



BEFORE THE ARIZONA CORPORATION

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28

JEFF HATCH-MILLER
Chairman

2005 OCT 14 A 11: 55

WILLIAM A. MUNDELL
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

MARC SPITZER
Commissioner

MIKE GLEASON
Commissioner

KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY TO
EXTEND ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY IN
CASA GRANDE, PINAL COUNTY,
ARIZONA

Docket No. W-01445A-03-0559

**ARIZONA WATER COMPANY'S
RESPONSE TO PICACHO
WATER COMPANY'S MOTION
TO CONSOLIDATE, REQUEST
TO FILE BRIEF AND REQUEST
FOR A RULING**

Arizona Water Company hereby responds to the filing by Picacho Water Company ("Picacho") on October 5, 2005 moving to consolidate this docket with Docket W-0352A-05-0281 (the "Picacho Docket"), requesting leave to file a brief, and requesting a ruling of Picacho's motion to intervene. The Commission should deny Picacho's motions in their entirety.

The fundamental issue raised by Picacho's motion is whether a party that lacks standing to intervene in a proceeding before the Commission can achieve the same result by filing an application seeking to collaterally attack a final Decision of the Commission, procuring a separate docket number as a result, and then moving to "consolidate" the two dockets. The Commission's answer to such procedural gamesmanship should be "no."

I. BACKGROUND

Arizona Water Company initiated this docket on August 12, 2003 by filing an

1 application to extend its Certificate of Convenience and Necessity (“CCN”) to provide water
2 service in an area of Pinal County. A full public hearing was held on the matter on February
3 17, 2004. All property owners were notified of the application and hearing date by mailed
4 notice and by publication in the Casa Grande Dispatch. Only Arizona Water Company and
5 the Commission’s Staff appeared. No member of the public, nor the developer that controls
6 Picacho (Robson Communities), nor Picacho itself appeared to provide public comment or
7 sought to intervene in the proceedings. After a full public hearing, the Commission entered
8 its Decision No. 66893 (“Decision”) on April 6, 2004, ordering “that the application of
9 Arizona Water Company for an extension of its Certificate of Convenience and Necessity . .
10 . is hereby granted subject to compliance with the following ordering paragraphs.” Decision
11 at 6. Among those paragraphs, the Commission ordered that “Arizona Water Company
12 shall file a copy of the Developer’s Assured Water Supply for each respective development
13 with the Commission within 365 days.” Id. at 7. The Commission also ordered Arizona
14 Water Company to file a main extension agreement associated with the extension area
15 within 365 days. Id.

16 Robson Communities subsequently acquired property within Arizona Water
17 Company’s new certificated area. Robson Communities informed Arizona Water Company
18 that it planned to serve this property itself, thereby obstructing Arizona Water Company’s
19 performance of the two conditions outlined above within the timeframes ordered by the
20 Commission. Arizona Water Company therefore filed a Request for Additional Time to
21 Comply with the Filing Requirement on March 30, 2005. Arizona Water Company’s
22 routine request for an extension of time did not prejudice any party, since there was no
23 objection or opposition by any party, and no other applicant for the CCN.

24 Moreover, there is other evidence of Robson Communities’ purposeful actions to
25 delay and ultimately prevent Arizona Water Company’s compliance with the Decision’s
26 conditions. One of the areas for which a developer requested service was Florence Country
27 Estates (Decision, Finding of Fact 12, page 3), the area included in Arizona Water
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1 Company's CCN per the Decision which Robson's subsidiary Picacho now wants to serve.
2 The Florence Country Estates development was anxious enough to be served by Arizona
3 Water Company that it requested the Company to file a motion to expedite the CCN
4 hearing, although the motion was denied. Even before the Decision was entered, Arizona
5 Water Company received an approval to Construct the off-site and on-site water distribution
6 system to serve Florence Country Estates from the Arizona Department of Environmental
7 Quality (copy attached as Exhibit 1), a last step before entering into a main extension
8 agreement. In addition, there are three critical documents needed to obtain a certificate of
9 assured water supply: a Notice of Intent to Serve, a Central Arizona Groundwater
10 Replenishment District Agreement and Notice of Municipal Provider Reporting
11 Requirements, and an Annual Reporting Agreement, copies of which are attached as
12 Exhibits 2, 3 and 4 for Florence Country Estates. Arizona Water Company completed its
13 portion of each of these documents by August 2004 (and the Reporting Agreement was
14 recorded) but the developer of Florence Country Estates never completed and filed all of
15 them because the property went in escrow in July 2004 and escrow closed in 2004 for a
16 Robson Communities affiliate, all according to Picacho's May 19, 2005 letter to the
17 Commission in this matter (at page 5). Clearly, Robson Communities intended to block
18 Arizona Water Company from serving its project, and it halted all progress on the certificate
19 of assured water supply and main extension agreement, thus assuring that Arizona Water
20 Company would not be able to satisfy the Decision's conditions within the initial 365-day
21 period.

22 While Arizona Water Company's request remained pending, Robson Communities
23 launched a collateral attack on the final Decision. One day after the passage of the 365 day
24 timeframe in the Decision, on April 7, 2005, Robson Communities submitted a letter to the
25 Commission arguing that Arizona Water Company's CCN extension had become null and
26 void (due solely to Robson Communities' own actions) and announced that it desired to
27 have its own captive water company, Picacho, serve the area. On April 15, 2005, Picacho
28

1 filed its separate application to serve the area, which resulted in the Picacho Docket.
2 Robson Communities and Picacho also sought to inject themselves into this proceeding,
3 even though the time for any intervention had long passed.

4 On May 10, 2005, the assigned Administrative Law Judge (“ALJ”) issued a
5 recommended order in the 2003 proceeding which concluded that Robson Communities
6 lacked standing to object to Arizona Water Company’s request and that Arizona Water
7 Company’s request for additional time should be granted. On May 19, 2005, more than
8 fifteen months after the full public hearing on Arizona Water Company’s application for an
9 extension of its CCN, Robson Communities’ affiliate landowner entity, Cornman Tweedy
10 560, LLC, and Picacho moved to intervene in the 2003 Proceeding. The Commission did
11 not act on the motion to intervene. Instead, on September 28, 2005, after the parties had met
12 and conferred and following a procedural conference during which the issue was argued by
13 the parties’ representatives, Chief ALJ Lyn Farmer ordered only the Commission’s Staff to
14 file a brief on the legal issue of whether the extension of Arizona Water Company’s CCN
15 was void pursuant to the Decision. Apparently impatient with the Commission’s decision-
16 making process, Picacho went ahead on its own and filed its motion to consolidate and for
17 other relief on October 5, 2005, and now seeks to file its own briefs in derogation of Judge
18 Farmer’s Order.

19 **II. PICACHO’S MOTION TO CONSOLIDATE SHOULD BE DENIED.**

20 Arizona Water Company has already demonstrated that Picacho and Robson
21 Communities’ untimely attempt to interject themselves in this matter is improper because
22 they lack standing and because their belated efforts to reverse the Commission’s Decision
23 constitute an improper collateral attack on the Decision. See Arizona Water Company’s
24 Response to Motion to Intervene filed May 23, 2005. The Commission has so far correctly
25 declined to grant Picacho’s motion to intervene in this docket.

26 Picacho’s motion to consolidate is a transparent effort to accomplish the same result
27 that Picacho has been unable to achieve by means of its motion to intervene, as Picacho
28

BRYAN CAVE LLP
TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

1 readily admits. See Motion to Consolidate at 2 (“If the Commission grants this Motion to
2 Consolidate, then the Motion for Intervention filed by Picacho in this docket may be
3 moot.”). Because the motion to intervene should be denied for all of the reasons presented
4 in Arizona Water Company’s Response, Picacho’s motion to consolidate should also be
5 denied. Picacho’s motion to intervene is untimely and improper, and Picacho should not be
6 allowed to achieve the same improper result by means of a motion to consolidate.

7 Moreover, the Commission should also deny Picacho’s motion to consolidate
8 because it fails to satisfy the requirements for such a consolidation under ACC R14-3-
9 109(H). That Rule provides that the Commission may consolidate proceedings when two
10 tests are met: (1) the issues are substantially the same; and (2) the rights of the parties will
11 not be prejudiced by such procedure. ACC R14-3-109(H). Picacho’s motion fails both
12 prongs of this test.

13 First, despite Picacho’s contentions otherwise, the issues of these two matters are not
14 substantially the same. Rather, the different procedural postures of the two dockets pose
15 completely different questions. In this proceeding, Arizona Water Company has already
16 been granted a CCN based on a showing during a February 2004 public hearing (in which
17 Robson Communities and Picacho declined to participate) that granting such a CCN is in the
18 public interest. The central remaining question is whether a developer and its own captive
19 water company may frustrate that well-supported and non-appealable finding of the public
20 interest at this late stage by unilaterally preventing the occurrence of certain events within
21 the timeframes established by the Commission. While the stakes are substantial, they hinge
22 on a relatively simple legal question created by the developer’s own actions to obstruct
23 Arizona Water Company’s performance by a deadline included in a previously granted
24 CCN.

25 In contrast, Picacho’s April 2005 application for an extension of its CCN and the
26 resulting Picacho Docket raise substantially different matters. The defining issue in the
27 Picacho Docket involves whether Arizona Water Company’s previously granted CCN is
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1 subject to collateral attack in another proceeding. Moreover, even if Arizona Water
2 Company did not already have a CCN for the relevant area, Picacho would still have to
3 demonstrate that granting a CCN to Picacho comports with the public interest, a question
4 that is inherently more complex and raises numerous factual and legal issues far beyond the
5 relatively simple legal issue raised in this docket.

6 Picacho also fails to satisfy the second prong of the test set out in ACC R14-3-
7 109(H) because the consolidation of two proceedings would cause severe prejudice to
8 Arizona Water Company. As noted in Arizona Water Company's response to the motion to
9 intervene, Picacho and the developer failed to intervene in this matter in a timely fashion
10 and failed to participate at the public hearing held in February 2004. Picacho has no right to
11 intervene and has no place in this proceeding at this stage (i.e., after the Decision in that
12 case is final and non-appealable) and allowing Picacho to intervene now would prejudice
13 Arizona Water Company's existing CCN. In contrast, the Commission granted Arizona
14 Water Company's motion to intervene in the Picacho Docket because in that proceeding
15 Picacho seeks a competing CCN in an area already granted to Arizona Water Company.

16 Finally, this matter bears no resemblance to the Woodruff Water Company dockets
17 before the Commission, as argued by Picacho at page 5 of its brief. The Woodruff cases
18 involved two water utilities presenting competing applications to provide public utility
19 water service to the same uncertificated area. Here, in obvious contrast, Arizona Water
20 Company already has been determined to be the appropriate provider, and has been awarded
21 a CCN in the Decision.

22 **III. PICACHO'S MOTION TO INTERVENE SHOULD BE DENIED.**

23 As argued in Arizona Water Company's Response to Motion to Intervene filed May
24 23, 2005, the motion to intervene filed by Picacho and the developer in this action should be
25 denied. The Motion to Intervene contains the same defects now as it contained in May
26 2005.

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PHOENIX, ARIZONA 85004-4406
(602) 364-7000

1
2
3 **IV. PICACHO'S MOTION FOR LEAVE TO FILE A BRIEF SHOULD BE DENIED.**

4 Judge Farmer listened to all concerned parties and their representatives on September
5 23, then specifically ordered that only the Commission's Staff file a brief addressing the
6 narrow legal question of whether Arizona Water Company's CCN remained valid in the
7 face of attempts by a developer to thwart compliance with the Commission's deadlines.
8 Picacho then requested leave to file a brief in this action based on alleged "due process and
9 fundamental fairness." Picacho's Motion at 7.

10 Picacho's argument lacks any merit. As discussed in Arizona Water Company's
11 Response to Motion to Intervene filed May 23, 2005, Picacho had notice and an opportunity
12 to move to intervene in this proceeding more than a year ago, prior to the public hearing in
13 February 2004, and had notice and the opportunity to appear and present public comment at
14 the public hearing at a minimum. Picacho failed to do so, and should not be allowed – a
15 year and a half later – to argue that "due process and fundamental fairness" allows it to
16 interject itself in this action.

17 Respectfully submitted this 14th day of October, 2005.

18 BRYAN CAVE LLP

19
20 By 

21 Steven A. Hirsch, #006360

22 Rodney W. Ott, #016686

23 Two N. Central Avenue, Suite 2200

Phoenix, AZ 85004-4406

Attorneys for Arizona Water Company

24 ORIGINAL and 15 copies filed this
25 14th day of October, 2005, with:

26 Docket Control
27 Arizona Corporation Commission
28 1200 W. Washington Street
Phoenix, AZ 85007

BRYAN CAVE LLP
TWO NORTH CENTRAL AVENUE, SUITE 2200
PHOENIX, ARIZONA 85004-4406
(602) 364-7000

1 A copy of the foregoing hand-delivered
2 this 14th day of October, 2005, to:

3 Christopher C. Kempley, Chief Counsel
4 Legal Division
5 ARIZONA CORPORATION COMMISSION
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 Ernest G. Johnson, Director
9 Utilities Division
10 ARIZONA CORPORATION COMMISSION
11 1200 West Washing Street
12 Phoenix, Arizona 85007

13 Lyn Farmer
14 Chief Administrative Law Judge
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 And copies mailed and e-mailed this date, to:

19 Jeffrey W. Crockett, Esquire e-mail: jrockett@swlaw.com
20 Marcie Montgomery, Esquire
21 SNELL & WILMER
22 One Arizona Center
23 Phoenix, Arizona 85004-2202

24 Peter M. Gerstman
25 Vice Present and General Counsel
26 ROBSON COMMUNITIES, INC.
27 3532 E. Riggs Road
28 Sun Lakes, Arizona 85248

Melinda M. Erway

Exhibit 1



**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
CERTIFICATE OF APPROVAL TO CONSTRUCT
WATER FACILITIES**

| | |
|--|-----------------------------|
| ADEQ File No: 20030575 | |
| System Name: Az Water Co - Casa Grande | System Number: 11009 |
| Project Owner: Az Water Co | |
| Address: P.O. Box 29006, Phoenix, AZ 85038 | |
| Project Location: Casa Grande | County: Pinal |
| Description: OFF-SITE WATER MAIN EXTENSION AND ON-SITE WATER DISTRIBUTION SYSTEM TO SERVE FLORENCE COUNTRY ESTATES AS PER APPROVED PLANS AND SPECIFICATIONS. THE PROJECT MAY BE CONSTRUCTED IN FOUR PHASES. | |

Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 4 continued on page 1 through 1

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 4, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Central Regional Office located in Phoenix. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-4-507(B), Ariz. Admin.Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-4-507(B); such a request must be made in writing in accordance with the time requirements of R18-4-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-4-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-4-507(A), Ariz. Admin. Code.

Reviewed by JD1

By: *Aolad Hossain* 1/5/04
 Aolad Hossain., P.E., Manager Date
 Technical Engineering Unit
 Water Quality Division

cc: File No : 20030575
 Regional Office: Central
 Owner: Az Water Co
 County Health Department: Pinal
 Engineer: Az Water Co.
 Planning and Zoning/Az Corp. Commission
 Engineering Review Database - Etr021

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 JAN 15 2004

ARIZONA WATER COMPANY

ENGINEER'S CERTIFICATE OF COMPLETION AND FINAL INSPECTION "ECC"

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (ADEQ) - WATER QUALITY DIVISION

J:\shared\WEDRI\APPLICATIONS-DrinkingWater\ECC-DrinkWtr 5/01

| | |
|--|---|
| ADEQ FILE NO.: _____ → X DRINKING WATER DESIGN <i>(New separate form now used for WASTEWATER DESIGN)</i> <small>If separate Drinking Water & Wastewater Approvals to Construct were issued, separate ECCs required</small> | COUNTY: _____ OWNER: _____ |
| Project Name: _____ <small>(as shown on Approval to Construct)</small> | |
| Project Description: <div style="text-align: right; font-size: small;"><small>(as shown on Approval to Construct, unless completed project differed, in which case describe in detail)</small></div> | |

I, _____ (print name), a Professional Engineer registered in the State of Arizona, have inspected the construction of the above described project, and certify that (check all applicable boxes, complete applicable blanks):

- ITEMS 1) THRU 4) MUST BE COMPLETED
- 1) The work on this project was completed on _____ (date).
 - 2) On _____ (date) a final construction inspection was conducted by MYSELF [-check one-] under MY DIRECT SUPERVISION by _____ (print name).
 - 3) The materials utilized and the installation and construction of those materials and equipment are in conformance with the approved plans and specifications.
 - 4) All provisions listed in the ADEQ Approval to Construct for this project, a copy of which I have attached to this certificate, have been fully satisfied or exceptions are listed on the reverse side of this certificate.
 - 5) All construction and preoperational tests (infiltration, exfiltration, pressure, deflection, chlorination, bacti, etc.) [circle types performed] were properly conducted, met ADEQ requirements, and are presented in attachments to this Certificate. The total number of pages of test results attached is _____.

EITHER 6A) or 6B) MUST BE CHECKED
 - 6A) Any deviation from the approved plans and the ADEQ Certificate of Approval to Construct have been noted on the attached "As-Built" plans (as stipulated in the Approval to Construct provisions) prepared and sealed pursuant to A.R.S. § 32-125 on _____ (date). Of the total _____ sheets of "As-Built" plans attached, deviations from the approved plans are shown on sheets numbered _____. All deviations from the approved plans comply with the ADEQ minimum design and construction standards contained in statute, rule, bulletin or referenced codes, and with the key elements of the approved plans.
 - 6B) The completed project did not deviate from the plans which received the Approval to Construct.

EITHER 7A) or 7B) MUST BE CHECKED
 - 7A) This project did not require the preparation of an Operation and Maintenance Manual (the only projects which do NOT require an O&M manual are gravity-only sewage collection systems, single-family residence septic systems, and drinking water distribution projects that include no source, storage, or pressurization facilities).
 - 7B) A FINAL Operation and Maintenance Manual has been prepared for this project and a copy is attached. This manual meets all ADEQ minimum design and construction standards contained in statute, rule, bulletin, referenced codes, the key elements of the approved plans, and, if applicable, with Attachment B of the September 10, 1994 Engineering Advisory for Individual Alternate Systems.

EITHER 8A) or 8B) MUST BE CHECKED
 - 8A) Review of this project for Approval of Construction issuance does not require a fee because this project involves only drinking water, not wastewater.
 - 8B) In accordance with A.A.C. R18-14-103 Schedule B, a check in the amount of \$ _____ is attached as initial fee for review of the submitted and other information for issuance of an Approval of Construction.

ADDITIONAL INFORMATION

9) Other, see additional information on reverse side.

ENGINEER'S SEAL per AAC R4-30-304.B1

Engineer Address _____

Phone



Exhibit 2

ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED WATER SUPPLY
500 NORTH THIRD STREET
PHOENIX, ARIZONA 85004
(602) 417-2460

NOTICE OF INTENT TO SERVE FOR PRIVATE WATER COMPANIES

Subdivision/Development Name: Florence Country Estates

Owner: Hwy 287 - Florence Boulevard, Inc./ Madison Diversified 882 Corp.

Private Water Company ("PWC") Name: Arizona Water Company - Casa Grande
 (If the water provider has several divisions, please specify in which service area the subdivision is located.)

ADWR Service Area Right Number: 56-001307
 (Number can be found on ADWR Annual Reports)

ADEQ Public Water System Number: 11009
 (Please indicate the number valid for this subdivision)

Will Development be served from the PWC's existing, or an extension of, the water distribution system? Yes No
 If no, will the PWC be establishing a new service area right to serve the Development? Yes No
 If yes, what type of right will be used to establish the service area right _____
 If the Development is not served from the existing, or an extension of, the water distribution system, a new service area right must be established before a Certificate of Assured Water Supply will be issued. Please contact your local AMA office for more information on establishing a new service area right.

Is the Development within the PWC's existing Certificate of Convenience and Necessity ("CC&N")? Yes No
 If no, has an application for an extension of the CC&N been filed? Yes No
 If yes, date of submittal: August 12, 2003 Approved? Yes No
 Please include a copy of the application for extension and reference as an attachment: _____
 If the Development is not within the PWC's CC&N, a Certificate of Assured Water Supply will not be issued until the CC&N has been extended to include the Development.

| 1 | 2 | 3 | 4 | 5 | 6 |
|----------------|-------------------------|------|------------------------------------|--|------------------------------|
| Number of Lots | Person per Housing Unit | GPCD | On-Site Residential Demand (af/yr) | On-Site Non-Residential Demand (af/yr) | Total On-Site Demand (af/yr) |
| 246 | 3.5 | 125 | 120.56 | 130.46*** | 251.02 |

***Including 10% Lost & Unaccounted For

Arizona Water Company (the "Company") certifies that the Development is within the Company's existing CC&N or that it has filed an application with the ACC to extend its CC&N to include the Development and that it will provide water service to the Development, subject to the Company's Terms and Conditions for the Provision of Water Service, and all other applicable Tariffs on file with the Arizona Corporation Commission ("ACC"), with an amount of water sufficient to satisfy water demands of the Development, which are estimated above. This Notice of Intent to serve is conditioned upon the Company's receipt of all necessary approvals from the ACC and other regulatory agencies and the Company's receipt of all necessary permits. The Company further certifies that the Development will be served from the existing, or an extension of the existing water distribution system and, if not, a new service area right will be established using the water right specified above. The Company acknowledges that it has reviewed the total estimated water demand of this subdivision.


 Company Representative Signature Name: Michael J. Whitehead Title: Vice President - Engineering Date: 6/7/04

CAWS Applicant Signature Name: _____ Title: _____ Date: _____
 KD

FILE COPY

CoreGroup CONSULTANTS

May 31, 2004

PROJECT: 1154

Arizona Water Company
3805 Black Canyon Highway
Phoenix, Arizona
85015-5351

TO: Michael Whitehead

RE: NOTICE OF INTENT FOR FLORENCE COUNTRY ESTATES

Please find the notice of intent that you signed on December 11, 2003. We have since made another revision to the notice. We have added the other owner of Florence Country Estates (owner = Madison Diversified 882 Corp) to the NOI. The previous revision did not reflect the full owner's name. Could you please initial the NOI, indicating that you have received and accepted this change?

We trust that the above is to your satisfaction, however, should you require additional information please contact the undersigned. Thank you for your patience and cooperation.

Yours truly,
CORE GROUP CONSULTANTS
Per;

Natasha Reed for

Cormac Nolan, P.E.

File: 1154-LET-013 Arizona Water R0.doc

Encl. NOI

ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED WATER SUPPLY
 500 NORTH THIRD STREET
 PHOENIX, ARIZONA 85004
 (602) 417-2460

NOTICE OF INTENT TO SERVE FOR PRIVATE WATER COMPANIES

Subdivision/Development Name: Florence Country Estates

Owner: Hwy 287 - Florence Boulevard, Inc. MADISON DIVERSIFIED CORP.

Private Water Company ("PWC") Name: Arizona Water Company - Casa Grande
 (If the water provider has several divisions, please specify in which service area the subdivision is located.)

ADWR Service Area Right Number: 56-001307
 (Number can be found on ADWR Annual Reports) subdivision)

ADEO Public Water System Number: 11009
 (Please indicate the number valid for this subdivision)

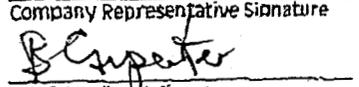
Will Development be served from the PWC's existing, or an extension of, the water distribution system? Yes No
 If no, will the PWC be establishing a new service area right to serve the Development? Yes No
 If yes, what type of right will be used to establish the service area right _____
 If the Development is not served from the existing, or an extension of, the water distribution system, a new service area right must be established before a Certificate of Assured Water Supply will be issued. Please contact your local AMA office for more information on establishing a new service area right.

Is the Development within the PWC's existing Certificate of Convenience and Necessity ("CC&N")? Yes No
 If no, has an application for an extension of the CC&N been filed? Yes No
 If yes, date of submittal: August 12, 2003 Approved? Yes No
 Please include a copy of the application for extension and reference as an attachment: _____
 If the Development is not within the PWC's CC&N, a Certificate of Assured Water Supply will not be issued until the CC&N has been extended to include the Development.

| 1 | 2 | 3 | 4 | 5 | 6 |
|----------------|-------------------------|------|------------------------------------|--|------------------------------|
| Number of Lots | Person per Housing Unit | GPCD | On-Site Residential Demand (af/yr) | On-Site Non-Residential Demand (af/yr) | Total On-Site Demand (af/yr) |
| 248 | 3.5 | 125 | 120.56 | 130.46** | 251.02 |

***Including 10% Lost & Unaccounted For

Arizona Water Company (the "Company") certifies that the Development is within the Company's existing CC&N or that it has filed an application with the ACC to extend its CC&N to include the Development and that it will provide water service to the Development, subject to the Company's Terms and Conditions for the Provision of Water Service, and all other applicable Tariffs on file with the Arizona Corporation Commission ("ACC"), with an amount of water sufficient to satisfy water demands of the Development, which are estimated above. This Notice of Intent to serve is conditioned upon the Company's receipt of all necessary approvals from the ACC and other regulatory agencies and the Company's receipt of all necessary permits. The Company further certifies that the Development will be served from the existing, or an extension of the existing water distribution system and, if not, a new service area right will be established using the water right specified above. The Company acknowledges that it has reviewed the total estimated water demand of this subdivision.

| | | | |
|---|------------------------------|---------------------------------------|----------------------|
|  Company Representative Signature | Michael J. Whitehead Name | Vice President - Engineering Title | 12-11-2003 Date |
|  CAWS Applicant Signature | Brian Carpenter Name | Secretary / Treasurer Title | May 6 / 2004 Date |

\\DAILY\WORK\2802CG\ADWR\NOTICE OF INTENT TO SERVE FLORENCE COUNTRY ESTATES\DOC.DOC
 REVISED BY AWC

FILE COPY

Hwy 287 FLORENCE BOULEVARD INC
 MADISON DIVERSIFIED 822 CORP.

202-W\AWC.DOC

CoreGroup CONSULTANTS

3743 North 24th Street, Phoenix, Arizona 85016
TEL (602) 954-7768
FAX (602) 522-9733

TRANSMITTAL

ATTN: Michael Whitehead

FROM: Natasha Reed

COMPANY: Arizona Water Company

PROJECT: 1154 - XMT - 031 Arizona.doc

ADDRESS: 3805 Black Canyon Highway

DATE: May 31, 2004

Phoenix, Arizona 85015-5351

FAX: _____

PHONE: _____

RE: NOI Revision

SENT BY: MAIL COURIER BY HAND PICKUP

| ITEM NO. | QTY | DESCRIPTION |
|----------|-----|-----------------------|
| 1. | 1 | Letter (1145-LET-013) |
| 2. | 1 | NOI |
| | | |
| | | |

NOTE: Please initial NOI and return a copy. Thanks.

SENT BY:

N. Reed

RECEIVED BY: _____

Core Group Consultants

Please sign and return this transmittal to our office via fax (602) 522-9733 to confirm that you have received the items listed above.

RECEIVED
JUN 05 2004

ARIZONA WATER COMPANY
PHOENIX ENGINEERING

Exhibit 3

When recorded, return to:
Central Arizona Water
Conservation District
P.O. Box 43020
Phoenix, Arizona 85080-3020
Attn: Manager, Groundwater
Replenishment District

**AGREEMENT AND NOTICE OF MUNICIPAL PROVIDER
REPORTING REQUIREMENTS FOR
FLORENCE COUNTRY ESTATES
REGARDING MEMBERSHIP IN THE CENTRAL ARIZONA
GROUNDWATER REPLENISHMENT DISTRICT**

This Agreement and Notice of Municipal Provider Reporting Requirements for Florence Country Estates Regarding Membership in the Central Arizona Groundwater Replenishment District is made this 18th day of August, 2004, among the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, a political subdivision of the State of Arizona, HWY 287 – FLORENCE BOULEVARD, INC., an Arizona corporation, MADISON DIVERSIFIED 882 CORP., an Arizona corporation, and FLORENCE COUNTRY ESTATES HOMEOWNERS ASSOCIATION, INC., an Arizona non-profit corporation.

RECITALS

A. Owner is the owner of the Property, legally described in Exhibit A attached and incorporated into this Agreement.

B. Owner has applied to the Department for a certificate of assured water supply for the Property pursuant to Arizona Revised Statutes Title 45, Chapter 2, Article 9. Owner and the Municipal Provider have executed a notice of intent to serve agreement, as required by the Department, whereby the Municipal Provider has agreed to provide water to the Property. Owner and the Irrigation District have executed a notice of intent to serve agreement, as required by the Department, whereby the Irrigation District has agreed to provide water to the Property.

C. The Municipal Provider, Association, and the Irrigation District have executed an annual reporting agreement whereby the Association has agreed to report to the Municipal Provider the amount of Groundwater delivered to each Parcel each year by the Irrigation District.

D. As permitted by Arizona Revised Statutes § 45-576.01(B), Owner desires to satisfy one requirement for obtaining a certificate of assured water supply by qualifying the Property as Member Land pursuant to the Groundwater Replenishment Statute. As Member Land, the Property will be a member of the Central Arizona Groundwater Replenishment District, an operating subdivision of CAWCD.

E. To qualify the Property as Member Land and to permit the delivery of Excess Groundwater to the Property as Member Land, the Groundwater Replenishment Statute requires the Property to be subject to the Declaration.

F. To qualify the Property as Member Land, the Groundwater Replenishment Statute also requires the Municipal Provider to record this Agreement and comply with certain annual reporting requirements in accordance with Arizona Revised Statutes § 48-3774(C).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 "Agreement" means this Agreement and Notice of Municipal Provider Reporting Requirements for FLORENCE COUNTRY ESTATES Regarding Membership in the Central Arizona Groundwater Replenishment District, as amended from time to time.

1.2 "Association" means FLORENCE COUNTRY ESTATES HOMEOWNERS ASSOCIATION, INC., an Arizona non-profit corporation.

1.3 "CAWCD" means the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, a political subdivision of the State of Arizona, and any successor political subdivision.

1.4 "Declaration" means the Declaration of Covenants, Conditions and Restrictions for FLORENCE COUNTRY ESTATES Regarding Membership in the Central Arizona Groundwater Replenishment District recorded by Owner, as declarant, against the Property.

1.5 "Department" means the ARIZONA DEPARTMENT OF WATER RESOURCES, an agency of the State of Arizona, and any successor agency.

1.6 "Director" means the director of the Department.

1.7 "Excess Groundwater" means the amount of Groundwater equal to the amount of Groundwater delivered to the Property by the Municipal Provider and the Irrigation District in a calendar year in excess of the amount of Groundwater that may be used at the Property in that calendar year consistent with the applicable Assured and Adequate Water Supply Rules adopted by the Department for the Pinal Active Management Area pursuant to Arizona Revised Statutes § 45-576(H), subject to the provisions of Paragraph 2.4 herein.

- 1.8 "Groundwater" is as defined in Arizona Revised Statutes § 45-101(5).
- 1.9 "Groundwater Replenishment Statute" means Arizona Revised Statutes, Title 48, Chapter 22.
- 1.10 "Irrigation District" means SAN CARLOS IRRIGATION AND DRAINAGE DISTRICT.
- 1.11 "Member Land" is as defined in Arizona Revised Statutes § 48-3701(9).
- 1.12 "Municipal Provider" means ARIZONA WATER COMPANY, an Arizona corporation, and its successors and assigns.
- 1.13 "Owner" means HWY 287 – FLORENCE BOULEVARD, INC., an Arizona corporation, as to only that portion of the Property described in Exhibit A as Parcel Nos. 1, 2, 3 and 4, and MADISON DIVERSIFIED 882 CORP., an Arizona corporation, as to only that portion of the Property described in Exhibit A as Parcel No. 5, and their successors and assigns.
- 1.14 "Parcel" means any portion of the Property now existing or hereafter established for which the tax assessor for the county in which the Property is located has issued a separate tax parcel number. The current tax parcel number for each Parcel is as shown in Exhibit B attached and incorporated into this Agreement.
- 1.15 "Parcel Replenishment Obligation" means, with respect to any particular Parcel, an amount of Groundwater that is equal to the amount of Groundwater delivered by the Municipal Provider and the Irrigation District to the Parcel in a calendar year multiplied by the percentage that the Excess Groundwater of the Property for that year bears to the total amount of Groundwater delivered by the Municipal Provider and the Irrigation District to the Property during that year.
- 1.16 "Property" means the real property described in Recital A.
- 1.17 "Report(s)" means the report(s) required to be prepared by the Municipal Provider in accordance with Arizona Revised Statutes § 48-3775(A) and this Agreement.

ARTICLE 2 REPORTING REQUIREMENTS

2.1 Annual Reports. In accordance with Arizona Revised Statutes § 48-3775(A), on or before March 31 of each year after the recordation of this Agreement, the Municipal Provider shall file a Report with CAWCD, with the Director, and with the tax assessor and treasurer for the county where the Property is located that contains the following information for the preceding calendar year, which is the reporting year.

2.1.1 The amount of Groundwater delivered by the Municipal Provider to each Parcel, identified by the applicable tax parcel number, and the basis for the calculation of the amount of Groundwater delivered.

2.1.2 The amount of Groundwater delivered by the Municipal Provider to the Property, and the basis for the calculation of the amount of Groundwater delivered.

2.1.3 The amount of Groundwater reported by the Association as delivered by the Irrigation District to each Parcel, identified by the applicable tax parcel number, and the basis for the Association's calculation of the amount of Groundwater delivered.

2.1.4 The amount of Groundwater reported by the Association as delivered by the Irrigation District to the Property, and the basis for the Association's calculation of the amount of Groundwater delivered.

2.1.5 The total amount of Groundwater delivered by the Municipal Provider and the Irrigation District to each Parcel, identified by the applicable tax parcel number.

2.1.6. The total amount of Groundwater delivered by the Municipal Provider and the Irrigation District to the Property.

2.1.7 The amount of Excess Groundwater delivered by the Municipal Provider and the Irrigation District to the Property, and the basis for the calculation of the amount of Excess Groundwater delivered.

2.1.8 The Parcel Replenishment Obligation of each Parcel, identified by the applicable tax parcel number.

2.1.9 Such other information as CAWCD may reasonably require.

2.2 Records. In accordance with Arizona Revised Statutes § 48-3775(F), the Municipal Provider shall maintain current and accurate records of the information required to be included in the Reports.

2.3 Form of Reports. In accordance with Arizona Revised Statutes § 48-3777, CAWCD shall determine the form of the Reports to be submitted by the Municipal Provider in order to carry out the purposes of the Groundwater Replenishment Statute.

2.4 Formula for Calculating the Minimum Quantity of Excess Groundwater. A minimum of 2/3 (two-thirds) of the Groundwater delivered to the Property in any year shall be reported as Excess Groundwater delivered to the Property in that year.

ARTICLE 3 ENFORCEMENT POWERS

3.1 Penalty for Failure to Report. If the Municipal Provider fails to timely file a Report as required by CAWCD, CAWCD may assess a penalty in accordance with Arizona Revised Statutes § 48-3775(G). Provided, however, in the event that the Association fails to provide all necessary information to the Municipal Provider as required by the annual reporting agreement between the Municipal Provider, the Association and the Irrigation District, and that failure prevents the Municipal Provider from timely filing a Report as required by CAWCD, CAWCD may assess a penalty in accordance with Arizona Revised Statutes § 48-3775(G) and the Association, and not the Municipal Provider, shall be required to pay all costs associated with the penalty.

3.2 Inspections, Investigations and Audits. The CAWCD has the rights provided under Arizona Revised Statutes § 48-3783 with respect to inspections, investigations and audits.

ARTICLE 4 GENERAL PROVISIONS

4.1 Binding Effect. The provisions of this Agreement inure to the benefit of and bind the respective successors and assigns of the parties hereto, provided that no assignment or transfer of this Agreement or any part or interest herein by the Municipal Provider is valid until approved by CAWCD, which approval may be withheld solely on the basis of CAWCD's determination that assignment would cause the Municipal Provider, Owner, or CAWCD to be out of compliance with the Groundwater Replenishment Statute or unable to meet its obligations under this Agreement or under the Groundwater Replenishment Statute. The Municipal Provider and Owner agree and covenant to CAWCD to execute and record any additional documentation which CAWCD may reasonably require to effectuate the intents and purposes of this Agreement and the Groundwater Replenishment Statute.

4.2 Entire Agreement. This Agreement constitutes the entire agreement among the parties and no understandings or obligations not expressly set forth in this Agreement are binding upon the parties.

4.3 Amendments. This Agreement may be modified, amended or revoked only (i) by the express written agreement of the parties hereto; or (ii) by amendment statutes, rules or regulations or successor statutes, rules or regulations, as contemplated by Paragraph 4.5.

4.4 Interpretation. This Agreement is governed by and must be construed and interpreted in accordance with and in reference to the laws of the State of Arizona, including but not limited to the Groundwater Replenishment Statute.

4.5 Rules, Regulations and Successor Statutes. All references in this Agreement to Arizona Revised Statutes include all rules and regulations promulgated by the Department under such statutes and all amendments and successor statutes, rules and regulations to such statutes, rules and regulations.

4.6 Severability. Any determination by any court of competent jurisdiction that any provision of this Agreement is invalid or unenforceable does not affect the validity or enforceability of any other provision of this Agreement.

4.7 Captions. All captions, titles or headings in this Agreement are used for the purpose of reference and convenience only and do not limit, modify or otherwise affect any of the provisions of this Agreement.

4.8 Notices. Except as otherwise required by law, any notice given in connection with this Agreement must be in writing and must be given by personal delivery, overnight delivery, facsimile, or United States certified or registered mail. Any such notice must be addressed to the appropriate party at the following address (or at any other address as a party may hereafter designate by written notice given as required by this paragraph):

CAWCD:

For delivery use: Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, Arizona 85024
Attn: Manager, Groundwater Replenishment District

For U.S. Mail use: Central Arizona Water Conservation District
P.O. Box 43020
Phoenix, Arizona 85080-3020
Attn: Manager, Groundwater Replenishment District

Municipal
Provider: Arizona Water Company
P.O. Box 29006
Phoenix, Arizona 85038-9006

Owner: Hwy 287 – Florence Boulevard, Inc.
c/o Taina Group of Companies
988 Beach Avenue – Suite #115
Vancouver, BC V6Z 2N9 Canada

Madison Diversified 882 Corp.
c/o Taina Group of Companies
988 Beach Avenue – Suite #115
Vancouver, BC V6Z 2N9 Canada

Association: Florence Country Estates Homeowners Association, Inc.
c/o Taina Group of Companies
988 Beach Avenue – Suite #115
Vancouver, BC V6Z 2N9 Canada

Notice is deemed to have been given on the date on which notice is personally delivered, delivered to an overnight delivery service, transmitted by facsimile, or mailed. Notice is deemed to have been received on the date on which the notice is actually received or delivery is refused.

4.9 Consent to Recording. Owner hereby consents to the recording of this Agreement against the Property.

IN WITNESS WHEREOF, the Parties to this Agreement have executed this Agreement as of the date first set forth above.

CAWCD: CENTRAL ARIZONA WATER CONSERVATION DISTRICT

By: _____
George R. Renner

Its: President

MUNICIPAL
PROVIDER:

ARIZONA WATER COMPANY, an Arizona corporation

By: William M. Garfield
William M. Garfield

Its: President

OWNER:

HWY 287 – FLORENCE BOULEVARD, INC., an Arizona corporation

By: BCorp

Its: SECRETARY/TREASURER

STATE OF Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 30 day of August, 2004, by William M. Garfield, the President of Arizona Water Company.

Mary C Mure
Notary Public

My commission expires:

9-24-06



Province
STATE OF BC)
City) ss.
County of Vancouver

The foregoing instrument was acknowledged before me this 18th day of August, 2004, by BRIAN CARPENTER, the SECRETARY / TREASURER of Hwy 287 - Florence Boulevard, Inc.

Kyle C. Hyndman
Notary Public

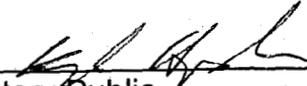
My commission expires:

Permanest

Kyle C. Hyndman
McCrea & Associates
Immigration & Citizenship Lawyers
Suite 102-1012 Beach Ave.
Vancouver, B.C. Canada V6E 1T7
Tel. 604-662-8200 Fax 604-662-8225
Commissioner of Oaths and Notary in and
for the Province of British Columbia

Province
STATE OF BC)
City) ss.
County of Vancouver

The foregoing instrument was acknowledged before me this 18th day of August, 2004, by BRIAN CARPENTER, the SECRETARY/TREASURER of Madison Diversified 882 Corp.



Notary Public

My commission expires:
Permanent

Kyle C. Hyndman
McCrea & Associates
Immigration & Citizenship Lawyers
Suite 102-1012 Beach Ave.
Vancouver, B.C. Canada V6E 1T7
Tel. 604-662-8200 Fax 604-662-8225
Commissioner of Oaths and Notary in and
for the Province of British Columbia

Province
STATE OF BC)
City) ss.
County of Vancouver

The foregoing instrument was acknowledged before me this 18th day of August, 2004, by BRIAN CARPENTER, the SECRETARY/TREASURER of Florence Country Estates Homeowners Association, Inc.



Notary Public

My commission expires:
Permanent

Kyle C. Hyndman
McCrea & Associates
Immigration & Citizenship Lawyers
Suite 102-1012 Beach Ave.
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Tel. 604-662-8200 Fax 604-662-8225
Commissioner of Oaths and Notary in and
for the Province of British Columbia

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EXHIBIT A

PARCEL NO. 1:

The Northwest quarter of Section 26, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

EXCEPT that portion described as follows:

BEGINNING at a point on the West line of the Northwest quarter of said Section 26, from which the Northwest corner thereof bears North (Assumed) 1470.00 feet;

Thence East 260.00 feet;

Thence South 210.00 feet;

Thence West 260.00 feet to the West line of the Northwest quarter of said Section 26;

Thence North along said Northwest quarter 210.00 feet to the POINT OF BEGINNING.

PARCEL NO. 2:

That portion of the Northwest quarter of Section 26, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

Beginning at a point on the West line of the Northwest quarter of said Section 26, from which the Northwest corner thereof bears North (Assumed), a distance of 1470.00 feet;

Thence East a distance of 260.00 feet;

Thence South a distance of 210.00 feet;

Thence West 260.00 feet to the West line of the Northwest quarter of said Section 26;

Thence North along said West line of the Northwest quarter a distance of 210.00 feet to the POINT OF BEGINNING.

PARCEL NO. 3:

The East half of the Northeast quarter of Section 27, Township 6 South, Range 7 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

Excepting therefrom the following described parcel:

COMMENCING at the Northeast corner of said Section 27;

Thence South 00 degrees 00 minutes 00 seconds East along the East line of said Section 27 a distance of 1185.86 feet to the TRUE POINT OF BEGINNING;

Thence North 86 degrees 10 minutes 29 seconds West a distance of 596.88 feet;

Thence South 01 degrees 48 minutes 51 seconds East a distance of 205.83 feet;

Thence North 87 degrees 06 minutes 51 seconds West a distance of 235.57 feet;

Thence South 02 degrees 34 minutes 11 seconds West a distance of 118.13 feet;

Thence South 86 degrees 51 minutes 30 seconds East a distance of 194.89 feet;

Thence North 47 degrees 09 minutes 24 seconds East a distance of 80.65 feet;

Thence South 86 degrees 51 minutes 30 seconds East a distance of 315.97 feet;

Thence South 85 degrees 53 minutes 47 seconds East a distance of 157.75 feet;

Thence South 75 degrees 54 minutes 14 seconds East a distance of 103.23 feet to a point on the East line of said Section 27;

Thence North 00 degrees 00 minutes 00 seconds East along said East line a distance of 282.37 feet to the TRUE POINT OF BEGINNING.

PARCEL NO. 4:

That portion of the East half of the Northeast quarter of Section 27, Township 6 South, Range 7 East of the Gila and Salt River Meridian, Pinal County, Arizona described as follows:

COMMENCING at the Northeast corner of said Section 27;

Thence South 00 degrees 00 minutes 00 seconds East along the East line of said Section 27 a distance of 1185.86 feet to the TRUE POINT OF BEGINNING;

Thence North 86 degrees 10 minutes 29 seconds West a distance of 596.88 feet;

Thence South 01 degrees 48 minutes 51 seconds East a distance of 205.83 feet;

Thence North 87 degrees 06 minutes 51 seconds West a distance of 235.57 feet;

Thence South 02 degrees 34 minutes 11 seconds West a distance of 118.13 feet;

Thence South 86 degrees 51 minutes 30 seconds East a distance of 194.89 feet;

Thence North 47 degrees 00 minutes 24 seconds East a distance of 80.65 feet;

Thence South 86 degrees 51 minutes 30 seconds East a distance of 315.97 feet;

Thence South 85 degrees 53 minutes 47 seconds East a distance of 157.75 feet;

Thence South 75 degrees 54 minutes 14 seconds East a distance of 103.23 feet to a point on the East line of said Section 27;

Thence North 00 degrees 00 minutes 00 seconds East along said East line a distance of 282.37 feet to the TRUE POINT OF BEGINNING

PARCEL NO. 5:

The West half of the Northeast quarter of Section 27, Township 6 South, Range 7 East of the Gila and Salt River Meridian, Pinal County, Arizona.

EXHIBIT B
Tax Parcel Numbers

| <u>Tax Assessor Parcel Number</u> | <u>Tax Year</u> | <u>County</u> | <u>AMA</u> |
|---------------------------------------|-----------------|---------------|------------|
| 401-01-063A | 2004 | Pinal | Pinal |
| 401-01-063B | 2004 | Pinal | Pinal |
| 401-01-064 | 2004 | Pinal | Pinal |
| 401-15-002 | 2004 | Pinal | Pinal |
| 401-15-003 | 2004 | Pinal | Pinal |

Exhibit 4

CG

Recording Requested By:
ARIZONA WATER COMPANY

When Recorded, Mail To:
Arizona Water Company
P.O. Box 29006
Phoenix, Arizona 85038-9006
ATTEN: BOB GEAKE



OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2004-0694224 06/18/04 12:00
1 OF 4

DELROSSO

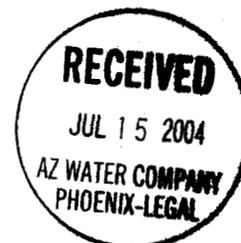
ANNUAL REPORTING AGREEMENT

THIS AGREEMENT is entered into by and between Arizona Water Company, an Arizona corporation, hereinafter the "COMPANY," Florence Country Estates Homeowners Association, Inc. an Arizona non-profit corporation, hereinafter the "ASSOCIATION," and San Carlos Irrigation and Drainage District, hereinafter the "DISTRICT."



The DISTRICT with the sole exception of paragraph D does not join in the following paragraphs A - H.

- A. The subdivision known as Florence Country Estates is a planned community as defined in A.R.S. 33-1802, and as described in Exhibit A herein (the "SUBDIVISION"); and
- B. The COMPANY is a public service corporation, regulated by and subject to the jurisdiction of the Arizona Corporation Commission which has granted the COMPANY a Certificate of Public Convenience and Necessity which authorizes and requires the COMPANY to provide water service, including service of water for irrigation purposes, within a service area that includes the SUBDIVISION; and
- C. The ASSOCIATION is an association as defined in A.R.S. 33-1802.1; and
- D. The DISTRICT is an irrigation district as defined in A.R.S. 48-2901, et seq., and a municipal corporation that provides untreated water for irrigation purposes to member land within the DISTRICT's boundaries, and
- E. The owners/developers of the SUBDIVISION desire that the SUBDIVISION become a Member Land of the Central Arizona Groundwater Replenishment District (the "CAGR"); and



- F. The Central Arizona Groundwater Replenishment District (the "CAGRD"), in accordance with A.R.S. 48-3775(A), requires the COMPANY to file annual reports with the CAWCD, the Director of the Arizona Department of Water Resources, the Pinal County Tax Assessor and the Pinal County Treasurer) the "Water Delivery Reports") on or before March 31 of each year related to the Company's groundwater deliveries, after water deliveries to the SUBDIVISION have commenced; and
- G. The ASSOCIATION desires that the COMPANY file annual Water Delivery Reports for the SUBDIVISION which will include any untreated groundwater deliveries to the SUBDIVISION by the DISTRICT (attached in Appendix A is the DISTRICT's annual report form), and
- H. This AGREEMENT shall be filed as an Amendment Declaration establishing the SUBDIVISION and the ASSOCIATION as defined in A.R.S 33-1802.3.



NOW, THEREFORE, in consideration of the terms, provisions and covenants hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows;

1. The ASSOCIATION agrees to provide all necessary information, in the form of an annual report, to the COMPANY by February 28 of each year, regarding any untreated groundwater deliveries made by the DISTRICT to the SUBDIVISION after the recordation of this AGREEMENT. The ASSOCIATION also agrees to cooperate fully with the COMPANY concerning the COMPANY's preparation and filing of the annual Water Delivery Reports.
2. The DISTRICT agrees to provide all necessary information, in the form of an annual report, to the ASSOCIATION prior to February 28 of each year, regarding any untreated groundwater deliveries made by the DISTRICT to the SUBDIVISION after the recordation of this AGREEMENT. The DISTRICT also agrees to cooperate fully with the ASSOCIATION concerning the ASSOCIATION's preparation and provision of the ASSOCIATION's annual report to the COMPANY.
3. The COMPANY agrees to preparation and file the annual Water Delivery Reports in accordance with A.R.S. 48-3775(A), which reports will include any untreated groundwater deliveries made by the DISTRICT to SUBDIVISION reported to the COMPANY by the ASSOCIATION.
4. The COMPANY shall have no obligation to report any deliveries of untreated groundwater made from the DISTRICT to the SUBDIVISION if the ASSOCIATION fails to provide the necessary information to the COMPANY as set forth herein.

5. (a) The ASSOCIATION shall fully indemnify, defend and hold harmless the COMPANY and its directors, agents, officers, employees, and representatives from and against any liability, loss, claim, damage, penalty, violation or expense incurred by the COMPANY directly or indirectly arising in connection with this AGREEMENT to the extent caused by the negligence or misconduct of the ASSOCIATION or from nonperformance of the terms and conditions of this AGREEMENT by the ASSOCIATION.

(b) The ASSOCIATION shall fully indemnify, defend and hold harmless the DISTRICT and its directors, agents, officers, employees, and representatives from and against any liability, loss, claim, damage, penalty, violation or expense incurred by the DISTRICT directly or indirectly arising in connection with this AGREEMENT to the extent caused by the negligence or misconduct of the ASSOCIATION or from nonperformance of the terms and conditions of this AGREEMENT by the ASSOCIATION.



6. This AGREEMENT may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original. Signatures pages may be detached from the counterparts and attached to a single copy of this document to form physically one document.
7. Any notice given in connection with this AGREEMENT must be in writing and must be given by personal delivery, overnight delivery, facsimile, or United States certified or registered mail. Any such notice must be addressed to the appropriate party at the following address (or at any other address as a party hereto may hereafter designate by written notice given as required by this paragraph):

APPENDIX A

COMPANY

For delivery use: Arizona Water Company
3805 North Black Canyon Highway
Phoenix, AZ 85015
Attn: Vice President-Operations

For U.S. Mail use: Arizona Water Company
P.O. Box 29006
Phoenix, AZ 85038-9006
Attn: Vice President – Operations

For facsimile use: (602) 240-6878
Attn: Vice President – Operations

ASSOCIATION

For delivery use: Florence Country Estates Homeowners Association, Inc
115 - 988 Beach Avenue
Vancouver, B.C. V6Z 2N9

For U.S. Mail use: The same

For facsimile use: (604) 685-2533

DISTRICT

For delivery use: San Carlos Irrigation and Drainage District
120 South 3rd
Coolidge, AZ 85228
Attn: District Manager

For U.S. Mail use: San Carlos Irrigation and Drainage District
P.O. Box 219
Coolidge, AZ 85228
Attn: District Manager

For facsimile use: (520) 723-7965
Attn: District Manager

For the Purpose of sending annual reports, the reporting party may send such annual reports to the receiving party's U.S. Mail address listed above by the regular mail or by facsimile.

8. This AGREEMENT may be modified, amended or revoked only by the express written agreement of the parties hereto.

IN WITNESS WHEREOF, this AGREEMENT is execute and effective as of the date indicated below.

ASSOCIATION:

Florence Country Estates Homeowners Association, Inc
an Arizona non-profit corporation

By: B. Carpenter

Name: BRIAN CARPENTER

Its: SECRETARY/TREASURER

DISTRICT:

San Carlos Irrigation and Drainage District .
an Arizona irrigation district, as defined in A.R.S. 48-2901, et seq.

By: Douglas D Mason

Name: Douglas D Mason

Its: General Manager

COMPANY:

Arizona Water Company, an Arizona corporation

By: William M Garfield

Name: WILLIAM M. GARFIELD

Its: PRESIDENT

Dated: 5-19-04

