and for the State of Arizona, to accept and acknowledge service of, and upon whom may be served all necessary process in any action, suit or proceeding, which may be had or brought against such corporation in any court in the State of Arizona, such service of process or notice of the acceptance thereof by him thereon endorsed to have the same force and effect as if served upon the president and secretary of this corporation. This appointment may be revoked at any time by filing of the appointment of another agent.

ARTICLE X

These Articles of Incorporation and the By-Laws of the Association may be amended by the Association at a duly constituted meeting for such purpose.

MONTEZUMA ESTATES PROPERTY OWNERS ASSOCIATION
P. O. BOX 971
LAKE MONTEZUMA, ARIZONA 86342

BY-LAWS

ARTICLE I

The name of this association shall be Montezuma Estates Property Owners Association, Lake Montezuma, Arizona.

The Association is a non-profit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Declaration of Restrictions, the Articles of Incorporation, the By-Laws, and the Rules of the Association as the same may be amended from time to time.

ARTICLE II

"MONTEZUMA ESTATES," as used herein, shall include the property shown in the recorded plats of Lake Montezuma Estates, Units I and II thereof, in the office of the Yavapai County Recorder.

ARTICLE III - Object

The purpose of the Montezuma Estates Property Owners Association will be to promote an understanding among all Lake Montezuma Estates Units I and II property owners of the purpose of the Declaration of Restrictions, the Articles of Incorporation, the Rules, and the Architectural Control Committee, and the enforcement of said instruments; all for the general purpose of forming a uniform plan for the improvement and development of the properties in Lake Montezuma Estates, Units I and II.

ARTICLE IV - Membership

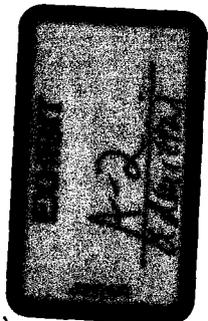
The membership roster of the Association shall consist of all Lake Montezuma Estates Units I and II property owners. There shall be one membership per lot. An owner who leases a lot may designate the lessee as being entitled to membership in the Association in lieu of the owner. Members in good standing may vote by proxy at any meeting of the Association duly called pursuant to these By-Laws.

To provide necessary funds for the aforesaid objectives, an annual assessment authorized by the Board members shall be levied against properties owned by members in Lake Montezuma Estates, Units I and II. Only those property owners in the Estates with current membership can be elected to the Board or serve as an officer or on any Committee. Voting rights and use of common facilities can be withdrawn for non-payment of annual assessments.

ARTICLE V - Government

The management and full control of the Association will be vested in the Board of Directors. The affairs of the Association shall be conducted in such a manner so as to comply fully with the recorded restrictive covenants of Lake Montezuma Estates, Units I and II. All decisions made by the majority of the Board will be legal and binding.

The Board will consist of not less than three (3) nor more than nine (9) current members. Each director shall be a property owner or resident property owner in Lake Montezuma Estates Units I and II and in good standing, and elected annually by current members at the regular meeting. The Directors



shall have the power to elect officers of the Association at a meeting following the annual membership meeting. The officers and directors of the Association are: President, Vice-President, Secretary, and Treasurer. More than one office, except that of President and Vice-President may be held by the same person. The term of office shall be one (1) year, but an officer may be re-elected to additional terms. The immediate Past President automatically becomes an ex-officio member of the Board of Directors with the right to vote. Any vacancy occurring on the Board of Directors shall be filled by the remaining Directors, to serve until the next annual meeting.

The nominating Committee will consist of three (3) current members: two (2) elective and one (1) appointed by the then President. Nominations may be made from the floor, previous permission having been obtained.

Association meetings will be called by the President annually on the last Friday in June of each year; time and place to be designated in the notice of meeting. Board of Directors meetings may be called by the President as deemed necessary.

ARTICLE VI - Officers and Committees

A. Elective officers of the Association will be as follows:

President, Vice-President, Secretary, and Treasurer

B. Elective Committee Members:

Two members of the Nominating Committee will be elected by the current membership. The nominees must be in good standing.

C. Appointive Committees:

The President will appoint one (1) member in good standing to the Nominating Committee.

The Architectural Control (Review) Committee shall be the Board of Directors, or may be assigned by the Board to other current members, as follows:

The membership of the Committee shall consist of three (3) members in good standing, and one (1) alternate current member.

No member or alternate shall be required to be an architect.

A member must be a Montezuma Estates property owner and a member in good standing of the Association.

He need not be, but may be a member of the Board, or an officer of the Association.

A majority vote of the Board will constitute approval or disapproval of the Committee.

ARTICLE VIII - Duties of the Board of Directors

General Powers:

The Board of Directors shall manage the business and affairs of the Association and may exercise all such authority and powers of the Association, and do all such lawful acts and things as are not by law, The Declaration of Restrictions, The Articles, Rules, and By-Laws directed or required to be exercised or done by the members. The powers of the Board shall encompass, but not be limited to, all rights and duties of the Board as set forth in the Articles, the Declaration, the Rules, and the By-Laws.

Association Rules:

The Board shall have the power to adopt, amend, repeal, and enforce the Association Rules, as are consistent with its general powers.

Levy of Assessments:

The Association shall have the right and power to levy assessments against each Montezuma Estates property as deemed necessary.

The Board:

The President shall preside at all meetings of the Association, and of the Board of Directors, and, in general, perform the duties incident to the office.

The Vice-President shall perform duties of the President in his absence, or at the President's request, any other duties as required by the President.

The Secretary shall record the minutes of all meetings, and furnish a copy to the President. She shall handle all correspondence of the Association, except that requiring the President's and Board's official attention.

The Treasurer shall receive all monies, make disbursements upon direction of the Board, and give a financial report at each meeting.

The Architectural Control Committee shall consider and act upon proposals or plans submitted to it; to perform other duties delegated to it; and to carry out all other duties imposed by the Articles, the Declaration, the Rules, and the By-Laws.

The Nominating Committee shall present a slate of nominees to be elected to the Board by current membership at each annual meeting.

ARTICLE VIII - Membership Assessment

The annual membership assessment of the Montezuma Estates Property Owners Association will be \$10.00, subject to change by a majority vote of the Board members.

ARTICLE IX - Personal Liability

Be it known to all interested parties that no member of the Board or any Committee of the Association shall be personally liable to any property owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, its Board or Committee, or any member of the Board or Committee, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, without willful or intentional misconduct.

ARTICLE X - By-Laws

These By-Laws of the Association may be amended by the Association at a duly constituted meeting for such purpose.

ARTICLE XI - Order of Procedure

Robert's Rules of Order, Rev. shall govern the Association on all particulars not herein provided.

STATE OF ARIZONA, County of Yavapai...
I do hereby certify that the within instrument was filed and recorded at the request of TRANSAMERICA TITLE INS. CO.
on Dec. 16, 1965 A.D., 1965 at 11:40 o'clock A.M. Book 507 Official Records
Page 162 165 166 Records of Yavapai County, Arizona.
WITNESS my hand and official seal the day and year first above written.

FRANK C. BAUER, County Recorder.
By Gene Lynn D. Jaro Deputy

When recorded return to:
Transamerica Title Insurance Company
P.O. Drawer 13028, Phoenix, Arizona
Attention: ~~XXXXXXXXXXXXXXXX~~ C. Carnahan
Trust ~~XXXX~~ 5514

DECLARATION OF RESTRICTIONS

KNOW ALL MEN BY THESE-PRESENTS:

That TRANSAMERICA TITLE INSURANCE COMPANY OF ARIZONA, an Arizona corporation as Trustee, being the owner of the following described premises, situated within the County of Yavapai, State of Arizona, to-wit:

Lots One (1) through Four Hundred Twelve (412) inclusive, LAKE MONTEZUMA ESTATES UNIT ONE, according to the plat of record in the office of the Yavapai County Recorder in Book 13 page 29,

and desiring to establish the nature of the use and enjoyment thereof, does hereby declare said premises subject to the following express covenants, stipulations and restrictions as to the use and enjoyment, to-wit:

1. Lots 84, 85, 86, 87, 90, 91, 92, (93), 95, 96, 99, 100, 101, 102, 103, 106 through 139 inclusive, 152 through 191 inclusive, 193 through 213 inclusive, 215 through 231 inclusive, 241 through 305 inclusive, 314 through 351 inclusive, 355 through 381 inclusive, 383 through 412 inclusive, shall be known and described as single family residential lots.

2. Lots 83, 88, 89, (94), 97, 98, 104, 105, 140 through 151 inclusive, 192, 234 through 240 inclusive, 306 through 312 inclusive, 352, 353, 354 and 382 may each contain a multiple dwelling not exceeding four (4) units.

3. Lots 214, 232, 233 and 313 may each contain a multiple dwelling not exceeding six (6) units.

4. Lots 1 through 82 inclusive shall be known and described as commercial building lots.

5. No structure or dwelling shall be commenced, erected or placed on any of said lots until the design and location of said structure and the kind of materials to be used in said structure have been approved in writing by the Architectural Committee appointed by the Developing Corporation (i.e. Lake Montezuma Development Corporation, an Arizona Corporation, its successors or assigns). In the event the Developing Corporation shall fail to approve or disapprove the design, location or the kind of materials to be used in such structure within thirty (30) days after receipt of written request so to do, such plans and request having been filed with the Developing Corporation, approval thereof shall be deemed to have been given; provided however, that the design, location and kind of materials and the buildings to be built on said lots shall not be violative of any of the restrictions contained in the Declaration.

6. All construction must be commenced within three (3) months from the date approval by the Architectural Committee shall have been given and all structures shall be completed within six (6) months from commencement of construction. It shall be the responsibility of the lot

BOOK 507 PAGE 162



owner or his agent to notify the Developing Corporation in writing of the starting date of construction, and completion date.

7. On those specified lots known as single family residential lots, no dwelling shall have a ground floor area of less than nine hundred (900) square feet, exclusive of open porches, pergolas or attached garage; such dwelling houses shall be of masonry or frame with decorative paneling, if so desired.

8. On those specified lots known as multiple dwelling lots, no multiple dwelling unit shall have a ground floor area of less than three hundred fifty (350) square feet per unit; except that if such multiple dwelling site is actually being used as a single family residence, then no dwelling shall have a ground floor area of less than nine hundred (900) square feet, exclusive of open porches, pergolas, and/or attached garages; such dwelling houses and multiple dwelling houses shall be of masonry or frame with decorative paneling, if so desired.

9. The lines of the walls nearest to the front property line of any dwelling house, multiple dwelling house, or any garage or out-building, incident thereof, built or placed on any lot, shall not be closer than fifteen (15) feet from the front property line, and the side walls thereof shall not be closer than seven (7) feet to the side lot line and the rear walls thereof shall not be closer than fifteen (15) feet from the rear property line. No overhang will be permitted beyond the property line. Provided however, notwithstanding anything in this Declaration of Restrictions to the contrary, the Developing Corporation may at any time at its discretion vary the restrictions contained within this Paragraph 9 to accommodate the use of the land consistent with existing site conditions.

10. The front, side and rear walls of commercial building lots shall require no setbacks from the property lines but no overhang shall be permitted beyond the property lines.

11. No temporary structures shall be placed on any lots described in this Declaration, EXCEPT during the period of actual construction of a permanent type building, such necessary temporary structures as may be required may be allowed on such lots during such period not to exceed 120 days.

12. No structure shall be erected, altered, placed or permitted to remain on any of the lots described in this Declaration which exceeds one and one-half (1-1/2) stories in height.

13. No lots described in this Declaration shall be used for residential, multiple dwelling or commercial purposes prior to installation thereof of water flush toilets, and all bathrooms, toilets or sanitary conveniences shall be inside of the buildings permitted hereunder. Until such time as sewers may be available, all bathrooms, toilets or sanitary conveniences shall be connected to septic tanks and cesspools constructed according to county specifications. The cesspool shall be deep enough to prevent water coming to the surface. When and after sewers are available, then all such toilets, bathrooms and sanitary conveniences thereafter installed shall be connected to such sewer system.

14. No lot described in this Declaration shall be subdivided into smaller lots nor conveyed or encumbered in less

than the full original dimensions of such lot, EXCEPT for purposes in connection with the installation or maintenance of public utilities, provided that this restriction shall not prevent the conveyance or encumbrance of adjoining or contiguous lots or parts of lots in such manner as to create parcels of land in a common ownership having the same or a greater street frontage than the street frontage originally shown. Thereafter, such parts of adjoining or contiguous lots in such common ownership shall, for the purposes of these restrictions be considered as one lot. Nothing herein contained shall prevent the dedication or conveyance of portions of lots for public utilities, in which event the remaining portion of any such lot shall, for the purpose of this provision be treated as a whole lot.

15. No livestock, including without limitation hogs, goats, horses, sheep or cows, or poultry or rabbits, shall be kept on any lots.

16. No structure of any kind or nature shall be erected, permitted or maintained, on, over or across the easements for utilities and as shown on the plat of this recorded subdivision of the Developing Corporation.

17. No waste, refuse or garbage shall be burned on these premises, but must be deposited in a place to be designated by the Developing Corporation. If and when a garbage and refuse collection service is inaugurated and each lot owner charged a fair and equal amount therefor, each lot owner must use such service.

18. Neither the purchaser nor any successor in interest shall be deemed to have acquired any proprietary rights or riparian rights in the land that is retained by Lake Montezuma Development Corporation or in the clubhouse or grounds or in any of the lakes, irrigation ditches, Beaver Creek or other waterways.

19. No lot owner or anybody under his direction will be allowed to cover, bridge or otherwise interfere with existing irrigation culverts or ditches without the prior express written approval of the Developing Corporation.

20. No lot described in this Declaration shall at any time be used as a wrecking yard or junk yard, nor for any purposes in connection therewith, nor shall any lot be put to any use which will or may create a public or private nuisance or a hazard to the lawful use of any other property.

The foregoing restrictions and covenants run with the land and shall be binding on all persons owning any of said lots in any recorded subdivision until twenty (20) years from date, at which time said covenants shall be automatically extended for successive periods of ten (10) years each, unless by a vote of a majority of the then owners of the lots described in this Declaration it is agreed to change the said covenants in whole or in part.

Deeds of conveyance of said property, or any part thereof, may contain the above restrictive covenants by reference to this document, but whether or not such reference is made in such deeds, or any thereof, each and all of such restrictive covenants shall be valid and binding upon the respective grantees. Violations of any one or more of such

covenants may be restrained by any court of competent jurisdiction and damages awarded against each violator for each separate violation; provided, however, that a violation of these restrictive covenants or any one or more of them shall not affect the lien of any mortgage now of record, or which hereafter may be placed of record upon said lots or any part thereof.

Should any of the covenants or stipulations herein be held invalid or void, such invalidity or voidness of any of the covenants shall not affect the rest of the instrument or any remaining valid covenants herein contained.

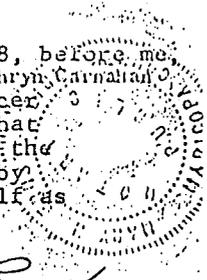
IN WITNESS WHEREOF, TRANSAMERICA TITLE INSURANCE COMPANY OF ARIZONA, as Trustee has hereunto caused its corporate name to be signed and its corporate seal to be affixed and the same to be attested by the signatures of its duly authorized officers this 5th day of August, 1968.

TRANSAMERICA TITLE INSURANCE COMPANY OF ARIZONA,
AS TRUSTEE

By Kathryn Carnahan
Assistant Trust Officer

STATE OF ARIZONA)
)
COUNTY OF MARICOPA)

On this, the 5th day of August, 1968, before me, the undersigned officer, personally appeared Virginia Kathryn Carnahan of Crackenbush, who acknowledged herself to be a Trust Officer of Transamerica Title Insurance Company of Arizona and that she as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation as Trustee, by herself as such officer.



Marcy H. Ernst
Notary Public

My commission expires My Commission Expires May 14, 1972

ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006
PHONE: (602) 240-6860 • FAX: (602) 240-6878 • WWW.AZWATER.COM

August 5, 2004

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AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

Mr. Jim Fisher
Executive Consultant
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

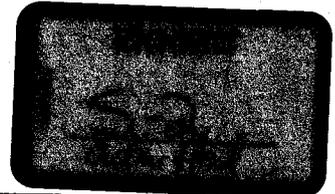
Re: Montezuma Estates Property Owners' Association

Dear Mr. Fisher:

Arizona Water Company (the "Company") met with representatives of the Montezuma Estates Property Owners' Association (the "Association") in April 1999 concerning a potential sale of the Association's water system to the Company. In conducting its due diligence, the Company tested both of the Association's wells. The test results showed that the arsenic level in the main supply well exceeded 50 parts per billion ("PPB"), the maximum contaminant level ("MCL") for arsenic at that time. The Company's notes showed the main supply well was equipped for 88 gallons per minute ("GPM") and the smaller supply well was equipped for 16 GPM.

The Company contemplated interconnecting the Montezuma Estates water system with the Company's Rimrock water system. At that time it was likely that the Association's main supply well would need to be removed from service because of the high arsenic level. The Company informed the Association by letter dated April 21, 1999 (copy enclosed), that the Company would like to renew discussions with the Association on the possibility of the Company providing water service to Montezuma Estates when additional water supplies became available in the Company's Rimrock water system. As you can see from the attached map, the Association's water system is immediately adjacent to the Company's Rimrock water system and is much smaller in comparison.

Since April 21, 1999, the Company has developed a new water supply well for Rimrock, which is equipped for 350 GPM. More importantly, the Company has received approval from the Arizona Corporation Commission for an arsenic cost recovery mechanism. This allows the Company to move forward with the construction of arsenic treatment plants for its Rimrock water system to restore Rimrock Well #4 to service, which has an equipped capacity of 100 GPM.



E-MAIL: mail@azwater.com

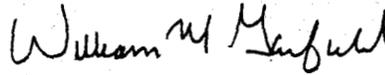
To: Jim Fisher – Arizona Corporation Commission
Re: Montezuma Estates Property Owners' Association

August 5, 2004
Page 2

The Company now has adequate capacity to interconnect the Montezuma Estates water system with its Rimrock water system and provide reliable water service not only to its Rimrock customers, but to all of the Montezuma Estates customers as well. In addition, the Company's ongoing arsenic treatment plant construction will achieve compliance with the new arsenic MCL of 10 PPB well before the January 23, 2006 deadline. The Company is interested in pursuing the acquisition of the Montezuma Estates water system if the Association is also interested.

If you have any questions on this matter, please call me.

Very truly yours,



William M. Garfield
President

mcm
Enclosures

April 21, 1999

Mr. Art Guenther
Montezuma Estates Property Owners Association
P. O. Box 612
Rimrock, AZ 86335

Re: Property Owners Association Water Company

Dear Mr. Guenther:

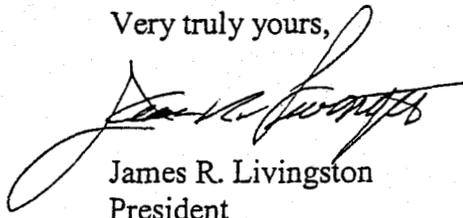
Thank you for the time and detail you provided Mike Whitehead, Ray Miller and me when we toured the Montezuma Estates Water Company system on March 16, 1999. At that time I told you Arizona Water Company's ("the Company") interest in taking over operations of the Montezuma Estates water system and connecting it to the Company's Rimrock water system would depend on the results of the analyses of water taken from the water system's two wells.

Unfortunately, the analyses of water taken from the major supply well showed an arsenic level that exceeds the maximum contaminant level (MCL) allowed for drinking water, and the analyses of water from the smaller well was very close to the arsenic MCL. The total supply currently does not meet drinking water standards.

While the Company has sufficient water to supply its existing service area in Rimrock, it does not have sufficient supply to also serve an area the size of Montezuma Estates without acquiring additional water supplies meeting drinking water standards. When additional supplies are available we would like to renew discussions on the possibility of Arizona Water Company providing water service to Montezuma Estates.

Thank you for your time and interest.

Very truly yours,



James R. Livingston
President

mcm *

c: Route - Phoenix Staff
Ray Miller - SD

E-MAIL: mail@azwater.com

