

NEW APPLICATION



0000023737

ARIZONA CORPORATION COMMISSION



ORIGINAL

RECEIVED
2005 JUL 22 P 1:22
AZ CORP COMMISSION
DOCUMENT CONTROL

FINANCING APPLICATION

W-02052A-05-0528

WHY UTILITY 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**

To: Arizona Corporation Commission

Re: Why Utility Company, INC application for financing approval

1. Why Utility Company, Inc PO Box 69 Ajo, Arizona 85321
2. Vern Denning, Water System Manager (520) 387-6948
3. Financing for the total project is \$1,349,178 to be received from the USDA department of Rural Utility Services (RUS). Of that total amount, only \$185,000 of the financing must be paid back; the remainder of the funding is from grants awarded to the utility. The repayment schedule on the debt is set up for 40 years from the date of loan closing. Beginning in the third year of the loan, principal and interest payments in the amount of \$820.00 will be due monthly. For the first two years, one annual interest payment is due from the utility. The loan will be secured by a lien on the utility's water well and water tanks. (Please see the attached letter of conditions from USDA Rural Development for more specifics on the overall terms of the financing). Debt service payments to be covered by the increase in the utility's rate schedule pending approval from the Arizona Corporation Commission.

An additional request for financing approval is submitted on a \$30,000 Note that was signed by the utility company in October of 2002. This money was used to purchase an additional 2.51 acres of adjoining land to the existing campground owned by the utility company. (Please see attached loan schedule and Note that was executed for the debt).

Rural Community Assistance Corporation (RCAC) will provide interim financing in the amount of \$400,000 while the utility is awaiting approval from the Commission on the rate increase and accumulating all necessary items to satisfy Rural Development's Letter of Conditions. Monthly payments of interest only will be made to RCAC. A percentage of the total loan amount will be set aside as an interest reserve to cover these costs. Payoff of the RCAC loan will be provided by the permanent financing from USDA and will occur within a three to six-month timeframe. The interim financing is necessary due to rising costs with the filtration system. In order to avoid further price increases, the utility can proceed with the asset purchase while awaiting the approval of the Commission and receiving the obligated funding from USDA for the overall project.

4. See attached financial sheet showing underwriting information relating to expected gross proceeds, issuance expenses, and net proceeds.

5. Project Cost Items:

| | |
|---|------------------|
| Development (arsenic treatment, lines, storage tanks) | \$1,012,511 |
| Arch, Engineering and Planning | 235,416 |
| Contingencies | <u>101,251</u> |
| | 1,349,178 |

6.

- (a) Corporation resolution(s) to Borrow approved by the Board of Directors and attached for review-3 attachments: RCAC, USDA and land purchase debt.
- (b) Project is compatible and necessary due to arsenic concentrations that are higher than the Arizona maximum contaminant level (MCL) for a community water system. This one element of the project is in the interest of safety for the public and residential users of the water system. Other proposed development activities will allow the utility to create a more efficient and capable utility again for the good of the public interest.
- (c) The proposed financing is compatible with sound financial practices as the utility has been successful in offsetting costs and operational expenses of the utility company with revenue generated from other investment properties owned by the utility. As a result, no long-term debt has ever been issued to the utility and the proposed project's \$185,000 debt repayment is compatible with the proposed rate increases and expected revenue from water sold.
- (d) All upgrades and distribution system repairs will be compatible with Arizona Department of Environmental Quality (ADEQ) guidelines. The project will not interfere with the performance of the utility and its' ability to provide water to bcustomers.

7. A 1% loan fee of \$4,000 will be collected from the Why Utility Company as part of the overall loan processing fee from Rural Community Assistance Corporation (RCAC) for the interim financing to be provided to the utility. The contact for the loan fund would be RCAC's Chief Credit Officer, Robert Longman. The corporate office is located at 3120 Freeboard Drive, Suite 201, W Sacramento, CA 95691.

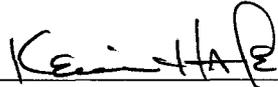
8. Security Requirements:

- (a) Form RD 440-22, "Promissory Note"
- (b) OGC-38(A) (AZ), "An Assignment of Income and Assessment". Article 9 of the UCC as amended, effective July 1, 2001, allows RUS to file financing statement and related documents without signatures from the Applicant.
- (c) RUS Bulletin 1780-28, "Loan Resolution 1780-28, "Loan Resolution Security Agreement"
- (d) RUS Bulletin 1780-12, "Association Water or Sewer Agreement"
- (e) Security Agreement will be executed.

(f) UCC Financing Statement will be executed and filed with the Secretary of State.

(g) Form RD 1927-1, AZ, "Real Estate Deed of Trust".

9. See attached proposed Why Utility annual budget.
10. To be submitted when requested from Commission.



Kevin Hale, Loan Officer
Rural Community Assistance Corporation
1955 W Grant Rd, Suite 125V
Tucson, AZ 85745-1174
520/770-9882
520/860-0565 (cell)

07-07-05
Date



Committed to the future of rural communities.

United States
Department
of Agriculture
Rural Development

4650 N. Highway Dr.
Tucson, AZ 85705

(520) 887-4505
(602) 280-8705 TDD
(520) 888-1467 FAX

April 11, 2005

Why Utilities Company Inc.
Norman Paden, President, Board of Directors
PO Box 69
Why, AZ 85321

RE: Letter of Conditions

Dear Mr. Paden:

This letter establishes conditions, which must be understood and agreed to by you before further consideration may be given to the application. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project must be reported to and approved by the United States Department of Agriculture, Rural Development, by written amendment to this letter. The actual agency that will make the loan and grant and will provide the financial assistance is the Rural Utilities Service, United States Department of Agriculture (RUS).

Any changes not approved by RUS shall be cause for discontinuing processing of the application. Why Utilities Company Inc. will herein be referred to as the "Applicant."

This letter is not to be considered as approval of the loan and grant application or as a representation as to the availability of funds. The docket may be completed on the basis of an RUS Loan and grant not to exceed \$ 185,000 and \$ 864,178 respectively in conjunction with a Colonia Grant in the amount of \$ 300,000.

If RUS makes the loan, you may make a written request that the interest rate be the lower of the rates in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. If you want the lower of the two rates, your written request should be submitted to Rural Development as soon as practicable. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 calendar days before loan closing.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," and Form RD 1940-1, "Request for Obligation of Funds," if you desire that further consideration be given your application. Also submit a schedule showing

completion dates of the final plans and specifications and a schedule for completion of the final bidding documents, start of construction and project completion.

The completion and execution of these forms, or any other form required by RUS, must be authorized by an appropriate resolution.

If conditions set forth in this letter are not met within 150 days from the date hereon, RUS reserves the right to discontinue processing the application.

By signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to the following:

1. REPAYMENT SCHEDULE

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of loan closing. The interest rate will be 4.25 percent. During this period an interest only payment will be due 12 and 24 months from the date of loan closing. Thereafter, Principle and Interest payments in the approximate monthly amount of \$ 820.00 will be made in accordance with the Promissory Note. The interest and principal payments will be made on the due dates to the Rural Development State Office in Phoenix, Arizona at 230 N. First Ave., Suite 206, Phoenix, Arizona 85003.

Monthly payment will be made by participating in the PRE-AUTHORIZED DEBIT (PAD) payment process. A PAD will allow for your payment to be electronically debited from your account on the day your payment is due. A PAD authorization form is attached for your use. Timely payment on the due date preserves interest income on your account at your financial institution, and timely payments prevents excess interest charged to your loan account with RUS.

2. PROJECT FUNDING

Loan and grant funds will be used as follows:

| PURPOSE | COLONIA GRANT | RUS GRANT | RUS LOAN | TOTAL |
|---------------|------------------|--------------|-------------|--------------|
| Develop Costs | \$ 300,000 | \$ 864,178 | \$ 185,000 | \$ 1,349,178 |

3. NUMBER OF USERS

The applicant must certify that there will be at least 101 users/service connections at completion of the project. Rural Development will authenticate the number of users prior to loan closing, or at start of construction. The applicant will provide evidence that it has established a user rate schedule that, at a minimum, provides an average user charge of \$ 49.38 per month. This will be evidenced by providing an operating budget

that shows sufficient revenues to support operation, maintenance, debt-service and short lived assets.

4. SECURITY REQUIREMENTS

Security for repayment of the loan will consist of a 1st Lien on Real Estate owned by the applicant and evidenced by the following documents to be executed at loan closing:

- (a) Form RD 440-22, "Promissory Note".
- (b) OGC-38(A) (AZ), "An Assignment of Income and Assessments". Article 9 of the UCC as amended, effective July 1, 2001, allows RUS to file financing statements and related documents without signatures from the Applicant.
- (c) RUS Bulletin 1780-28, "Loan Resolution Security Agreement".
- (d) RUS Bulletin 1780-12, "Association Water or Sewer Agreement".
- (e) Security Agreement will be executed.
- (f) UCC Financing Statement will be executed and filed with the Secretary of State.
- (g) Form RD 1927-1 AZ, "Real Estate Deed of Trust".

The Applicant will provide a title insurance policy in an amount equal to the proposed loan amount. Our Office of General Counsel may require additional security requirements.

5. ORGANIZATION

The Applicant will furnish documentation regarding the organization that it includes the legal authority necessary for construction, operating, and maintaining the proposed facility and for obtaining, giving security for, and repaying the proposed loan. The Applicant must also provide a Letter of Good Standing from the Arizona Corporation Commission.

6. BUSINESS OPERATION

A. RUS Bulletin 1780-28, "Loan Resolution Security Agreement," (copy attached), will be signed at loan closing. The form repeats some covenants contained in this Letter of Conditions, as well as establishing several additional requirements. The Applicant should carefully review this document and if questions arise, should contact Rural Development for clarification before its adoption.

B. Audit Requirements: The following management data will be required from you on an annual basis and be submitted to RUS as specified below:

A borrower that expends \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal financial assistance per fiscal year shall submit an audit performed in accordance with the requirements of OMB Circular A-133. As described above, the total Federal funds expended from all sources shall be used to determine

Federal financial assistance expended. Projects financed with interim financing are considered federal expenditures. OMB Circular A-133 audits shall be submitted no later than 9 months after the end of the fiscal year. In addition to submitting two (2) copies of the audit report to RUS, the borrower is also required to submit copies of OMB Circular A-133 audits, accompanying audit letters (the "reporting package"), and the Data Collection Form to the Federal clearinghouse designated by OMB to retain as an archival copy. The Federal clearinghouse address is: Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, Indiana 47132. RUS Bulletin 1780-31, (Attachment No. _____) outlines the requirements of OMB Circular A-133 audits. Rural Development must review and approve the auditing agreement prior to loan closing.

C. The loan will be subject to the provisions of equal opportunity in employment for construction and nondiscrimination in accordance with Title VI of the Civil Rights Act of 1964. To this end, the applicant must, by appropriate resolution, authorize the execution of, and execute, Form RD 400-4, "Assurance Agreement," attached hereto.

D. The Applicant agrees to maintain rates and charges as necessary to provide for operation, maintenance and debt service. The Applicant shall be responsible for operating, maintaining, and managing the facility, and providing for its continued availability and use at reasonable rates and terms. The Applicant shall exercise this responsibility even though the facility may be operated, maintained, or managed by a third party under contract, management agreement, or written lease. This requirement will be evidenced by completion of a final operating budget prior to loan closing. RD form 442-7 or other similar form approved by Rural Development may be used. The applicant's Management Plan must be submitted for review and approval by Rural Development before loan closing.

E. A separate reserve account will be established. In addition to the annual payments to RUS, the reserve account will be funded at the rate of 10% of the yearly RUS loan payment per year. so that by the end of 10 years one full annual installment will have accrued. When one full annual payment is established, reserve payments may be suspended unless reserve funds are used. This reserve will be maintained throughout the life of the loan, except that it may be used for emergency purposes when approved by Rural Development. Should the fund be reduced below the required amount, the monthly deposit requirement will be reinstated until the equivalent of the required amount is on hand.

7. INSURANCE AND BONDING

Insurance and bonding will be required as outlined in RD Instruction 1780.39 (g) and evidence of coverage will be furnished to Rural Development annually. Rural Development must approve the coverage selected.

A. PROPERTY INSURANCE - Fire and extended coverage will be carried on all above ground structures, including machinery, equipment, and furnishings housed therein. This includes pumps and electrical equipment.

B. LIABILITY AND PROPERTY DAMAGE INSURANCE - Applicant should review existing coverage to determine its adequacy and make adjustments upward, if necessary.

C. WORKERS COMPENSATION - The Applicant will be required to carry suitable Workers Compensation Insurance for all its employees in accordance with applicable Arizona laws.

D. FIDELITY BONDS - Positions of officials entrusted with the receipt and disbursement of its funds and the custody of any property for this project will be covered by a fidelity bond. The amount of bond will be at least equal to the annual debt service requirements for the Rural Development loans. Form RD 440-24, "Position Fidelity Schedule Bond", may be used.

8. OBTAINING ADEQUATE, CONTINUOUS, AND VALID RIGHTS-OF-WAY FROM THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF ITS FACILITIES

The Applicant will submit the following documentary evidence to Rural Development prior to advertising for construction bids:

A. A copy of the form of right-of-way instrument to be used if it differs from Form 442-20, "Right-of-Way Easement," (copy attached). Rights-of-way with restrictive provisions should be accepted only in very unusual circumstances. Whenever the form of the instrument differs from Form RD 442-20 or contains special provisions that are required by either the Applicant or the grantor, copies of such instruments will be submitted to Rural Development for review prior to acceptance and recording. Either specific right-of-way containing a centerline description of the rights-of-way, or general rights-of-way containing only a description of the tract or parcel land affected may be used where applicable. The Applicant will submit copies of the final, executed documents.

B. A certificate by a duly authorized official of the Applicant that it has obtained and presently holds adequate and sufficient legal title to all rights-of-way, permits, licenses, and other authorizations deemed necessary by the Applicant, its engineer and attorney, for an uninterrupted right-of-way for the construction, operation and maintenance of the facilities. Please use Form RD 442-21, "Right-of-Way Certificate," (copy attached).

C. A right-of-way map showing the location of all structures, pipelines, wells, and the like. When completed, the map should show that the rights-of-way are

continuous with no gaps. Rights-of-way acquired by use or adverse possession will be shown by some distinctive color. This map will be prepared by the Applicant's engineer, and it will bear the signature of the engineer.

D. An opinion of the Applicant's attorney relating to the adequacy and legal sufficiency of the rights-of-way covered by the Right-of-Way Certificate and the right-of-way map. Use Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," (copy attached), to the extent possible. Counsel for the Applicant is hereby advised that Rural Development requires written consents to the granting of easements across private land from prior lienholders. The Applicant's legal counsel will be responsible for obtaining any and all such consents.

9. PLANNING AND PERFORMING DEVELOPMENT

A. The RUS Instruction 1780 Subpart C, Planning, Designing, Bidding, Contracting, Constructing and Inspections, outlines the policies for planning and developing water and wastewater facilities (<http://www.usda.gov>).

B. The engineer shall not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost as shown in Item 2, "Project Funding," of this letter. When this determination has been made, Rural Development shall be so advised by letter. The engineer may then proceed to develop final plans and specifications that must be approved in writing by the Arizona Department of Environmental Quality, and Rural Development prior to advertising for bids.

C. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project, and concurrence is provided by Rural Development.

D. After bid opening the consulting engineer will tabulate and review bids, investigate the successful bidder, and submit a written recommendation to the Applicant. This information will be reviewed by Rural Development, which must concur in writing before the award of contract is made.

E. PRIOR to issuance of the NOTICE TO PROCEED, the applicant shall obtain all required construction reviews, approvals, and permits required by jurisdiction of the local government, county, state, or other federal agencies. The applicant through its consulting engineer shall provide a written certification to Rural Development that all reviews, approvals and permits for construction have been issued and are currently in effect.

- F. In accordance with the intent of Congress as expressed the Fiscal Year 1997 Appropriations Act, recipients of Water and Waste assistance provided by the Rural Utilities Service are encouraged, in expending the assistance, to purchase only American-made equipment and products.

10. **DISBURSEMENT OF PROJECT FUNDS**

A. In accordance with RD Instruction 1780 (d), the applicant will attempt to obtain interim financing from commercial sources for the loan portion of the project. If interim financing is available at reasonable rates and terms, the applicant shall apply for and accept the interim loan for the development of the project.

B. The Applicant will be expected to acknowledge receipt of electronic fund transfers as requested by Rural Development. If not acknowledged, funds control tracking may be affected, and processing of future pay estimates/reimbursements by Rural Development may be delayed.

C. During construction, the Applicant shall disburse project funds in a manner consistent with Section 1780.76 (e), of RD Instruction 1780. Form RD 1924-18, "Partial Payment Estimates" or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the Applicant, it will review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the Applicant.

D. The applicant's contribution and other funding sources will be the first funds expended. The Rural Development loan funds shall be expended before the Rural Development Grant funds. After providing for all authorized costs, any remaining Rural Development project funds will be considered to be Rural Development grant funds and refunded to Rural Development.

E. Monthly audits of the Applicant's construction account records may be made by Rural Development representatives.

F. A supervised bank account will not be used. However, Rural Development must monitor the use of funds during the development of this project.

11. **OTHER CONDITIONS**

A. An Environmental Impact Assessment has been reviewed by the State Director in accordance with the National Environmental Policy Act.

B. In the event that an item of archaeological significance is encountered during the project, the Applicant is to comply with the National Historic Preservation Act of 1966.

C. Attached is a copy of RUS Bulletin 1780-12, "Association Water or Sewer System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

D. It is the Applicant's responsibility to work with other regulatory agencies in obtaining their approvals. Any additional financing cost that may result from the failure to timely obtain these approvals will have to be borne by the Applicant.

E. Written evidence is to be submitted to show the proposed project is consistent with the requirements of the Arizona Department of Environmental Quality.

F. Contracts for engineering services will be on Form RD 1942-19, "Agreement for Engineering Services" or the current EJCDC form. All contracts and agreements must be submitted to Rural Development for concurrence.

G. The Applicant will be required to execute for RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts".

H. The Applicant will comply with Section 504 of the Rehabilitation Act of 1973, as amended (29 US 794), which provides that no handicapped individual, solely by reason of their handicap, be excluded from use of any facility receiving Rural Development assistance.

I. The Applicant will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individual".

J. The Applicant will be required to execute Form AD-1047, "Certification Regarding Debarment, Suspension, and other Responsibility Matters - Primary Covered Transaction".

K. The Applicant will be required to sign "Lobbying Certification for Contracts, Grants and Loans," (copy attached).

L. RD Instruction 1780 outlines the policies and procedures for making the proposed loan and grant. Additional requirements not specifically required in the Letter of Conditions must also be met. (Copies attached) The applicant should review the attached instructions and, should questions arise, contact USDA-Rural Development before loan closing

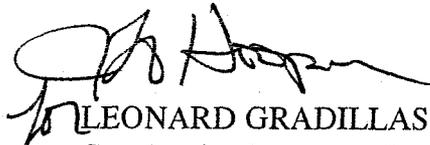
12. GRADUATION REQUIREMENTS

Rural Development loans are meant to be a temporary source of credit and if at some future date, it appears the Borrower is able, the Borrower will be requested to refinance the loan with other lenders. The Borrower will be expected to comply with this requirement as evidenced by the legally enforceable clause contained in the "Loan Resolution Security Agreement," RUS Bulletin 1780-28 (copy attached).

13. CLOSING INSTRUCTIONS

The Office of General Counsel, our Regional Attorney, will prepare closing instructions in connection with this loan. Conditions listed therein must be met by the Applicant.

Sincerely,



LEONARD GRADILLAS

Community Programs Director

Attachments:

| | |
|------------------------------|--|
| Form RD 1940-1 | "Request for Obligation of Funds" |
| Form RD 1942-46 | "Letter of Intent to Meet Conditions" |
| Form RD 440-22 | "Promissory Note" |
| Form OGC-38A (AZ) | "Assignment of Income and Assessments" |
| Form RD 1780-28 | "Loan Resolution Security Agreement" |
| Form RD 400-1 | "Equal Opportunity Agreement" |
| Form RD 400-4 | "Assurance Agreement" |
| Form RD 440-24 | "Position Fidelity Schedule Bond Declarations" |
| Form RD 442-20 | "Right-of-Way Easement" |
| Form RD 442-21 | "Right-of-Way Certificate" |
| Form RD 442-22 | "Opinion of Counsel Relative to Rights of Way" |
| Form RD 1924-18 | "Partial Payment Estimate" |
| Form RD 1780-12 | "Association Water or Sewer Grant Agreement" |
| Form RD 1942-19 | "Agreement for Engineering Services" |
| RD Instruction 1780 and 1777 | |
| Form AD 1047 | "Certification Regarding Debarment . . ." |
| Form AD 1049 | "Certification Regarding Drug-free Workplace. . ." |
| Form RD 1910-11 | "Applicant Certification Federal Collection. . ." |
| RD Instr. 1940-Q, Ex. A-1 | "Lobbying Certification for Contracts, Grants and Loans" |
| Form RD 1927-1 AZ | "Real Estate Deed of Trust". |

UNDERWRITING INFORMATION

Case Number:

Customer Name: WHY UTILITY COMPANY INC

02-010-860254921

Project Name: Why Water

| LOAN DETERMINATION | Water | Sewer | Total |
|--|---------------|----------|--------------------|
| Monthly Residential User Cost | 49.38 | 0.00 | |
| Number of EDUs | 121 | 0 | |
| Bulk Cost/ 1,000 Gal or Cu Ft | 0.00 | 0.00 | |
| Bulk User Income Per Month | 0 | 0 | \$0 |
| Other Operating Income (Monthly) | 1,000 | 0 | \$1,000 |
| Operating Income | 83,700 | 0 | \$83,700 |
| Non-Operating Income | 0 | 0 | \$0 |
| Total Cash Available | 83,700 | 0 | \$83,700 |
| Expenses / Cost | | | |
| O&M (Less Interest & Depreciation) | 66,253 | 0 | \$66,253 |
| Replacement Reserve - Short Lived Assets | 6,500 | 0 | \$6,500 |
| Other | 0 | 0 | \$0 |
| Total Cash Available for Debt Payment & Reserve | 10,947 | 0 | \$10,947 |
| Debt Service & Reserve | | | \$0 |
| Total Cash Outflow | | | \$72,753 |
| Balance Available for Debt Payment | | | \$10,947 |
| Commerical Credit (Maximum Loan Amount) | | | \$104,600 |
| USDA (Maximum Loan Amount) | | | \$185,000 |
| PROJECT FINANCING | | | |
| Project Cost | | | \$1,349,178 |
| Applicant Contribution | | | \$0 |
| Other Funding Sources | | | \$0 |
| Contribution Connection/Tap Fees | | | 0.00 |
| USDA (Maximum Loan Amount) | | | \$185,000 |
| Total USDA Grant Needed | | | \$1,164,178 |
| Maximum W&W Grant Percentage | | | 75% |

UNDERWRITING INFORMATION

Case Number:

Customer Name: WHY UTILITY COMPANY INC

02-010-860254921

Project Name: Why Water

SUPPORTING SCHEDULES

Monthly Residential User Cost - Water

| <u>SystemName</u> | <u>System</u> MHI | <u>Avg Monthly</u> <u>User Cost</u> |
|-------------------------|----------------------|--|
| ajo improvement company | 25,618 | 28.69 |
| az avg under 500 users | | 33.10 |
| pima co avg | | 29.64 |

Monthly Residential User Cost - Sewer

| <u>SystemName</u> | <u>System</u> MHI | <u>Avg Monthly</u> <u>User Cost</u> |
|-------------------|----------------------|--|
|-------------------|----------------------|--|

Similar System Comments

Number of EDUs - Water

| <u>User Type</u> | <u>Number</u> <u>Users</u> | <u>Volume Per</u> <u>User</u> | <u>Calculated</u> <u>EDUs</u> | <u>EDU</u> <u>Override ?</u> | <u>Number</u> <u>EDUs</u> |
|------------------|-------------------------------|----------------------------------|----------------------------------|---------------------------------|------------------------------|
| Resid | 33 | 4,000.00 | 33 | N | 33 |
| Resid | 19 | 6,500.00 | 19 | N | 19 |
| Resid | 32 | 24,700.00 | 32 | N | 32 |
| Other | 2 | 4,000.00 | 2 | N | 2 |
| Other | 4 | 58,500.00 | 19 | N | 19 |
| Other | 4 | 1,130.00 | 4 | N | 4 |
| Other | 3 | 6,500.00 | 3 | N | 3 |
| Other | 4 | 27,700.00 | 9 | N | 9 |
| | | | | | 121 |

Number of EDUs - Sewer

| <u>User Type</u> | <u>Number</u> <u>Users</u> | <u>Volume Per</u> <u>User</u> | <u>Calculated</u> <u>EDUs</u> | <u>EDU</u> <u>Override ?</u> | <u>Number</u> <u>EDUs</u> |
|------------------|-------------------------------|----------------------------------|----------------------------------|---------------------------------|------------------------------|
|------------------|-------------------------------|----------------------------------|----------------------------------|---------------------------------|------------------------------|

EDU Comments

Bulk Cost/1,000 gal or CuFt - Water

| <u>System Name</u> | <u>System MHI</u> | <u>Bulk Cost/1,000</u> <u>Gal or CuFt</u> |
|--------------------|-------------------|--|
|--------------------|-------------------|--|

Bulk Cost/1,000 gal or CuFt - Sewer

UNDERWRITING INFORMATION

Case Number:

Customer Name: WHY UTILITY COMPANY INC

02-010-860254921

Project Name: Whv Water

| <u>System Name</u> | <u>System MHI</u> | <u>Bulk Cost/1,000 Gal or CuFt</u> |
|--------------------|-------------------|--|
|--------------------|-------------------|--|

Similar System Bulk Comments

Bulk Users - Water

| <u>Bulk User</u> | <u>Volume Per Month</u> | <u>Monthly Income</u> |
|------------------|-------------------------|-----------------------|
|------------------|-------------------------|-----------------------|

Bulk Users - Sewer

| <u>Bulk User</u> | <u>Volume Per Month</u> | <u>Monthly Income</u> |
|------------------|-------------------------|-----------------------|
|------------------|-------------------------|-----------------------|

Other Operating Income

| <u>Other Operating Income Source</u> | <u>Amount</u> |
|--------------------------------------|---------------|
| alltel cell tower rent | 1,000 |
| | 1,000.00 |

Non-Operating Income

| <u>Non-Operating Inc Item</u> | <u>User Desc</u> | <u>Amount</u> |
|-------------------------------|------------------|---------------|
|-------------------------------|------------------|---------------|

O&M (Less Interest & Depreciation)

| <u>O&M Expense Item</u> | <u>User Desc</u> | <u>Amount</u> |
|-----------------------------|------------------|---------------|
| Utilities | | 14,000 |
| Salaries/Benefits | | 22,400 |
| Administrative/Office | | 8,253 |
| Repairs/Maintenance | | 13,500 |
| Supplies | | 8,100 |
| | | 66,253 |

Replacement Reserve - Short Lived Assets

| <u>Type of Reserve</u> | <u>UserDesc</u> | <u>Replacement Cost</u> | <u>Reserve On Hand</u> | <u>Annual Reserve Amt</u> |
|------------------------|-----------------|-----------------------------|----------------------------|-------------------------------|
| 5 -10 Years | paint tank | 35,000 | | 3,500 |
| 5 -10 Years | pumps | 30,000 | | 3,000 |
| | | 65,000 | | 6,500 |
| | | 65,000 | | 6,500 |

UNDERWRITING INFORMATION

Case Number:

Customer Name: WHY UTILITY COMPANY INC

02-010-860254921

Project Name: Whv Water

Other Annual Expense

| <u>Other Annual Expenses</u> | <u>Amount</u> |
|------------------------------|---------------|
| | _____ |

Debt Service & Reserve

| <u>Type of Loan</u> | <u>Owed To Purpose</u> | <u>Bal Owed</u> | <u>Amor Period</u> | <u>Date First Pymt</u> | <u>Ann Pmt Amt Ann Res Amt</u> | <u>Int Rate</u> | <u>Source Income Security</u> |
|--------------------------------|------------------------|-----------------|--------------------|------------------------|--------------------------------|-----------------|-------------------------------|
| Total Payment Plus Reserve >>> | | | | | | | |

Commerical Credit (Maximum Loan Amount)

| <u>Lender Name</u> | <u>Terms Years</u> | <u>Interest Rate</u> | <u>Reserve Percent</u> | <u>Max Loan Amount</u> |
|--|--------------------|----------------------|------------------------|------------------------|
| First National Bank of AZ | 20 | 6.0000% | 20% | 104,628 |
| Maximum Commerical Credit Loan >>> | | | | 104,628.00 |

Commerical Credit Comments

USDA (Maximum Loan Amount)

| Maximum Loan Calculation | |
|---|---------|
| State NonMetro MHI | 36,176 |
| Poverty Income | 18,850 |
| Project MHI | 25,618 |
| Project Is Necessary to Alleviate a Health or Sanitary Problem? | Yes |
| Balance Available for Repayment | 10,947 |
| Interest Rate Level | Market |
| Interest Rate | 4.2500% |
| Repayment Period | 38 |
| Percent Reserve Required | 10% |
| Maximum Loan Amount | 185,000 |

UNDERWRITING INFORMATION

Case Number:

Customer Name: WHY UTILITY COMPANY INC

02-010-860254921

Project Name: Why Water

Project Cost

| <u>Project Cost Item</u> | <u>User Desc</u> | <u>Amount</u> |
|--------------------------|-----------------------------------|---------------|
| Development | arsenic treatment, lines, storage | 1,012,511 |
| Arch, Eng, & Planning | | 235,416 |
| Contingencies | | 101,251 |
| | | 1,349,178 |

Applicant Contribution

| Applicant Contribution Calculations | | |
|--|----------------|----------|
| General Fund | | |
| Current Assets | | 60,805 |
| less Current Liabilities | | 10,853 |
| less General Funds Retained | | |
| Future expansion projects | | 20,000 |
| Balance Available General Fund | | |
| Enterprise Fund | | |
| plus Current Assets Enterprise Fund | | |
| less Current Liabilities Enterprise Fund | | |
| Balance Available Including Enterprise Fund | | |
| less Funded Reserves for: | | |
| Operation and Maintenance | | 11,000 |
| Customer Deposits | | 1,510 |
| Debt Service | | 0 |
| Replacement Reserve - Short Lived Assets | 1 to 5 Years | 0 |
| | 5 to 10 Years | 0 |
| | 10 to 15 Years | 0 |
| Capital Improvements | | |
| Interest Expense (Deferral Period) | | 15,725 |
| Cost of Issuance of Other Credit | | 0 |
| Other | | 1,717 |
| less Total Reserves | | |
| Available for Applicant Contribution | | 0 |
| Amount To Be Contributed | | 0 |

Other Funding Sources

UNDERWRITING INFORMATION

Case Number:

Customer Name: WHY UTILITY COMPANY INC

02-010-860254921

Project Name: Whv Water

| <u>Other Funding Source Item</u> | <u>User Desc</u> | <u>Amount</u> |
|----------------------------------|------------------|---------------|
| Other | colonia grant | 300,000 |
| | | 300,000 |

Contribution Connection/Tap Fees

| | |
|------------------------------------|------|
| Number New Connections: | 0 |
| Connection/Tap Fee Per Connection: | 0.00 |
| Contribution Connection Tap Fees: | 0 |

Maximum W&W Grant Calculation

| Maximum W&W Grant Calculation | |
|---|-----------|
| State NonMetro MHI | 36,176 |
| Poverty Income | 18,850 |
| Project MHI | 25,618 |
| Project Is Necessary to Alleviate a Health or Sanitary Problem? | Yes |
| Maximum W&W Grant Eligible Percent | 75% |
| Total Project Cost | 1,349,178 |
| Ineligible Grant Project Cost | |
| Interest | 0 |
| Initial O&M | 0 |
| Other | 0 |
| Total | 0.00 |
| Total Grant Eligible Project Cost | 1,349,178 |
| Max USDA Loan | 185,000 |
| Total All Other Funding | 0 |
| Total Grant Needed | 1,164,178 |
| Maximum W&W Grant Amount | 1,011,000 |

PROMISSORY NOTE

\$30,000.00

DATE: OCTOBER 15, 2002 Ajo, Arizona

For value received the undersigned, in installments and at the times as hereinafter stated, Promises to pay to the order of Paul J. and or Martha L. Waterman, at his P. O. Box 9118, Why, AZ. 85321, or in person at his home at Hwy 85 North, Why, Arizona:

The principal sum of Thirty Thousand and no/100 dollars \$30,000.00)

With interest from October 15, 2002, at the rate of four and one-half (4 1/2%) per annum on all portions of said principal remaining from time to time unpaid, interest payable monthly.

Said principal and interest shall be payable in sixty (60) installments. Sixty (60) payments of five hundred dollars and twenty nine cents (\$ 559.29)each.

Principal and interest payable in legal tender of the United States. First payment due November 15, 2002.

This note may be prepaid wholly or in part without penalty. Payments are credited according to the amortization schedule attached as Exhibit A hereto.

If the holder has not received the full amount of any of the monthly payments by the end of ten calendar days after the date it is due, the maker shall pay a late charge of \$25.00.

Should default be made in the payment of any said installments when due, and should any payments thus be a least thirty (30) days past due, then the whole sum of principal and interest then unpaid shall become immediately due and payable at the option of the holder of this note. In case counsel is employed, Why Utility Co., Inc. agrees to pay reasonable attorneys fees.

The foregoing Promissory note ACCEPTED and APPROVED:

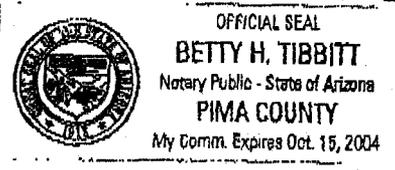
Paul J. Waterman
Paul J. Waterman

Why Utility Co., Inc.
Why Utility Co., Inc,
President

Martha L. Waterman
Martha L. Waterman

Sworn and subscribed before me this 15th day of Oct. 2002

Betty H. Tibbitt
Notary





Fixed Rate Loan Payments

Calculate the payments and interest for a fixed rate loan, using monthly interest compounding and monthly payments. Enter the purchase price, number of monthly payments, and interest rate, and the payment calculator computes the payment amount for you.

Purchase price: \$

Down payment amount: \$

Start date:

Number of months:

Interest rate: %

Payment amount: \$559.29

Financial Details:

Loan amount: \$30,000.00
 Payment amount: \$559.29
 Interest rate: 4.500%
 Interest compounding: Monthly
 Total amount financed: \$30,000.00
 Total payments: \$33,557.40
 Total finance charge: \$3,557.40

Payment schedule:

Amortization Schedule Powered by Tvalue @1990-2001

| Event | Date | Payment | Interest | Principal | Balance |
|------------|------------|----------|----------|-----------|-----------|
| Loan | 10-15-2002 | | | | 30,000.00 |
| 1 | 11-15-2002 | 559.29 | 112.50 | 446.79 | 29,553.21 |
| 2 | 12-15-2002 | 559.29 | 110.82 | 448.47 | 29,104.74 |
| 2002 Total | | 1,118.58 | 223.32 | 895.26 | |
| 3 | 01-15-2003 | 559.29 | 109.14 | 450.15 | 28,654.59 |
| 4 | 02-15-2003 | 559.29 | 107.45 | 451.84 | 28,202.75 |
| 5 | 03-15-2003 | 559.29 | 105.76 | 453.53 | 27,749.22 |
| 6 | 04-15-2003 | 559.29 | 104.06 | 455.23 | 27,293.99 |
| 7 | 05-15-2003 | 559.29 | 102.35 | 456.94 | 26,837.05 |
| 8 | 06-15-2003 | 559.29 | 100.64 | 458.65 | 26,378.40 |
| 9 | 07-15-2003 | 559.29 | 98.92 | 460.37 | 25,918.03 |
| 10 | 08-15-2003 | 559.29 | 97.19 | 462.10 | 25,455.93 |
| 11 | 09-15-2003 | 559.29 | 95.46 | 463.83 | 24,992.10 |
| 12 | 10-15-2003 | 559.29 | 93.72 | 465.57 | 24,526.53 |
| 13 | 11-15-2003 | 559.29 | 91.97 | 467.32 | 24,059.21 |
| 14 | 12-15-2003 | 559.29 | 90.22 | 469.07 | 23,590.14 |
| 2003 Total | | 6,711.48 | 1,196.88 | 5,514.60 | |
| 15 | 01-15-2004 | 559.29 | 88.46 | 470.83 | 23,119.31 |
| 16 | 02-15-2004 | 559.29 | 86.70 | 472.59 | 22,646.72 |

Handwritten notes:
 CA #1308 - 11-14
 CA #1332 - 12-13
 CA #1367 1-15-03
 CA #1397 2-24-03
 CA #1429 4-7-03
 CA #1460 5-12-03
 CA #1482 6-5-03
 CA #1497 7-8-03
 CA #1515 8-15-03
 CA #1535 9-8-03
 CA #1552 10-9-03
 CA #1578 11-11-03
 CA #1607 12-8-03
 CA #1706 12-1-04
 CA #1709 2-9-04

| | | | | | | |
|-------------|------------|-----------|----------|-----------|-----------|-----------------------|
| 17 | 03-15-2004 | 559.29 | 84.93 | 474.36 | 22,172.36 | <i>OK</i> |
| 18 | 04-15-2004 | 559.29 | 83.15 | 476.14 | 21,696.22 | <i>54003</i> |
| 19 | 05-15-2004 | 559.29 | 81.36 | 477.93 | 21,218.29 | <i>41743 4/12/04</i> |
| 20 | 06-15-2004 | 559.29 | 79.57 | 479.72 | 20,738.57 | <i>41769 5-4-04</i> |
| 21 | 07-15-2004 | 559.29 | 77.77 | 481.52 | 20,257.05 | <i>41789 6-2-04</i> |
| 22 | 08-15-2004 | 559.29 | 75.96 | 483.33 | 19,773.72 | <i>41815 7-4-04</i> |
| 23 | 09-15-2004 | 559.29 | 74.15 | 485.14 | 19,288.58 | <i>41838 9-8-04</i> |
| 24 | 10-15-2004 | 559.29 | 72.33 | 486.96 | 18,801.62 | <i>41857 10-05-04</i> |
| 25 | 11-15-2004 | 559.29 | 70.51 | 488.78 | 18,312.84 | <i>41878 11-4-04</i> |
| 26 | 12-15-2004 | 559.29 | 68.67 | 490.62 | 17,822.22 | <i>41907 12-2-04</i> |
| 2004 Total | | 6,711.48 | 943.56 | 5,767.92 | | |
| 27 | 01-15-2005 | 559.29 | 66.83 | 492.46 | 17,329.76 | <i>41925 1-4-04</i> |
| 28 | 02-15-2005 | 559.29 | 64.99 | 494.30 | 16,835.46 | <i>41944 2-2-05</i> |
| 29 | 03-15-2005 | 559.29 | 63.13 | 496.16 | 16,339.30 | <i>41971 3-1-05</i> |
| 30 | 04-15-2005 | 559.29 | 61.27 | 498.02 | 15,841.28 | <i>41993 4-4-05</i> |
| 31 | 05-15-2005 | 559.29 | 59.40 | 499.89 | 15,341.39 | <i>42015 5-1-05</i> |
| 32 | 06-15-2005 | 559.29 | 57.53 | 501.76 | 14,839.63 | <i>42049 6-2-05</i> |
| 33 | 07-15-2005 | 559.29 | 55.65 | 503.64 | 14,335.99 | |
| 34 | 08-15-2005 | 559.29 | 53.76 | 505.53 | 13,830.46 | |
| 35 | 09-15-2005 | 559.29 | 51.86 | 507.43 | 13,323.03 | |
| 36 | 10-15-2005 | 559.29 | 49.96 | 509.33 | 12,813.70 | |
| 37 | 11-15-2005 | 559.29 | 48.05 | 511.24 | 12,302.46 | |
| 38 | 12-15-2005 | 559.29 | 46.13 | 513.16 | 11,789.30 | |
| 2005 Total | | 6,711.48 | 678.56 | 6,032.92 | | |
| 39 | 01-15-2006 | 559.29 | 44.21 | 515.08 | 11,274.22 | |
| 40 | 02-15-2006 | 559.29 | 42.28 | 517.01 | 10,757.21 | |
| 41 | 03-15-2006 | 559.29 | 40.34 | 518.95 | 10,238.26 | |
| 42 | 04-15-2006 | 559.29 | 38.39 | 520.90 | 9,717.36 | |
| 43 | 05-15-2006 | 559.29 | 36.44 | 522.85 | 9,194.51 | |
| 44 | 06-15-2006 | 559.29 | 34.48 | 524.81 | 8,669.70 | |
| 45 | 07-15-2006 | 559.29 | 32.51 | 526.78 | 8,142.92 | |
| 46 | 08-15-2006 | 559.29 | 30.54 | 528.75 | 7,614.17 | |
| 47 | 09-15-2006 | 559.29 | 28.55 | 530.74 | 7,083.43 | |
| 48 | 10-15-2006 | 559.29 | 26.56 | 532.73 | 6,550.70 | |
| 49 | 11-15-2006 | 559.29 | 24.57 | 534.72 | 6,018.98 | |
| 50 | 12-15-2006 | 559.29 | 22.56 | 536.73 | 5,479.25 | |
| 2006 Total | | 6,711.48 | 401.43 | 6,310.05 | | |
| 51 | 01-15-2007 | 559.29 | 20.55 | 538.74 | 4,940.51 | |
| 52 | 02-15-2007 | 559.29 | 18.53 | 540.76 | 4,399.75 | |
| 53 | 03-15-2007 | 559.29 | 16.50 | 542.79 | 3,856.96 | |
| 54 | 04-15-2007 | 559.29 | 14.46 | 544.83 | 3,312.13 | |
| 55 | 05-15-2007 | 559.29 | 12.42 | 546.87 | 2,765.26 | |
| 56 | 06-15-2007 | 559.29 | 10.37 | 548.92 | 2,216.34 | |
| 57 | 07-15-2007 | 559.29 | 8.31 | 550.98 | 1,665.36 | |
| 58 | 08-15-2007 | 559.29 | 6.25 | 553.04 | 1,112.32 | |
| 59 | 09-15-2007 | 559.29 | 4.17 | 555.12 | 557.20 | |
| 60 | 10-15-2007 | 559.29 | 2.09 | 557.20 | | |
| 2007 Total | | 5,592.90 | 113.65 | 5,479.25 | | |
| Grand Total | | 33,557.40 | 3,557.40 | 30,000.00 | | |

Presented by
TIMEVALUE
S O F T W A R E
for
CPA Serve

Powered by TValue ©1998-2001

[Back to Calculator Index](#)

The information provided by these calculators is for illustrative purposes only. The information entered may vary from your actual loan, mortgage, investment, or savings results. Interest rates are hypothetical and are not meant to represent any specific investment. Rates of return will vary over time, particularly for long-term investments. The calculated results are not guaranteed to be accurate and are in no way endorsed, offered or guaranteed by CPA Serve.

CORPORATION RESOLUTION

THIS IS TO CERTIFY that at the regular monthly meeting of the Board of Directors of Why Utility, Inc., an Arizona non-profit corporation, held on the 10th day October 2002, at which a quorum of Directors were present in person, the following Resolution was adopted, and the same has not been revoked:

RESOLVED: that it is in the best interest of the Corporation to purchase 2.51 acres of land including 35 RV hookups at 103 W. Kater Rd. Why, AZ., from The Money Store Investment Corporation.

FURTHER RESOLVED: that the President of this Corporation, Norm Paden, is authorized to execute and delivered any and all documents and/or instruments required to consummate this transaction.

IN WITNESS WHEREOF the Corporation has caused this Resolution to be signed by Norm Paden, its President, and Betty H. Tibbitt, its Secretary, these parties being Officers and Secretary of the Corporation, this 10th day of October 2002.

Norm Paden

DIRECTOR/PRESIDENT

Betty H. Tibbitt

SECRETARY

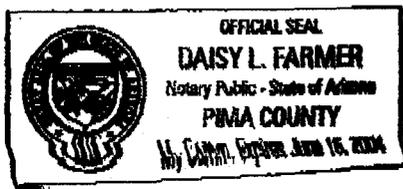
STATE OF ARIZONA)
) ss:
County of Pima)

This instrument was acknowledged before me this 10th day October, 2002, by Norm Paden, as President and Betty H. Tibbitt, as Secretary of Why Utility, Inc., an Arizona Non-profit corporation.

Daisy L. Farmer

Notary

My commission Expires: June 16, 2004



WHY UTILITY COMPANY, INC.

ANNUAL BUDGET

Based on proposed rates and 2004 data

| REVENUE | | EXPENSES | |
|-----------------------------------|--------------------|---------------------------------------|--------------------|
| WATER SALES: Metered | \$70,140.00 | Salaries - maintenance | \$11,800.00 |
| Bulk - standpipe | 10,860.00 | Utilities | 10,915.00 |
| RO unit | 1,865.00 | Repairs | 500.00 |
| RENT: Comnet | | Tax - Income | 1,500.00 |
| Alitel | | Tax - Property | 3,150.00 |
| MISC: Fees, interest, etc. | 500.00 | Tax - payroll, FICA, ESC, PUTA | 1,350.00 |
| | | Fees and permits | 360.00 |
| | | Insurance - fire/liability | 5,115.00 |
| | | insurance - workmans comp. | 381.00 |
| | | Office expense | 850.00 |
| | | Publications/dues | 80.00 |
| | | Depreciation | |
| | | Misc. | 650.00 |
| | | Accounting | 5,625.00 |
| | | Loan repayment-proposed debt | 9,840.00 |
| | | Water analysis | 3,300.00 |
| | | Treatment system O&M | 2,500.00 |
| | | Salary-part-time treatment technician | 12,000.00 |
| Total revenue | \$83,365.00 | Total expenses | \$69,916.00 |

UN DATE: 06/23/05
UN TIME: 12:49 PM

WHY UTILITY CO, INC

PAGE 1

Balance Sheet
AS OF 05/31/05

ASSETS

CASH ON HAND UTILITY 185.00
CASH ON HAND-PARK 200.00
CASH/BANK/CHECKING 51,664.19
CASH ON HAND/PK WEST 200.00
CASH/BANK MAX SEC/DEPOSIT 3,018.53
BANK CERT DEP 3,286.62
CASH/BANK/MONEY MKT SAVIN 40,508.44
DEPOSITS-STATE COMP 225.00
ACCOUNTS RECEIVABLE 1,837.85-
INVENTORY 500.00

TOTAL CURRENT ASSETS

97,949.93

FIXED ASSETS PUMP EQPT 70,391.27
FIXED ASSETS DISTR PLANT 156,985.90
FIXED ASSETS GENERAL PLNT 82,017.95
FIXED ASSETS-OFFICE EQPT 722.49
FIXED ASSETS-TRACTOR/TRL 45,143.74
FIXED ASSETS-PK-COIN MET 269.18
FIXED ASSETS-PARK RR-BLDG 5,029.51
FIXED ASSETS/PK WEST IMPR 4,902.21
FIXED ASSETS-PK COOLER 7,297.69
FIXED ASSETS/NEW WELL 197,676.10
FIXED ASSETS-PK OF FURNTR 1,180.47
REPAIR/OLD #1 WELL 40,417.95
CH PARKS LAND EAST&WEST 85,465.54
FIXED ASSETS/RO BLDG 8,313.68
ACCRUED DEPRECIATION 350,244.72-

TOTAL FIXED ASSETS

355,568.96

TOTAL ASSETS

453,518.89
=====

LIABILITIES

TAXES PAYABLE-ST COMP FUN 48.00-
TAXES PAYABLE/FICA FED WH 37.33
TAXES PAYABLE STATE WH 52.40

RUN DATE: 06/23/05
RUN TIME: 12:49 PM

WHY UTILITY CO, INC

Balance Sheet
AS OF 05/31/05

| | |
|-------------------------|-----------|
| TAXES PAYABLE SALES | 563.97- |
| CORP FEDERAL INCOME TAX | 7,000.00- |
| CORP STATE INCOME TAX | 3,150.00- |
| METER SECURITY DEPOSITS | 1,680.00 |
| LOANS PAYBLE/PARK LAND | 15,341.39 |

TOTAL LIABILITIES

6,349.15

| | |
|---------------------------|------------|
| ADJUSTMENT | 16,449.01 |
| FHA APPROPRIATED FUNDS-WL | 198,525.90 |
| RETAINED EARNINGS | 185,323.35 |
| PROFIT AND LOSS | 46,871.48 |

TOTAL CAPITAL

447,169.74

TOTAL LIABILITY & CAPITAL

453,518.89

=====

Income Statement
 FOR THE MONTH ENDING 05/31/05

| CURRENT PERIOD RATIO: NET REVENUE | | | | |
|---------------------------------------|------------|-------|-----------|-------|
| MONTH TO DATE RATIO.....: NET REVENUE | THIS MONTH | RATIO | 5 MONTHS | RATIO |
| ===== | | | | |
| GROSS SALES - WATER | | | | |
| WATER SOLD | 2,890.48 | 76.0 | 12,656.70 | 16.2 |
| OTHER FEES | 122.75- | 3.2- | 135.00 | 0.2 |
| SALES TAXES COLLECTED | 148.87 | 3.9 | 683.43 | 0.9 |
| INTEREST INCOME | 50.53 | 1.3 | 220.54 | 0.3 |
| NEW METER FEE | 0.00 | 0.0 | 300.00 | 0.4 |
| MISCELLANEOUS INCOME | 35.00 | 0.9 | 50.00 | 0.1 |
| | ----- | ----- | ----- | ----- |
| TOTAL GROSS SALES-WATER | 3,002.13 | 79.0 | 14,045.67 | 17.9 |
| GROSS SALES - PARK | | | | |
| PARK-RENT-YEARLY | 0.00 | 0.0 | 33,500.00 | 42.8 |
| PARK-RENT-MONTHLY | 0.00 | 0.0 | 3,936.23 | 5.0 |
| PARK-RENT-WEEKLY | 0.00 | 0.0 | 1,944.00 | 2.5 |
| PARK-RENT-DAILY | 255.00 | 6.7 | 2,602.00 | 3.3 |
| PARK/RENT/PARKING/STORAGE | 0.00 | 0.0 | 500.00 | 0.6 |
| PARK-SALES-SEPTIC TK DEOD | 0.00 | 0.0 | 57.00 | 0.1 |
| PARK-SALES-POST CARDS | 0.00 | 0.0 | 7.00 | 0.0 |
| PARK/RENT/EXTRA GUESTS | 0.00 | 0.0 | 205.00 | 0.3 |
| SALES-SHOWERS | 0.00 | 0.0 | 757.80 | 1.0 |
| SALES-MISC INCOME | 0.00 | 0.0 | 894.40 | 1.1 |
| PIMA CO SURCHARGE FOR RVS | 0.00 | 0.0 | 2,421.50 | 3.1 |
| | ----- | ----- | ----- | ----- |
| TOTAL SALES - PARK | 255.00 | 6.7 | 46,824.93 | 59.8 |
| GROSS SALES-PARK WEST | | | | |
| PARK WEST YEARLY | 0.00 | 0.0 | 1,850.00 | 2.4 |
| PARK-WEST-MONTHLY | 440.00 | 11.6 | 7,920.00 | 10.1 |
| PARK WEST WEEKLY | 0.00 | 0.0 | 735.00 | 0.9 |
| PARK WEST DAILY | 0.00 | 0.0 | 4,573.00 | 5.8 |
| ELECTRIC CHARGE | 83.20 | 2.2 | 1,778.75 | 2.3 |
| ELECTRIC DEPOSIT | 0.00 | 0.0 | 250.00- | 0.3- |
| TRANSIENT LODGING TAX | 14.10 | 0.4 | 307.62 | 0.4 |
| PIMA CO SURCHARGE RV | 7.50 | 0.2 | 526.50 | 0.7 |
| | ----- | ----- | ----- | ----- |
| TOTAL SALES - WEST | 544.80 | 14.3 | 17,440.87 | 22.3 |
| COST OF GOODS - WATER | | | | |
| WATER COMPANY USE | 25.58 | 0.7 | 111.41 | 0.1 |
| ENGINEERING STUDY | 0.00 | 0.0 | 9,905.66 | 12.6 |
| WATER ANALYSIS | 525.69 | 13.8 | 2,178.04 | 2.8 |
| SUPPLIES FOR USE | 0.00 | 0.0 | 207.81 | 0.3 |
| AUTO EXPENSE | 0.00 | 0.0 | 73.35 | 0.1 |
| | ----- | ----- | ----- | ----- |
| TOTAL COST OF GOODS SOLD | 551.27 | 14.5 | 12,476.27 | 15.9 |

UN DATE: 06/23/05
 UN TIME: 12:49 PM

WHY UTILITY CO, INC

Income Statement
 FOR THE MONTH ENDING 05/31/05

| PERIOD RATIO: NET REVENUE | | | | |
|----------------------------|------------|-------|-----------|-------|
| TD RATIO.....: NET REVENUE | THIS MONTH | RATIO | 5 MONTHS | RATIO |
| ===== | | | | |
| COST OF GOODS SOLD - PARK | | | | |
| SUPPLIES FOR USE | 0.00 | 0.0 | 709.07 | 0.9 |
| PARK TRUCK EXPENSE | 0.00 | 0.0 | 197.44 | 0.3 |
| | ----- | ----- | ----- | ----- |
| TOTAL COST OF GOODS | 0.00 | 0.0 | 906.51 | 1.2 |
| | | | | |
| PARK WEST-OPERATING EXP | | | | |
| SUPPLIES REPAIRS | 0.00 | 0.0 | 40.01 | 0.1 |
| ELECTRIC | 209.13 | 5.5 | 1,774.16 | 2.3 |
| WATER USE | 28.51 | 0.7 | 116.15 | 0.1 |
| INTEREST ON LOAN | 59.40 | 1.6 | 315.62 | 0.4 |
| TELEPHONE | 48.30 | 1.3 | 241.44 | 0.3 |
| TRANS. LODGING TAX | 0.00 | 0.0 | 277.90 | 0.4 |
| PIMA CO SURCHARGE RV'S | 0.00 | 0.0 | 513.00 | 0.7 |
| SANITATION P/UP | 0.00 | 0.0 | 200.00 | 0.3 |
| ADVERTISING | 0.00 | 0.0 | 159.14 | 0.2 |
| ACCOUNTING FEE | 350.00 | 9.2 | 1,750.00 | 2.2 |
| | ----- | ----- | ----- | ----- |
| TOTAL PARK WEST EXPENSES | 695.34 | 18.3 | 5,387.42 | 6.9 |
| | | | | |
| UTILITY OPERATING EXPENSE | | | | |
| SALARIES - MAINTENANCE | 1,000.00 | 26.3 | 5,000.00 | 6.4 |
| UTILITIES/TELEPHONE | 858.94 | 22.6 | 2,705.09 | 3.5 |
| SUPPLIES | 0.00 | 0.0 | 30.61 | 0.0 |
| REPAIRS -WELL & WATER LNS | 0.00 | 0.0 | 2,442.33 | 3.1 |
| REPAIRS - OTHER | 0.00 | 0.0 | 56.74 | 0.1 |
| TAXES - SALES | 0.00 | 0.0 | 414.61 | 0.5 |
| TAXES - PAYROLL FICA | 0.00 | 0.0 | 229.50 | 0.3 |
| TAXES PAYROLL - ESC | 0.00 | 0.0 | 162.00 | 0.2 |
| TAXES, FEES, PERMITS | 0.00 | 0.0 | 29.87 | 0.0 |
| INSURANCE FIRE/LIABILITY | 0.00 | 0.0 | 1,748.00 | 2.2 |
| INSURANCE - WORKMAN COMP | 120.00 | 3.2 | 181.00 | 0.2 |
| OFFICE EXPENSE | 10.55 | 0.3 | 208.97 | 0.3 |
| DUES/PUBLICATIONS | 0.00 | 0.0 | 25.00 | 0.0 |
| BANK CHARGES | 4.00 | 0.1 | 28.72 | 0.0 |
| MISC EXPENSE | 0.00 | 0.0 | 337.01 | 0.4 |
| ACCOUNTING FEE | 700.00 | 18.4 | 3,500.00 | 4.5 |
| | ----- | ----- | ----- | ----- |
| TOTAL OPERATING EXPENSE | 2,693.49 | 70.8 | 17,099.45 | 21.8 |
| | | | | |
| PARK OPERATING EXPENSE | | | | |
| SALARIES/MGR | 0.00 | 0.0 | 3,230.00 | 4.1 |
| SALARIES/MAINTENANCE | 0.00 | 0.0 | 950.00 | 1.2 |
| UTILITIES/TELEPHONE | 825.34 | 21.7 | 4,738.31 | 6.1 |
| REPAIRS | 0.00 | 0.0 | 1,225.95 | 1.6 |
| TAXES - SALES | 0.00 | 0.0 | 0.91- | 0.0 |

RUN DATE: 06/23/05
 RUN TIME: 12:49 PM

WHY UTILITY CO, INC

Income Statement
 FOR THE MONTH ENDING 05/31/05

| CURRENT PERIOD RATIO: NET REVENUE | THIS MONTH | RATIO | 5 MONTHS | RATIO |
|-----------------------------------|-----------------|--------------|-------------------|--------------|
| ADJUSTED RATIO.....: NET REVENUE | | | | |
| TAXES - PAYROLL - FICA | 0.00 | 0.0 | 247.09 | 0.3 |
| TAXES - PAYROLL - ESC | 0.00 | 0.0 | 174.42 | 0.2 |
| INSURANCE WORKMEN/COMP | 0.00 | 0.0 | 93.00 | 0.1 |
| SANITATION/EXTERMINATING | 0.00 | 0.0 | 600.00 | 0.8 |
| TAXES/LICENSES, FEE, PERMIT | 0.00 | 0.0 | 28.51 | 0.0 |
| OFFICE SUPPLIES | 0.00 | 0.0 | 34.55 | 0.0 |
| GENERAL EXPENSE | 50.00 | 1.3 | 50.00 | 0.1 |
| ADVERTISING | 0.00 | 0.0 | 259.56 | 0.3 |
| LEGAL/ACCOUNTING | 350.00 | 9.2 | 1,750.00 | 2.2 |
| PIMA CO SURCHARGE | 0.00 | 0.0 | 2,057.50 | 2.6 |
| CASH/OVERAGE/SHORT | 0.00 | 0.0 | 0.10 | 0.0 |
| TOTAL OPERATING EXPENSE | 1,225.34 | 32.2 | 15,438.08 | 19.7 |
| COMMUNITY BLDG EXPENSE | | | | |
| UTILITIES/TELEPHONE | 65.30 | 1.7 | 234.18 | 0.3 |
| SUPPLIES | 0.00 | 0.0 | 245.64 | 0.3 |
| REPAIRS | 0.00 | 0.0 | 132.44 | 0.2 |
| TOTAL OPERATING EXPENSE | 65.30 | 1.7 | 612.26 | 0.8 |
| OTHER INCOME | | | | |
| RENT/COMMNET | 600.00- | 15.8- | 3,000.00- | 3.8- |
| RENT/ALL OTHER | 0.00 | 0.0 | 2,580.00- | 3.3- |
| SAND & DIRT | 0.00 | 0.0 | 14,800.00- | 18.9- |
| ASSET SALE/TRUCK | 100.00- | 2.6- | 100.00- | 0.1- |
| TOTAL OTHER INCOME | 700.00- | 18.4- | 20,480.00- | 26.2- |
| NET INCOME | 728.81- | 19.2- | 46,871.48 | 59.9 |

RUN DATE: 06/23/05
RUN TIME: 12:49 PM

WHY UTILITY CO, INC

PAGE 1

Balance Sheet
AS OF 05/31/05

ASSETS

CASH ON HAND UTILITY 185.00
CASH ON HAND-PARK 200.00
CASH/BANK/CHECKING 51,664.19
CASH ON HAND/PK WEST 200.00
CASH/BANK MAX SEC/DEPOSIT 3,018.53
BANK CERT DEP 3,286.62
CASH/BANK/MONEY MKT SAVIN 40,508.44
DEPOSITS-STATE COMP 225.00
ACCOUNTS RECEIVABLE 1,837.85-
INVENTORY 500.00

TOTAL CURRENT ASSETS

97,949.93

FIXED ASSETS PUMP EQPT 70,391.27
FIXED ASSETS DISTR PLANT 156,985.90
FIXED ASSETS GENERAL PLNT 82,017.95
FIXED ASSETS-OFFICE EQPT 722.49
FIXED ASSETS-TRACTOR/TRL 45,143.74
FIXED ASSETS-PK-COIN MET 269.18
FIXED ASSETS-PARK RR-BLDG 5,029.51
FIXED ASSETS/PK WEST IMPR 4,902.21
FIXED ASSETS-PK COOLER 7,297.69
FIXED ASSETS/NEW WELL 197,676.10
FIXED ASSETS-PK OF FURNTR 1,180.47
REPAIR/OLD #1 WELL 40,417.95
CH PARKS LAND EAST&WEST 85,465.54
FIXED ASSETS/RO BLDG 8,313.68
ACCRUED DEPRECIATION 350,244.72-

TOTAL FIXED ASSETS

355,568.96

TOTAL ASSETS

453,518.89
=====

LIABILITIES

TAXES PAYABLE-ST COMP FUN 48.00-
TAXES PAYABLE/FICA FED WH 37.33
TAXES PAYABLE STATE WH 52.40

RUN DATE: 06/23/05
RUN TIME: 12:49 PM

WHY UTILITY CO, INC

PAGE 2

Balance Sheet
AS OF 05/31/05

| | |
|-------------------------|-----------|
| TAXES PAYABLE SALES | 563.97- |
| CORP FEDERAL INCOME TAX | 7,000.00- |
| CORP STATE INCOME TAX | 3,150.00- |
| METER SECURITY DEPOSITS | 1,680.00 |
| LOANS PAYBLE/PARK LAND | 15,341.39 |

TOTAL LIABILITIES 6,349.15

| | |
|---------------------------|------------|
| ADJUSTMENT | 16,449.01 |
| FHA APPROPRIATED FUNDS-WL | 198,525.90 |
| RETAINED EARNINGS | 185,323.35 |
| PROFIT AND LOSS | 46,871.48 |

TOTAL CAPITAL 447,169.74

TOTAL LIABILITY & CAPITAL 453,518.89
=====

RUN DATE: 06/23/05
 RUN TIME: 12:49 PM

WHY UTILITY CO, INC

Income Statement
 FOR THE MONTH ENDING 05/31/05

| CURR. PERIOD RATIO: NET REVENUE | | | | |
|---------------------------------|------------|-------|-----------|-------|
| YTD RATIO.....: NET REVENUE | THIS MONTH | RATIO | 5 MONTHS | RATIO |
| ===== | | | | |
| GROSS SALES - WATER | | | | |
| WATER SOLD | 2,890.48 | 76.0 | 12,656.70 | 16.2 |
| OTHER FEES | 122.75- | 3.2- | 135.00 | 0.2 |
| SALES TAXES COLLECTED | 148.87 | 3.9 | 683.43 | 0.9 |
| INTEREST INCOME | 50.53 | 1.3 | 220.54 | 0.3 |
| NEW METER FEE | 0.00 | 0.0 | 300.00 | 0.4 |
| MISCELLANEOUS INCOME | 35.00 | 0.9 | 50.00 | 0.1 |
| | ----- | ----- | ----- | ----- |
| TOTAL GROSS SALES-WATER | 3,002.13 | 79.0 | 14,045.67 | 17.9 |
| GROSS SALES - PARK | | | | |
| PARK-RENT-YEARLY | 0.00 | 0.0 | 33,500.00 | 42.8 |
| PARK-RENT-MONTHLY | 0.00 | 0.0 | 3,936.23 | 5.0 |
| PARK-RENT-WEEKLY | 0.00 | 0.0 | 1,944.00 | 2.5 |
| PARK-RENT-DAILY | 255.00 | 6.7 | 2,602.00 | 3.3 |
| PARK/RENT/PARKING/STORAGE | 0.00 | 0.0 | 500.00 | 0.6 |
| PARK-SALES-SEPTIC TK DEOD | 0.00 | 0.0 | 57.00 | 0.1 |
| PARK-SALES-POST CARDS | 0.00 | 0.0 | 7.00 | 0.0 |
| PARK/RENT/EXTRA GUESTS | 0.00 | 0.0 | 205.00 | 0.3 |
| SALES-SHOWERS | 0.00 | 0.0 | 757.80 | 1.0 |
| SALES-MISC INCOME | 0.00 | 0.0 | 894.40 | 1.1 |
| PIMA CO SURCHARGE FOR RVS | 0.00 | 0.0 | 2,421.50 | 3.1 |
| | ----- | ----- | ----- | ----- |
| TOTAL SALES - PARK | 255.00 | 6.7 | 46,824.93 | 59.8 |
| GROSS SALES-PARK WEST | | | | |
| PARK WEST YEARLY | 0.00 | 0.0 | 1,850.00 | 2.4 |
| PARK-WEST-MONTHLY | 440.00 | 11.6 | 7,920.00 | 10.1 |
| PARK WEST WEEKLY | 0.00 | 0.0 | 735.00 | 0.9 |
| PARK WEST DAILY | 0.00 | 0.0 | 4,573.00 | 5.8 |
| ELECTRIC CHARGE | 83.20 | 2.2 | 1,778.75 | 2.3 |
| ELECTRIC DEPOSIT | 0.00 | 0.0 | 250.00- | 0.3- |
| TRANSIENT LODGING TAX | 14.10 | 0.4 | 307.62 | 0.4 |
| PIMA CO SURCHARGE RV | 7.50 | 0.2 | 526.50 | 0.7 |
| | ----- | ----- | ----- | ----- |
| TOTAL SALES - WEST | 544.80 | 14.3 | 17,440.87 | 22.3 |
| COST OF GOODS - WATER | | | | |
| WATER COMPANY USE | 25.58 | 0.7 | 111.41 | 0.1 |
| ENGINEERING STUDY | 0.00 | 0.0 | 9,905.66 | 12.6 |
| WATER ANALYSIS | 525.69 | 13.8 | 2,178.04 | 2.8 |
| SUPPLIES FOR USE | 0.00 | 0.0 | 207.81 | 0.3 |
| AUTO EXPENSE | 0.00 | 0.0 | 73.35 | 0.1 |
| | ----- | ----- | ----- | ----- |
| TOTAL COST OF GOODS SOLD | 551.27 | 14.5 | 12,476.27 | 15.9 |

RUN DATE: 06/23/05
 RUN TIME: 12:49 PM

WHY UTILITY CO, INC

Income Statement
 FOR THE MONTH ENDING 05/31/05

| CURR. PERIOD RATIO: NET REVENUE | | | | |
|---------------------------------|------------|-------|-----------|-------|
| YTD RATIO.....: NET REVENUE | THIS MONTH | RATIO | 5 MONTHS | RATIO |
| ===== | | | | |
| COST OF GOODS SOLD - PARK | | | | |
| SUPPLIES FOR USE | 0.00 | 0.0 | 709.07 | 0.9 |
| PARK TRUCK EXPENSE | 0.00 | 0.0 | 197.44 | 0.3 |
| | ----- | ----- | ----- | ----- |
| TOTAL COST OF GOODS | 0.00 | 0.0 | 906.51 | 1.2 |
| PARK WEST-OPERATING EXP | | | | |
| SUPPLIES REPAIRS | 0.00 | 0.0 | 40.01 | 0.1 |
| ELECTRIC | 209.13 | 5.5 | 1,774.16 | 2.3 |
| WATER USE | 28.51 | 0.7 | 116.15 | 0.1 |
| INTEREST ON LOAN | 59.40 | 1.6 | 315.62 | 0.4 |
| TELEPHONE | 48.30 | 1.3 | 241.44 | 0.3 |
| TRANS. LODGING TAX | 0.00 | 0.0 | 277.90 | 0.4 |
| PIMA CO SURCHARGE RV'S | 0.00 | 0.0 | 513.00 | 0.7 |
| SANITATION P/UP | 0.00 | 0.0 | 200.00 | 0.3 |
| ADVERTISING | 0.00 | 0.0 | 159.14 | 0.2 |
| ACCOUNTING FEE | 350.00 | 9.2 | 1,750.00 | 2.2 |
| | ----- | ----- | ----- | ----- |
| TOTAL PARK WEST EXPENSES | 695.34 | 18.3 | 5,387.42 | 6.9 |
| UTILITY OPERATING EXPENSE | | | | |
| SALARIES - MAINTENANCE | 1,000.00 | 26.3 | 5,000.00 | 6.4 |
| UTILITIES/TELEPHONE | 858.94 | 22.6 | 2,705.09 | 3.5 |
| SUPPLIES | 0.00 | 0.0 | 30.61 | 0.0 |
| REPAIRS -WELL & WATER LNS | 0.00 | 0.0 | 2,442.33 | 3.1 |
| REPAIRS - OTHER | 0.00 | 0.0 | 56.74 | 0.1 |
| TAXES - SALES | 0.00 | 0.0 | 414.61 | 0.5 |
| TAXES - PAYROLL FICA | 0.00 | 0.0 | 229.50 | 0.3 |
| TAXES PAYROLL - ESC | 0.00 | 0.0 | 162.00 | 0.2 |
| TAXES, FEES, PERMITS | 0.00 | 0.0 | 29.87 | 0.0 |
| INSURANCE FIRE/LIABILITY | 0.00 | 0.0 | 1,748.00 | 2.2 |
| INSURANCE - WORKMAN COMP | 120.00 | 3.2 | 181.00 | 0.2 |
| OFFICE EXPENSE | 10.55 | 0.3 | 208.97 | 0.3 |
| DUES/PUBLICATIONS | 0.00 | 0.0 | 25.00 | 0.0 |
| BANK CHARGES | 4.00 | 0.1 | 28.72 | 0.0 |
| MISC EXPENSE | 0.00 | 0.0 | 337.01 | 0.4 |
| ACCOUNTING FEE | 700.00 | 18.4 | 3,500.00 | 4.5 |
| | ----- | ----- | ----- | ----- |
| TOTAL OPERATING EXPENSE | 2,693.49 | 70.8 | 17,099.45 | 21.8 |
| PARK OPERATING EXPENSE | | | | |
| SALARIES/MGR | 0.00 | 0.0 | 3,230.00 | 4.1 |
| SALARIES/MAINTENANCE | 0.00 | 0.0 | 950.00 | 1.2 |
| UTILITIES/TELEPHONE | 825.34 | 21.7 | 4,738.31 | 6.1 |
| REPAIRS | 0.00 | 0.0 | 1,225.95 | 1.6 |
| TAXES - SALES | 0.00 | 0.0 | 0.91- | 0.0 |

RUN DATE: 06/23/05
 RUN TIME: 12:49 PM

WHY UTILITY CO, INC

Income Statement
 FOR THE MONTH ENDING 05/31/05

| CURR. PERIOD RATIO: NET REVENUE YTD RATIO.....: NET REVENUE | THIS MONTH | RATIO | 5 MONTHS | RATIO |
|--|-----------------|--------------|-------------------|--------------|
| TAXES - PAYROLL - FICA | 0.00 | 0.0 | 247.09 | 0.3 |
| TAXES - PAYROLL - ESC | 0.00 | 0.0 | 174.42 | 0.2 |
| INSURANCE WORKMEN/COMP | 0.00 | 0.0 | 93.00 | 0.1 |
| SANITATION/EXTERMINATING | 0.00 | 0.0 | 600.00 | 0.8 |
| TAXES/LICENSES, FEE, PERMIT | 0.00 | 0.0 | 28.51 | 0.0 |
| OFFICE SUPPLIES | 0.00 | 0.0 | 34.55 | 0.0 |
| GENERAL EXPENSE | 50.00 | 1.3 | 50.00 | 0.1 |
| ADVERTISING | 0.00 | 0.0 | 259.56 | 0.3 |
| LEGAL/ACCOUNTING | 350.00 | 9.2 | 1,750.00 | 2.2 |
| PIMA CO SURCHARGE | 0.00 | 0.0 | 2,057.50 | 2.6 |
| CASH/OVERAGE/SHORT | 0.00 | 0.0 | 0.10 | 0.0 |
| TOTAL OPERATING EXPENSE | 1,225.34 | 32.2 | 15,438.08 | 19.7 |
| COMMUNITY BLDG EXPENSE | | | | |
| UTILITIES/TELEPHONE | 65.30 | 1.7 | 234.18 | 0.3 |
| SUPPLIES | 0.00 | 0.0 | 245.64 | 0.3 |
| REPAIRS | 0.00 | 0.0 | 132.44 | 0.2 |
| TOTAL OPERATING EXPENSE | 65.30 | 1.7 | 612.26 | 0.8 |
| OTHER INCOME | | | | |
| RENT/COMMNET | 600.00- | 15.8- | 3,000.00- | 3.8- |
| RENT/ALL OTHER | 0.00 | 0.0 | 2,580.00- | 3.3- |
| SAND & DIRT | 0.00 | 0.0 | 14,800.00- | 18.9- |
| ASSET SALE/TRUCK | 100.00- | 2.6- | 100.00- | 0.1- |
| TOTAL OTHER INCOME | 700.00- | 18.4- | 20,480.00- | 26.2- |
| NET INCOME | 728.81- | 19.2- | 46,871.48 | 59.9 |

Balance Sheet
AS OF 12/31/04

ASSETS

| | |
|---------------------------|-----------|
| CASH ON HAND UTILITY | 180.56 |
| CASH ON HAND-PARK | 400.00 |
| CASH/BANK/CHECKING | 14,853.61 |
| CASH ON HAND/PK WEST | 200.00 |
| CASH/BANK MAX SEC/DEPOSIT | 2,940.55 |
| BANK CERT DEP | 3,286.62 |
| CASH/BANK/MONEY MKT SAVIN | 40,295.88 |
| DEPOSITS-STATE COMP | 173.00 |
| ACCOUNTS RECEIVABLE | 2,024.25- |
| INVENTORY | 500.00 |

TOTAL CURRENT ASSETS 60,805.97

| | |
|---------------------------|-------------|
| FIXED ASSETS PUMP EQPT | 70,391.27 |
| FIXED ASSETS DISTR PLANT | 156,985.90 |
| FIXED ASSETS GENERAL PLNT | 78,017.95 |
| FIXED ASSETS-TRACTOR/TRL | 45,143.74 |
| FIXED ASSETS-PK-COIN MET | 269.18 |
| FIXED ASSETS-PARK RR-BLDG | 5,029.51 |
| FIXED ASSETS/PK WEST IMPR | 4,902.21 |
| FIXED ASSETS-PK COOLER | 6,797.35 |
| FIXED ASSETS/NEW WELL | 197,676.10 |
| FIXED ASSETS-PK OF FURNTR | 1,180.47 |
| REPAIR/OLD #1 WELL | 40,417.95 |
| CH PARKS LAND EAST&WEST | 85,465.54 |
| FIXED ASSETS/RO BLDG | 8,313.68 |
| ACCRUED DEPRECIATION | 350,244.72- |
| ACCUMULATED AMORATIZATION | 159,693.00 |

TOTAL FIXED ASSETS 510,039.13

TOTAL ASSETS 570,845.10

LIABILITIES

| | |
|---------------------------|--------|
| TAXES PAYABLE-ST COMP FUN | 143.00 |
| TAXES PAYABLE/FICA FED WH | 450.35 |
| TAXES PAYABLE STATE WH | 91.20 |

RUN DATE: 02/02/05
RUN TIME: 12:44 PM

WHY UTILITY CO, INC

PAGE 2

Balance Sheet
AS OF 12/31/04

| | | |
|---------------------------|------------|------------|
| TAXES PAYABLE - ESC | 153.90 | |
| TAXES PAYABLE - FUTA | 109.20 | |
| TAXES PAYABLE SALES | 723.97 | |
| CORP FEDERAL INCOME TAX | 7,000.00- | |
| CORP STATE INCOME TAX | 3,150.00- | |
| METER SECURITY DEPOSITS | 1,510.00 | |
| LOANS PAYBLE/PARK LAND | 17,822.22 | |
| | ----- | |
| TOTAL LIABILITIES | | 10,853.84 |
| ADJUSTMENT | 16,449.01 | |
| FHA APPROPRIATED FUNDS-WL | 358,218.90 | |
| RETAINED EARNINGS | 144,342.03 | |
| PROFIT AND LOSS | 40,981.32 | |
| | ----- | |
| TOTAL CAPITAL | | 559,991.26 |
| | | ----- |
| TOTAL LIABILITY & CAPITAL | | 570,845.10 |
| | | ===== |

RUN DATE: 02/02/05
 RUN TIME: 12:44 PM

WHY UTILITY CO, INC

Income Statement
 FOR THE MONTH ENDING 12/31/04

| CURR. PERIOD RATIO: NET REVENUE YTD RATIO.....: NET REVENUE | THIS MONTH | RATIO | 12 MONTHS | RATIO |
|--|------------|-------|-----------|-------|
| ===== | | | | |
| GROSS SALES - WATER | | | | |
| WATER SOLD | 2,254.80 | 20.1 | 35,684.03 | 23.2 |
| OTHER FEES | 60.00 | 0.5 | 360.00 | 0.2 |
| SALES TAXES COLLECTED | 243.13 | 2.2 | 1,914.05 | 1.2 |
| INTEREST INCOME | 38.89 | 0.3 | 429.58 | 0.3 |
| MISCELLANEOUS INCOME | 0.00 | 0.0 | 20.00 | 0.0 |
| TOTAL GROSS SALES-WATER | 2,596.82 | 23.2 | 38,407.66 | 24.9 |
| GROSS SALES - PARK | | | | |
| PARK-RENT-YEARLY | 3,000.00 | 26.8 | 50,500.00 | 32.8 |
| PARK-RENT-MONTHLY | 735.00 | 6.6 | 5,565.00 | 3.6 |
| PARK-RENT-WEEKLY | 140.00 | 1.3 | 3,080.00 | 2.0 |
| PARK-RENT-DAILY | 200.00 | 1.8 | 2,406.00 | 1.6 |
| PARK/RENT/PARKING/STORAGE | 200.00 | 1.8 | 1,142.00 | 0.7 |
| PARK-SALES-SEPTIC TK DEOD | 0.00 | 0.0 | 140.00 | 0.1 |
| PARK-SALES-POST CARDS | 0.00 | 0.0 | 11.75 | 0.0 |
| PARK/RENT/EXTRA GUESTS | 15.00 | 0.1 | 290.20 | 0.2 |
| SALES-SHOWERS | 178.10 | 1.6 | 1,259.10 | 0.8 |
| SALES-MISC INCOME | 21.60 | 0.2 | 539.22 | 0.4 |
| PIMA CO SURCHARGE FOR RVS | 466.00 | 4.2 | 3,476.00 | 2.3 |
| TOTAL SALES - PARK | 4,955.70 | 44.3 | 68,409.27 | 44.4 |
| GROSS SALES-PARK WEST | | | | |
| PARK WEST YEARLY | 0.00 | 0.0 | 3,400.00 | 2.2 |
| PARK-WEST-MONTHLY | 2,849.13 | 25.4 | 32,035.00 | 20.8 |
| PARK WEST WEEKLY | 0.00 | 0.0 | 1,116.00 | 0.7 |
| PARK WEST DAILY | 221.00 | 2.0 | 3,514.00 | 2.3 |
| ELECTRIC CHARGE | 476.95 | 4.3 | 4,946.34 | 3.2 |
| ELECTRIC DEPOSIT | 25.00 | 0.2 | 509.20 | 0.3 |
| TRANSIENT LODGING TAX | 12.22 | 0.1 | 257.88 | 0.2 |
| PIMA CO SURCHARGE RV | 111.50 | 1.0 | 1,346.50 | 0.9 |
| TOTAL SALES - WEST | 3,645.80 | 32.6 | 47,124.92 | 30.6 |
| COST OF GOODS - WATER | | | | |
| WATER COMPANY USE | 0.00 | 0.0 | 185.76 | 0.1 |
| ENGINEERING STUDY | 0.00 | 0.0 | 7,049.06 | 4.6 |
| PURCH/METERS, MAT. ETC | 0.00 | 0.0 | 3,343.58 | 2.2 |
| WATER ANALYSIS | 15.00 | 0.1 | 3,282.52 | 2.1 |
| SUPPLIES FOR USE | 0.00 | 0.0 | 14.22 | 0.0 |
| AUTO EXPENSE | 0.00 | 0.0 | 17.66 | 0.0 |
| TOTAL COST OF GOODS SOLD | 15.00 | 0.1 | 13,892.80 | 9.0 |

Income Statement
 FOR THE MONTH ENDING 12/31/04

CURR. PERIOD RATIO: NET REVENUE
 YTD RATIO.....: NET REVENUE

| | THIS MONTH | RATIO | 12 MONTHS | RATIO |
|---------------------------|------------|-------|-----------|-------|
| ===== | | | | |
| COST OF GOODS SOLD - PARK | | | | |
| SUPPLIES FOR USE | 0.00 | 0.0 | 738.03 | 0.5 |
| PARK TRUCK EXPENSE | 0.00 | 0.0 | 328.04 | 0.2 |
| | ----- | ----- | ----- | ----- |
| TOTAL COST OF GOODS | 0.00 | 0.0 | 1,066.07 | 0.7 |
| | | | | |
| PARK WEST-OPERATING EXP | | | | |
| SUPPLIES REPAIRS | 0.00 | 0.0 | 442.45 | 0.3 |
| ELECTRIC | 555.61 | 5.0 | 6,381.85 | 4.1 |
| WATER USE | 28.51 | 0.3 | 447.73 | 0.3 |
| INTEREST ON LOAN | 68.67 | 0.6 | 943.56 | 0.6 |
| TELEPHONE | 0.00 | 0.0 | 654.34 | 0.4 |
| INSURANCE | 0.00 | 0.0 | 2,021.50 | 1.3 |
| TAXES/FEES/LICENSES/PERMT | 0.00 | 0.0 | 75.00 | 0.0 |
| TRANS. LODGING TAX | 51.16 | 0.5 | 257.41 | 0.2 |
| PIMA CO SURCHARGE RV'S | 244.00 | 2.2 | 1,261.50 | 0.8 |
| DEPRECIATION EXP | 1,159.00 | 10.3 | 1,159.00 | 0.8 |
| TAXES - PROPERTY | 0.00 | 0.0 | 3,382.93 | 2.2 |
| SANITATION P/UP | 150.00 | 1.3 | 800.00 | 0.5 |
| ADVERTISING | 66.70 | 0.6 | 770.88 | 0.5 |
| ACCOUNTING FEE | 350.00 | 3.1 | 2,450.00 | 1.6 |
| | ----- | ----- | ----- | ----- |
| TOTAL PARK WEST EXPENSES | 2,673.65 | 23.9 | 21,048.15 | 13.7 |
| | | | | |
| UTILITY OPERATING EXPENSE | | | | |
| SALARIES - MAINTENANCE | 1,000.00 | 8.9 | 11,800.00 | 7.7 |
| UTILITIES/TELEPHONE | 672.55 | 6.0 | 10,913.13 | 7.1 |
| REPAIRS -WELL & WATER LNS | 0.00 | 0.0 | 445.61 | 0.3 |
| REPAIRS - OTHER | 0.00 | 0.0 | 74.15 | 0.0 |
| REPAIRS - TRUCK EXPENSE | 0.00 | 0.0 | 85.24 | 0.1 |
| STATE CORP INCOME TAX | 0.00 | 0.0 | 1,505.00 | 1.0 |
| TAXES - PROPERTY | 0.00 | 0.0 | 3,156.03 | 2.1 |
| TAXES - SALES | 551.75 | 4.9 | 2,108.42 | 1.4 |
| TAXES - PAYROLL FICA | 229.50 | 2.0 | 902.70 | 0.6 |
| TAXES PAYROLL - ESC | 0.00 | 0.0 | 381.25 | 0.2 |
| TAXES PAYROLL - FUTA | 56.00 | 0.5 | 56.00 | 0.0 |
| TAXES, FEES, PERMITS | 0.00 | 0.0 | 360.00 | 0.2 |
| INSURANCE FIRE/LIABILITY | 0.00 | 0.0 | 5,114.08 | 3.3 |
| INSURANCE - WORKMAN COMP | 61.00 | 0.5 | 380.50 | 0.2 |
| INTEREST EXPENSE | 0.00 | 0.0 | 6.60 | 0.0 |
| OFFICE EXPENSE | 244.50 | 2.2 | 841.11 | 0.5 |
| DUES/PUBLICATIONS | 0.00 | 0.0 | 80.00 | 0.1 |
| DEPRECIATION EXPENSE | 28,142.00 | 251.3 | 28,142.00 | 18.3 |
| BANK CHARGES | 30.00 | 0.3 | 91.28 | 0.1 |
| MISC EXPENSE | 0.24 | 0.0 | 542.81 | 0.4 |
| ACCOUNTING FEE | 700.00 | 6.3 | 5,625.00 | 3.7 |

Income Statement
 FOR THE MONTH ENDING 12/31/04

| CURR. PERIOD RATIO: NET REVENUE | | | | |
|---------------------------------|------------|--------|------------|-------|
| YTD RATIO.....: NET REVENUE | THIS MONTH | RATIO | 12 MONTHS | RATIO |
| ===== | | | | |
| PENALTIES & INTEREST | 0.00 | 0.0 | 208.41 | 0.1 |
| TOTAL OPERATING EXPENSE | 31,687.06 | 283.0 | 72,819.32 | 47.3 |
| ----- | | | | |
| PARK OPERATING EXPENSE | | | | |
| SALARIES/MGR | 950.00 | 8.5 | 6,650.00 | 4.3 |
| UTILITIES/TELEPHONE | 452.28 | 4.0 | 7,918.69 | 5.1 |
| REPAIRS | 356.44 | 3.2 | 2,718.79 | 1.8 |
| TAXES - PROPERTY | 0.00 | 0.0 | 8,572.76 | 5.6 |
| TAXES - SALES | 1.55 | 0.0 | 2.12 | 0.0 |
| TAXES - PAYROLL - FICA | 218.01 | 1.9 | 508.69 | 0.3 |
| TAXES - PAYROLL - ESC | 153.90 | 1.4 | 359.10 | 0.2 |
| TAXES - PAYROLL - FUTA | 53.20 | 0.5 | 53.20 | 0.0 |
| INSURANCE-FIRE/LIABILITY | 0.00 | 0.0 | 7,428.50 | 4.8 |
| INSURANCE WORKMEN/COMP | 82.00 | 0.7 | 186.50 | 0.1 |
| SANITATION/EXTERMINATING | 450.00 | 4.0 | 2,525.00 | 1.6 |
| TAXES/LICENSES, FEE, PERMIT | 83.00 | 0.7 | 83.00 | 0.1 |
| OFFICE SUPPLIES | 152.27 | 1.4 | 688.87 | 0.4 |
| GENERAL EXPENSE | 0.00 | 0.0 | 80.86 | 0.1 |
| MISC SUPPLIES | 138.98 | 1.2 | 740.28 | 0.5 |
| ADVERTISING | 0.00 | 0.0 | 180.00 | 0.1 |
| LEGAL/ACCOUNTING | 350.00 | 3.1 | 10,015.00 | 6.5 |
| PIMA CO SURCHARGE | 868.50 | 7.8 | 3,561.00 | 2.3 |
| DEPRECIATION EXPENSE | 1,799.00 | 16.1 | 1,799.00 | 1.2 |
| WEB PAGE -C GROUND | 0.00 | 0.0 | 269.99 | 0.2 |
| TOTAL OPERATING EXPENSE | 6,109.13 | 54.6 | 54,341.35 | 35.3 |
| ----- | | | | |
| COMMUNITY BLDG EXPENSE | | | | |
| UTILITIES/TELEPHONE | 84.02 | 0.8 | 1,045.09 | 0.7 |
| TAXES - PROPERTY | 0.00 | 0.0 | 2,488.90 | 1.6 |
| INSURANCE FIRE/LIABILITY | 0.00 | 0.0 | 1,241.00 | 0.8 |
| MISCELLANEOUS EXPENSE | 0.00 | 0.0 | 2,496.00 | 1.6 |
| TOTAL OPERATING EXPENSE | 84.02 | 0.8 | 7,270.99 | 4.7 |
| ----- | | | | |
| OTHER INCOME | | | | |
| RENT/COMMNET | 600.00- | 5.4- | 7,200.00- | 4.7- |
| RENT/AT&T | 0.00 | 0.0 | 4,829.28- | 3.1- |
| RENT/ALL OTHER | 0.00 | 0.0 | 11,947.87- | 7.8- |
| SAND & DIRT | 0.00 | 0.0 | 33,101.00- | 21.5- |
| ASSET SALE/TRUCK | 0.00 | 0.0 | 400.00- | 0.3- |
| TOTAL OTHER INCOME | 600.00- | 5.4- | 57,478.15- | 37.3- |
| ----- | | | | |
| NET INCOME | 28,770.54- | 256.9- | 40,981.32 | 26.6 |
| ===== | | | | |

CORPORATION RESOLUTION

THIS IS TO CERTIFY that at the regular monthly meeting of the Board of Directors of Why Utility, Inc., an Arizona non-profit corporation, held on the 9th day October 2002, at which a quorum of Directors were present in person, the following Resolution was adopted, and the same has not been revoked:

RESOLVED: that it is in the best interest of the Corporation to purchase 2.51 acres of land including 35 RV hookups at 103 W. Kater Rd. Why, AZ., from The Money Store Investment Corporation.

FURTHER RESOLVED: that the President of this Corporation, Norm Paden, is authorized to execute and delivered any and all documents and/or instruments required to consummate this transaction.

IN WITNESS WHEREOF the Corporation has caused this Resolution to be signed by Norm Paden, its President, and Betty H. Tibbitt, its Secretary, these parties being Officers and Secretary of the Corporation, this 10th day of October 2002.

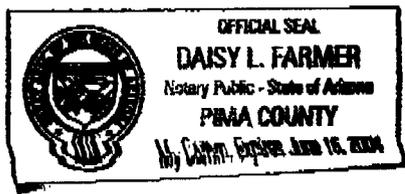
Norm Paden
DIRECTOR/PRESIDENT
Betty H. Tibbitt
SECRETARY

STATE OF ARIZONA)
) ss:
County of Pima)

This instrument was acknowledged before me this 10th day October, 2002, by Norm Paden, as President and Betty H. Tibbitt, as Secretary of Why Utility, Inc., an Arizona Non-profit corporation.

Daisy L Farmer
Notary

My commission Expires: June 16, 2004



Corporate Resolution to Borrow

Rural Community Assistance Corporation

The Governing Board of Directors of Why Utility Company, INC

(Name of Borrower)

hereby authorizes the submission of a loan application, the incurring of an indebtedness, the execution of a loan agreement and any amendments thereto, a promissory note, and any other documents necessary to secure a loan from Rural Community Assistance Corporation (RCAC).

Whereas

- A. Why Utility Company, INC
(Name of Borrower)
(hereinafter referred to as "Corporation") is a corporate entity established under the laws of the State of AZ
(State) and empowered to own property, borrow money, and give security for loans.
- B. Rural Community Assistance Corporation (hereinafter referred to as "RCAC") is authorized to make loans for housing, environmental infrastructure and community facilities for low-income people.
- C. The Corporation wishes to obtain from RCAC a loan for the development of Water Treatment System Upgrade/
Capacity Enlargement
(Type of Project)
(hereinafter referred to as "Project") on the property located at:
PO Box 69, Ajo, AZ 85321
(Address/Location of Property)

It is now resolved that

1. The Corporation shall submit to RCAC an application for a loan for the Project to be developed in the County of Pima in the State of County
(County) (State)
2. If the loan is approved, the Corporation is hereby authorized to incur indebtedness in an amount not to exceed the amount approved by RCAC and to enter into a loan agreement with RCAC for the purposes set forth in the loan application and approved by RCAC. It also may give a promissory note, and execute security and other instruments required by RCAC to evidence and secure the indebtedness.
3. The Corporation is further authorized to request amendments, including increases in the loan amount up to amounts approved by RCAC, and to execute any and all documents required by RCAC to evidence and secure these amendments.
4. The Corporation authorizes Norman Paden, President

(Names of Authorized Officer(s) and Title(s))

to execute in the name of the Corporation, the loan application and the loan agreement, promissory note, and security and other instruments required by RCAC to make and secure the loan and any amendments thereto.

5. The Corporation authorizes Vern R. Denning, Vice President and Senior Director

(Name(s) of Authorized Officer(s) and Title(s))

To execute in the name of the Corporation, any and all documentation required by RCAC for the disbursement of funds during the term loan.

Passed and adopted this 12 day of April, 2005, by the following vote:

Ayes: 4 Nays: _____ Abstain: _____ Absent: 1

The undersigned Betty H. Tibbitt, Secretary of the Corporation heretofore named, does hereby attest and certify that the foregoing is a true and full copy of a resolution of the Governing Board of Directors adopted at a duly convened meeting on the date mentioned above, and that said resolution has not been altered, amended or repealed.

6-30-05

(Date)


(Secretary)

Notes

1. This is intended to be a model for resolutions authorizing loan applications. Applicants may use their own format if it contains substantially all the authorizations in the model.
2. This model uses language appropriate to a nonprofit corporation or cooperative. A housing authority or other government agency may want to substitute more appropriate terminology for "Governing Board" and "Corporation."

RUS BULLETIN
1780-28
(Revised 2/15/00)

Position 5
LOAN RESOLUTION SECURITY AGREEMENT

APPROVED
OMB NO. 0575-0015

A RESOLUTION OF THE Board of Directors
OF THE Why Utility Company, INC
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
PRINCIPAL AMOUNT OF \$185,000 FOR THE PURPOSE
OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A
Drinking Water Facility, PROVIDING FOR THE COLLECTION, HANDLING, AND
DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY NOTE(S),
SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND SECURE THE PAYMENT OF
SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Why Utility Company, INC, (hereinafter
referred to as the "Organization"), was organized under Title 10, Chapter 1, Article 6 of the Arizona Revised Statutes
for the purpose of providing a
Drinking Water Facility (hereinafter referred to as the
"Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the members of the said organization was held on the 17th day of April 2005
pursuant to proper notice thereof to consider plans for the acquisition and construction methods of financing the Facility;
and, as shown by the minutes of said meeting, of the 3 members of record of the organization there were
present and voting 4, and by a recorded majority vote, the Facility and its financing authorized; and,

WHEREAS, the proposed Facility is to be constructed and equipped in accordance with plans, and specifications
prepared by Miller Brooks Environmental, Inc.

and in order to finance the Facility, the Board of Directors
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the organization,
to make application to the United States of America, acting through the United States Department of Agriculture,
(hereinafter referred to as the "Government"), for financial assistance; to cause the execution and delivery of a
promissory note or notes or other evidence of indebtedness (hereinafter referred to as the "note"), and appropriate security instruments
to secure any loan or loans made or insured by the Government; to comply with any requirements, terms or conditions prescribed by the
Government or by Government regulations; and to execute contracts or enter into agreements and, without limitation, to take any and
all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, and/or equip the Facility for and
on behalf of the Organization.
NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining
a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development
Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into
consideration prevailing private and cooperative rates and terms currently available;

Section 2. (Terms of Loan). That the Organization borrow \$183,000 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary and have the corporate seal of the Organization affixed thereto, and shall bear interest from its date, which shall be the date of delivery at a rate not to exceed 4.25 percent per annum; the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in the promissory note, until the principal and interest are fully paid except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable 40 years from the date of the note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenues to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The Treasurer of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The Treasurer is hereby directed to establish the following accounts into which the current funds of the Organization, note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account.

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with loan closing for incurred Facility costs, and at least the amount of N/A to be contributed by the Organization from the collection of initial connection fees, membership fees or contributions shall be deposited in the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the

Treasurer of the Organization as authorized by the Board from time to time, and with prior concurrence of the Government. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account

shall be made only on checks signed by the Treasurer of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Borrowers making monthly USDA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Account in accordance with (d) below.

(2) Borrowers making other than monthly USDA Debt Service Payments shall use the General Account to pay operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with (c) below. (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

(c) Debt Service Account

For borrowers on other than monthly debt service payments, transfers, in proportion to income availability, shall be made from the General Account and set aside in an account designated as the Debt Service Account, in sufficient amounts which will accumulate for the next installment on the note.

(d) Reserve Account

From the remaining funds in the General Account, after transfers and payments required in (b)(1) or (b)(2) and (c), there

shall be set aside into an account(s) designated as the Reserve Account(s) the sum of \$984.00 each month until the sum of \$9,840.00 is reached. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government.

(e) Whenever there shall accumulate in the General Account amounts in excess of those required in subsections (b)(1) and (2), (c), and (d), such excess will be used by the organization to make prepayments on the loan or retained in the General Account.

(f) The accounts required in subsections (b)(1) and (2), (c), and (d) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid:

(a) It will indemnify the Government for any payments made or losses suffered by the Government.

(b) It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for payment of the operation and maintenance thereof, the installment payments on the note, and the maintenance of the various funds herein created. All services rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization; no free service by or use of the Facility will be permitted.

(d) It will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the note when the same become due if, for any reason, gross revenues are insufficient.

(e) It will establish and maintain such books and records relating to the operation of the system and its financial affairs, and will provide for the annual audit thereof, in such manner as may be required by the Government; will provide the Government without its request a copy of each such audit; and will make and forward to the Government such additional information and reports as it may from time to time require.

(f) It will provide the Government, at all reasonable times, access to all books and records relating to the Facility and access to the property of the Facility so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.

(g) It will maintain at least such insurance and fidelity bond coverage as may be required by the Government.

(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(i) It will not cause or permit any voluntary dissolution of its organization, or merge or consolidate with any other organization, without obtaining the prior written consent of the Government. It will not dispose of or transfer title to the facility or any part thereof, including lands and interest in lands, by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue in excess of the amount required to maintain the accounts described by Section 4 herein will not be distributed or transferred to any other organization or legal entity.

(j) It will not modify or amend the Articles of Incorporation or the Bylaws of the Organization without the written consent of the Government.

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the organization or public body.

(l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility are pledged as security for the loan.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing adverse environmental impacts of the facility's construction or operation.

Section 6. (Security Instruments). In order to secure the payment of the principal and interest of the note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting said Facility, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Organization will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant in the sum not to exceed \$1,164,178, the Organization hereby accepts the grant under the terms as offered by the Government and that the Treasurer and Vice-President of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. This resolution shall take effect and be in force from and after the 12th day of April, being the date of its enactment.

The vote was: Yeas 4 Nays Absent 1

(SEAL) (if applicable) Attest: Betty H. Hibbit Secretary Title Why Utility Company By Norman Paden Title President

CERTIFICATION

I, the undersigned, as secretary of the Why Utility Company, Inc. hereby certify that the Board of Directors of such Organization or Corporation is composed of 5 members of whom, constituting a quorum, were present at a meeting thereof duly called and held on the 12th day of April 2005; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this 5th day of July

x Betty H. Hibbit Secretary of Why Utility Company, Inc.

WHY UTILITY CO., INC.
P O BOX 69,
AJO, AZ 85321
MINUTES
GENERAL BUSINESS MEETING
TUESDAY, APRIL 12, 2005

Meeting called to order by Norm Paden, President, at 5:00 PM at Why Community Building, Why, AZ. Board members present at start of meeting were Vern Denning, Charles Stevenson, George Hagen. Paul Waterman came in late at 5:30 after vote had been taken on Rural Community Assistance Corporation Contract. See Sign Up Sheet for members present.

There was no reading of previous meeting minutes nor a treasurer's report due to absence of Secretary/Treasurer Betty Tibbitt who was absent for family personal reasons.

OLD BUSINESS - NONE

NEW BUSINESS:

Vern Denning made a Motion to extend Mona Bean's contract as manager of CHEast for the 2005-2006 Seasonal Year; seconded by George Hagen. Motion Carried.

George Hagen made a Motion to purchase a new cooler for the Community Building; seconded by Charles Stevenson. Motion Carried.

Vern Denning reported that United States Department of Agriculture will fund Why Utility Co., Inc. for \$185,000 Loan based on a 40 year pay-back plan @ the rate of 4 1/4 percent with monthly payments of \$840 per month if Why Utility is willing to put a lien on the land at the well location and the tank location as collateral. None of the campground nor CHWest land would be involved in the loan contract. Why Utility Co. will have 150 days to complete rate application with Az Corporation Commission and receive a water rate increase. 86.29% of the entire Water Project - Filtration System, new mains and water hydrants- will be free through the grant monies that the company will receive on April 25, 2005, from USDA. If other funds are needed due to rising costs before project is started, Community Block Grants may be available to the Company.

Vern Denning made a Motion to accept the terms of the loan of \$185,000 for 40 years; seconded by Charles Stevenson. Motion carried with all 4 officers present voting yes.

Vern Denning made a Motion that Well and Tank Property be used as collateral for the loan; seconded by George Hagen. Motion Carried with all 4 officers present voting yes.

Vern Denning made a Motion to accept Miller Brooks Engineering as the Primary Engineer for the full project; seconded by George Hagen. Motion Carried with all 4 officers present voting yes.

Discussion with members followed on types of lines and mains and right of way issues.

Vern Denning reminded everyone of the April 25, 2005, Presentation of Grant Monies from USDA for the project to be held at the Community Building at 1:00 PM.

Page Two
General Business Meeting
April 12, 2005

Vern Denning made a Motion to pay John Trammel \$50 to install new cooler in Why Community Building; seconded by Paul Waterman. Motion Carried.

Paul Waterman made a Motion to adjourn; seconded by Vern Denning. Motion Carried.

Meeting adjourned at 6:01 PM.

Respectfully submitted,



Vern Denning/ Acting Secretary
Why Utility Co., Inc.

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

| State | | | |
|-------------------------|----|----|----|
| County | | | |
| Case No. | | | |
| FINANCE OFFICE USE ONLY | | | |
| F | LN | LC | IA |

- KIND OF LOAN:
- ASSOCIATION- ORGANIZATION
 - HOUSING-ORGANIZATION
 - PUBLIC BODY
 - OTHER

Date _____

FOR VALUE RECEIVED, _____
(herein called "Borrower") promises to pay to the order of the United States of America, acting through the Rural Housing Service, Rural Business-Cooperative Service, or Rural Utilities Service within the Rural Development Mission Area, the Farm Service Agency, or their successor Agencies, United States Department of Agriculture, (herein called the "Government") at its office in _____
_____, or at such other place as the Government may hereafter designate in writing, the principal amount of _____ dollars
(\$ _____), plus interest on the unused principal balance at the rate of _____ percent
(_____ %) per annum. The said principal and interest shall be paid in the following installments on or before the following dates:

\$ _____ on _____,
\$ _____ on _____,
\$ _____ on _____,
\$ _____ on _____, and
\$ _____ thereafter on the _____ of each _____

until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby,

if not sooner paid, shall be due and payable _____ (_____) years from the date of this note, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment of Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security hereto, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

Default hereunder shall constitute default under any other instrument evidencing a debt or other obligation of Borrower to the Government or securing such a debt or other obligation and default under any such other instrument shall constitute default hereunder. Upon any such default, the Government at its option may declare all or any part of any such indebtedness immediately due and payable.

This note is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act if the box opposite "Association" is checked under the heading "KIND OF LOAN," or pursuant to Title V of the Housing Act of 1949 if the box opposite "HOUSING-ORGANIZATION" is checked. This note shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

Presentment, protest, and notice are hereby waived.

(Name of Borrower)

(CORPORATE SEAL)

(Signature of Executive Official)

ATTEST:

(Title of Executive Official)

(Signature of Attesting Official)

(Post Office Box No. or Street Address)

(Title of Attesting Official)

(City, State, and Zip Code)

RECORD OF ADVANCES

| AMOUNT | DATE | AMOUNT | DATE |
|--------|------|---------|------|
| (1) \$ | | (6) \$ | |
| (2) \$ | | (7) \$ | |
| (3) \$ | | (8) \$ | |
| (3) \$ | | (9) \$ | |
| (5) \$ | | (10) \$ | |
| TOTAL | | | |

PAY TO THE ORDER OF _____

UNITED STATES OF AMERICA
RURAL DEVELOPMENT

(Name of Agency)

BY _____

Water and Waste System Grant Agreement
United States Department of Agriculture
Rural Utilities Service

THIS AGREEMENT dated _____, _____, between

_____ a public corporation organized and operating under

_____ (Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ _____ and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ _____ of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ _____ has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ _____ or _____ percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed _____ percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

- A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated _____, _____, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment(use continuation sheets as necessary).

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ _____ which it will advance to Grantee to meet not to exceed _____ percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

attested and its corporate seal affixed by its duly authorized

Attest:

By _____

(Title) _____

By _____

(Title) _____

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By _____

(Title)