

DOCKETED

JUL 30 2002

DOCKETED BY	<i>CM</i>
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Diversified Water Utilities, L.L.C.
P.O. Box 17357
Phoenix, Arizona 85011
(602) 840-9400

July 28, 2002



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2002 JUL 30 P 12:52

AZ CORP COMMISSION
DOCUMENT CONTROL

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

Re: Compliance Filing for Docket No. W-02859A-00-0964
Under Decision No. 64061 - WIFA Loan Terms and June 30, 2002 Cash
Flow Statements

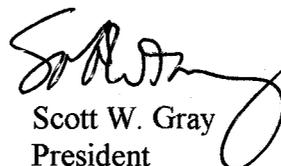
Gentlemen,

In compliance with the requirement of Decision No. 64061 entered in Docket No. W-02859A-00-0964, Diversified Water Utilities, Inc. ("DWU") files the documents and reports required in accordance with the directions of the Arizona Corporation Commission ("ACC") as follows:

1. The Cash Flow Statement of DWU for the period from January 1, 2001 to December 31, 2001.
2. The Cash Flow Statement of DWU for the period from January 1, 2002 to June 30, 2002.
3. The executed financing documents of the loan from the Water Infrastructure Finance Authority ("WIFA") as directed to be provided by the ACC.

The Cash Flow Statements of DWU establish that the cash flow of DWU is sufficient to service the WIFA loan. Accordingly, DWU does not require a rate increase at this time. In the event additional financing documents are required for the WIFA loan, please contact the undersigned and they will be promptly provided. DWU believes that the documents provided by this compliance filing satisfy the obligations of Decision No. 64061. If additional information is required, please contact me.

Sincerely,


Scott W. Gray
President

07/28/02

Diversified Water Utilities, Inc.
Statement of Cash Flows
 January through December 2001

	Jan - Dec '01
OPERATING ACTIVITIES	
Net Income	56,591.52
Adjustments to reconcile Net Income to net cash provided by operations:	
403.00 · Depreciation Expense	25,222.39
141.00 · Accounts Receivable	-18,576.89
108.00 · Accumulated Depreciation	26,219.76
231.00 · Accounts Payable	-983.00
Net cash provided by Operating Activities	88,473.78
INVESTING ACTIVITIES	
Plant in Service:304.00 · Structures & Improveme...	-3,160.00
Plant in Service:307.00 · Wells & Springs	-14,674.39
Plant in Service:311.00 · Pumping Equipment	-14,256.03
Plant in Service:330.00 · Distribution Reservoirs	-79,727.10
Plant in Service:331.00 · T&D Mains	-10,123.80
Plant in Service:334.00 · Meters	-10,632.17
Plant in Service:348.00 · Other Plant	-43,044.80
Net cash provided by Investing Activities	-175,618.29
FINANCING ACTIVITIES	
234.10 · Due to Shareholder	50,420.43
232.50 · Note Payable - FIABA	-10,537.18
235.00 · Customer Deposits	1,155.00
224.10 · Note Payable - Harris Trust	-8,704.74
AIAC:252.00 · Advances in aid of Constr.	-23.00
AIAC:252.50 · Refundable Meter Deposits	22,205.00
CIAC:271.00 · Contributions in aid of Constr	18,700.00
CIAC:272.00 · Accum. Amort. - CIAC	-1,362.00
215.00 · Retained Earnings	-742.00
Net cash provided by Financing Activities	71,111.51
Net cash increase for period	-16,033.00
Cash at beginning of period	18,461.75
Cash at end of period	2,428.75

07/28/02

Diversified Water Utilities, Inc.
Statement of Cash Flows
 January through June 2002

	Jan - Jun '02
OPERATING ACTIVITIES	
Net Income	18,039.54
Net cash provided by Operating Activities	18,039.54
INVESTING ACTIVITIES	
Plant in Service:303.00 · Land	-1,468.00
Plant in Service:304.00 · Structures & Improve...	-220.68
Plant in Service:307.00 · Wells & Springs	-5,500.40
Plant in Service:311.00 · Pumping Equipment	-748.00
Plant in Service:330.00 · Distribution Reservoirs	-2,302.00
Plant in Service:331.00 · T&D Mains	-58,428.30
Plant in Service:333.00 · Services	-7,085.19
Plant in Service:334.00 · Meters	-2,861.66
Net cash provided by Investing Activities	-78,614.23
FINANCING ACTIVITIES	
234.10 · Due to Shareholder	-17,000.00
235.00 · Customer Deposits	1,380.00
224.10 · Note Payable - Harris Trust	-4,702.18
224.20 · Note Payable - WIFA	72,014.06
AJAC:252.50 · Refundable Meter Deposits	17,825.00
CIAC:271.00 · Contributions in aid of Constr	39,100.00
Net cash provided by Financing Activities	108,616.88
Net cash increase for period	48,042.19
Cash at beginning of period	2,428.75
Cash at end of period	50,470.94

**LOAN AGREEMENT BY AND BETWEEN
WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**

AND

Diversified Water Utilities, Inc.

Dated January 25, 2002

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between Borrower and Lender set forth below.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Standard Terms and Conditions.

Section 1. Party Names And Addresses.

Borrower:	Diversified Water Utilities, Inc.
Borrower Mailing Address:	P.O. Box 17357 Phoenix, Arizona 85011
Attention:	Scott Gray
Borrower Business Office Address:	P.O. Box 17357 Phoenix, AZ 85011
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	202 E. Earll Drive, Suite 480 Phoenix, Arizona 85012
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Debt Service Reserve and Replacement Reserve Provisions
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Borrower Disclosure

Section 3. The Loan. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan to Borrower by means of one or more advances ("Advances") in an aggregate principal amount not to exceed the Loan Amount (the "Commitment"). The unadvanced portion of the Commitment shall expire on but not include the earliest of (i) the date on which the Loan

has been fully advanced by Lender, or (ii) the first Principal Repayment Date set forth in the Exhibit A. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit F, dated of even date herewith, of Borrower payable to Lender, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

Section 4. Advances. Lender may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Advances, Lender shall be entitled to rely upon, and shall incur no liability to Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by Borrower to request Advances. Advances of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) Lender has received a draw request from Borrower, in form and substance satisfactory to Lender, not less than ten (10) days prior to the date for which such Advance is requested, specifying the amount and purpose of the Advance requested. Lender will furnish an acceptable form of draw request to Borrower. Lender may revise the form of draw request from time to time.

(b) Except as hereinafter provided, disbursements shall be made only upon certification of an authorized officer of Lender that such disbursement is proper. An authorized officer of Lender shall approve disbursements in payment of the invoices, demands for payment, approved contractors' estimates or other evidence of cost incurrence directly to the persons or entities entitled to payment or to Borrower in the case of reimbursement for costs of services already paid, and shall provide Borrower with a copy of the approval and the date approved.

(c) Lender has received such other items or documents as Lender may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The outstanding principal balance of the Loan, together with all unpaid accrued interest due under the Note, shall be paid by "automatic debit" from the Borrower Deposit Account. The Borrower Deposit Account shall be a Demand Deposit Account in the name of the Borrower, Account Number 122105524:0703537795 maintained with Wells Fargo Bank. Borrower shall cause monthly payments to be made by direct debit to the Lender in accordance with routing instructions within Exhibit A.

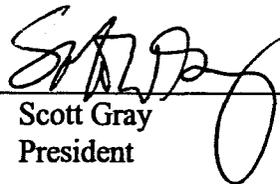
Section 6. Loan And Security Documents. The Loan shall be secured by the Continuing Security Agreement of even date herewith executed by Borrower for the benefit of Lender (the "Continuing Security Agreement") granting Lender a security interest in the collateral described therein by the provisions of this Agreement providing for the holding of, and granting Lender a security interest in, the Debt Service Reserve Fund and the Replacement Reserve Fund (as described in Exhibit D). The Continuing Security Agreement, any Deed of Trust and any other agreements, documents or instruments securing the Loan are referred to as the "Security Documents". This Agreement, the Note, the Security Documents and any other agreements,

documents or instruments evidencing, securing or otherwise relating to the Loan, and all exhibits thereto, are referred to as the "Loan Documents".

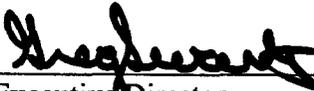
IN WITNESS WHEREOF, the Authority and Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hererof.

DATED as of January 25, 2002.

Diversified Water Utilities, Inc.

By: 
Name: Scott Gray
Title: President

Water Infrastructure Finance Authority of Arizona

By: 
Executive Director

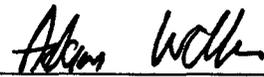
By: 
Finance Director

Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions
Diversified Water Utilities, Inc.
24-Jan-02

Loan Number..... 920060-02

Closing Date..... 01/25/02

Financial Assistance Terms and Conditions

Original Loan Amount as of the Closing Date..... \$ 353,900.00
Final Loan Amount as of Release of Retention..... \$ 353,900.00
Loan Term..... 20
First Fixed Monthly Payment..... 08/01/02
Final Fixed Monthly Payment..... 01/01/22

Debt Service Reserve Fund Requirements (Held by WIFA)

Total Reserve Amount..... \$ 27,809.01
Monthly Deposit..... \$ 463.48
Reserve Funded by (Date)..... 07/01/07

WIFA will apply earnings on Debt Service Reserve to Principal Repayment.

Repair and Replacement Fund Requirement (Held by Borrower)

Begin Funding on (Date)..... 08/01/07
Annual Amount..... \$ 5,561.80
Monthly Deposit..... \$ 463.48

Monthly Payment

Period #7 - 1st Debt Service Payment

Maximum Payment (Includes interest payable from Closing to 1st Payment)..... \$ 10,027.00
Minimum Payment \$ 2,780.90

WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.

Periods #8 through #66..... \$ 2,780.90
Periods #67 through #120..... \$ 2,317.42
Periods #121 through #180..... \$ 2,317.42
Periods #181 through #240..... \$ 2,317.42

Section 2: Borrower Payment Instructions
Diversified Water Utilities, Inc.
24-Jan-02

Automated Wire Transfer Instructions:

Bank..... Bank of America
Account Name..... WIFA Loan Collection Account
Account Number..... 252-453614
ABA Routing Number..... 122101706

Section 3: Loan Repayment Schedule, Repayment Periods 1 through 80

Diversified Water Utilities, Inc.

24-Jan-02

Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
1	02/01/02	4.725%	0.00	41	06/01/05	4.725%	2,780.90
2	03/01/02	4.725%	0.00	42	07/01/05	4.725%	2,780.90
3	04/01/02	4.725%	0.00	43	08/01/05	4.725%	2,780.90
4	05/01/02	4.725%	0.00	44	09/01/05	4.725%	2,780.90
5	06/01/02	4.725%	0.00	45	10/01/05	4.725%	2,780.90
6	07/01/02	4.725%	0.00	46	11/01/05	4.725%	2,780.90
7	08/01/02	4.725%	10,027.00	47	12/01/05	4.725%	2,780.90
8	09/01/02	4.725%	2,780.90	48	01/01/06	4.725%	2,780.90
9	10/01/02	4.725%	2,780.90	49	02/01/06	4.725%	2,780.90
10	11/01/02	4.725%	2,780.90	50	03/01/06	4.725%	2,780.90
11	12/01/02	4.725%	2,780.90	51	04/01/06	4.725%	2,780.90
12	01/01/03	4.725%	2,780.90	52	05/01/06	4.725%	2,780.90
13	02/01/03	4.725%	2,780.90	53	06/01/06	4.725%	2,780.90
14	03/01/03	4.725%	2,780.90	54	07/01/06	4.725%	2,780.90
15	04/01/03	4.725%	2,780.90	55	08/01/06	4.725%	2,780.90
16	05/01/03	4.725%	2,780.90	56	09/01/06	4.725%	2,780.90
17	06/01/03	4.725%	2,780.90	57	10/01/06	4.725%	2,780.90
18	07/01/03	4.725%	2,780.90	58	11/01/06	4.725%	2,780.90
19	08/01/03	4.725%	2,780.90	59	12/01/06	4.725%	2,780.90
20	09/01/03	4.725%	2,780.90	60	01/01/07	4.725%	2,780.90
21	10/01/03	4.725%	2,780.90	61	02/01/07	4.725%	2,780.90
22	11/01/03	4.725%	2,780.90	62	03/01/07	4.725%	2,780.90
23	12/01/03	4.725%	2,780.90	63	04/01/07	4.725%	2,780.90
24	01/01/04	4.725%	2,780.90	64	05/01/07	4.725%	2,780.90
25	02/01/04	4.725%	2,780.90	65	06/01/07	4.725%	2,780.90
26	03/01/04	4.725%	2,780.90	66	07/01/07	4.725%	2,780.90
27	04/01/04	4.725%	2,780.90	67	08/01/07	4.725%	2,317.42
28	05/01/04	4.725%	2,780.90	68	09/01/07	4.725%	2,317.42
29	06/01/04	4.725%	2,780.90	69	10/01/07	4.725%	2,317.42
30	07/01/04	4.725%	2,780.90	70	11/01/07	4.725%	2,317.42
31	08/01/04	4.725%	2,780.90	71	12/01/07	4.725%	2,317.42
32	09/01/04	4.725%	2,780.90	72	01/01/08	4.725%	2,317.42
33	10/01/04	4.725%	2,780.90	73	02/01/08	4.725%	2,317.42
34	11/01/04	4.725%	2,780.90	74	03/01/08	4.725%	2,317.42
35	12/01/04	4.725%	2,780.90	75	04/01/08	4.725%	2,317.42
36	01/01/05	4.725%	2,780.90	76	05/01/08	4.725%	2,317.42
37	02/01/05	4.725%	2,780.90	77	06/01/08	4.725%	2,317.42
38	03/01/05	4.725%	2,780.90	78	07/01/08	4.725%	2,317.42
39	04/01/05	4.725%	2,780.90	79	08/01/08	4.725%	2,317.42
40	05/01/05	4.725%	2,780.90	80	09/01/08	4.725%	2,317.42

Section 3: Loan Repayment Schedule, Repayment Periods 81 through 160

Diversified Water Utilities, Inc.

24-Jan-02

Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
81	10/01/08	4.725%	2,317.42	121	02/01/12	4.725%	2,317.42
82	11/01/08	4.725%	2,317.42	122	03/01/12	4.725%	2,317.42
83	12/01/08	4.725%	2,317.42	123	04/01/12	4.725%	2,317.42
84	01/01/09	4.725%	2,317.42	124	05/01/12	4.725%	2,317.42
85	02/01/09	4.725%	2,317.42	125	06/01/12	4.725%	2,317.42
86	03/01/09	4.725%	2,317.42	126	07/01/12	4.725%	2,317.42
87	04/01/09	4.725%	2,317.42	127	08/01/12	4.725%	2,317.42
88	05/01/09	4.725%	2,317.42	128	09/01/12	4.725%	2,317.42
89	06/01/09	4.725%	2,317.42	129	10/01/12	4.725%	2,317.42
90	07/01/09	4.725%	2,317.42	130	11/01/12	4.725%	2,317.42
91	08/01/09	4.725%	2,317.42	131	12/01/12	4.725%	2,317.42
92	09/01/09	4.725%	2,317.42	132	01/01/13	4.725%	2,317.42
93	10/01/09	4.725%	2,317.42	133	02/01/13	4.725%	2,317.42
94	11/01/09	4.725%	2,317.42	134	03/01/13	4.725%	2,317.42
95	12/01/09	4.725%	2,317.42	135	04/01/13	4.725%	2,317.42
96	01/01/10	4.725%	2,317.42	136	05/01/13	4.725%	2,317.42
97	02/01/10	4.725%	2,317.42	137	06/01/13	4.725%	2,317.42
98	03/01/10	4.725%	2,317.42	138	07/01/13	4.725%	2,317.42
99	04/01/10	4.725%	2,317.42	139	08/01/13	4.725%	2,317.42
100	05/01/10	4.725%	2,317.42	140	09/01/13	4.725%	2,317.42
101	06/01/10	4.725%	2,317.42	141	10/01/13	4.725%	2,317.42
102	07/01/10	4.725%	2,317.42	142	11/01/13	4.725%	2,317.42
103	08/01/10	4.725%	2,317.42	143	12/01/13	4.725%	2,317.42
104	09/01/10	4.725%	2,317.42	144	01/01/14	4.725%	2,317.42
105	10/01/10	4.725%	2,317.42	145	02/01/14	4.725%	2,317.42
106	11/01/10	4.725%	2,317.42	146	03/01/14	4.725%	2,317.42
107	12/01/10	4.725%	2,317.42	147	04/01/14	4.725%	2,317.42
108	01/01/11	4.725%	2,317.42	148	05/01/14	4.725%	2,317.42
109	02/01/11	4.725%	2,317.42	149	06/01/14	4.725%	2,317.42
110	03/01/11	4.725%	2,317.42	150	07/01/14	4.725%	2,317.42
111	04/01/11	4.725%	2,317.42	151	08/01/14	4.725%	2,317.42
112	05/01/11	4.725%	2,317.42	152	09/01/14	4.725%	2,317.42
113	06/01/11	4.725%	2,317.42	153	10/01/14	4.725%	2,317.42
114	07/01/11	4.725%	2,317.42	154	11/01/14	4.725%	2,317.42
115	08/01/11	4.725%	2,317.42	155	12/01/14	4.725%	2,317.42
116	09/01/11	4.725%	2,317.42	156	01/01/15	4.725%	2,317.42
117	10/01/11	4.725%	2,317.42	157	02/01/15	4.725%	2,317.42
118	11/01/11	4.725%	2,317.42	158	03/01/15	4.725%	2,317.42
119	12/01/11	4.725%	2,317.42	159	04/01/15	4.725%	2,317.42
120	01/01/12	4.725%	2,317.42	160	05/01/15	4.725%	2,317.42

Section 3: Loan Repayment Schedule, Periods 161 through 240

Diversified Water Utilities, Inc.

24-Jan-02

Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
161	06/01/15	4.725%	2,317.42	201	10/01/18	4.725%	2,317.42
162	07/01/15	4.725%	2,317.42	202	11/01/18	4.725%	2,317.42
163	08/01/15	4.725%	2,317.42	203	12/01/18	4.725%	2,317.42
164	09/01/15	4.725%	2,317.42	204	01/01/19	4.725%	2,317.42
165	10/01/15	4.725%	2,317.42	205	02/01/19	4.725%	2,317.42
166	11/01/15	4.725%	2,317.42	206	03/01/19	4.725%	2,317.42
167	12/01/15	4.725%	2,317.42	207	04/01/19	4.725%	2,317.42
168	01/01/16	4.725%	2,317.42	208	05/01/19	4.725%	2,317.42
169	02/01/16	4.725%	2,317.42	209	06/01/19	4.725%	2,317.42
170	03/01/16	4.725%	2,317.42	210	07/01/19	4.725%	2,317.42
171	04/01/16	4.725%	2,317.42	211	08/01/19	4.725%	2,317.42
172	05/01/16	4.725%	2,317.42	212	09/01/19	4.725%	2,317.42
173	06/01/16	4.725%	2,317.42	213	10/01/19	4.725%	2,317.42
174	07/01/16	4.725%	2,317.42	214	11/01/19	4.725%	2,317.42
175	08/01/16	4.725%	2,317.42	215	12/01/19	4.725%	2,317.42
176	09/01/16	4.725%	2,317.42	216	01/01/20	4.725%	2,317.42
177	10/01/16	4.725%	2,317.42	217	02/01/20	4.725%	2,317.42
178	11/01/16	4.725%	2,317.42	218	03/01/20	4.725%	2,317.42
179	12/01/16	4.725%	2,317.42	219	04/01/20	4.725%	2,317.42
180	01/01/17	4.725%	2,317.42	220	05/01/20	4.725%	2,317.42
181	02/01/17	4.725%	2,317.42	221	06/01/20	4.725%	2,317.42
182	03/01/17	4.725%	2,317.42	222	07/01/20	4.725%	2,317.42
183	04/01/17	4.725%	2,317.42	223	08/01/20	4.725%	2,317.42
184	05/01/17	4.725%	2,317.42	224	09/01/20	4.725%	2,317.42
185	06/01/17	4.725%	2,317.42	225	10/01/20	4.725%	2,317.42
186	07/01/17	4.725%	2,317.42	226	11/01/20	4.725%	2,317.42
187	08/01/17	4.725%	2,317.42	227	12/01/20	4.725%	2,317.42
188	09/01/17	4.725%	2,317.42	228	01/01/21	4.725%	2,317.42
189	10/01/17	4.725%	2,317.42	229	02/01/21	4.725%	2,317.42
190	11/01/17	4.725%	2,317.42	230	03/01/21	4.725%	2,317.42
191	12/01/17	4.725%	2,317.42	231	04/01/21	4.725%	2,317.42
192	01/01/18	4.725%	2,317.42	232	05/01/21	4.725%	2,317.42
193	02/01/18	4.725%	2,317.42	233	06/01/21	4.725%	2,317.42
194	03/01/18	4.725%	2,317.42	234	07/01/21	4.725%	2,317.42
195	04/01/18	4.725%	2,317.42	235	08/01/21	4.725%	2,317.42
196	05/01/18	4.725%	2,317.42	236	09/01/21	4.725%	2,317.42
197	06/01/18	4.725%	2,317.42	237	10/01/21	4.725%	2,317.42
198	07/01/18	4.725%	2,317.42	238	11/01/21	4.725%	2,317.42
199	08/01/18	4.725%	2,317.42	239	12/01/21	4.725%	2,317.42
200	09/01/18	4.725%	2,317.42	240	01/01/22	4.725%	2,317.42

Exhibit B

Technical Terms and Conditions

**Section 1
Budget**

Uses by Budget Item	Amount Budgeted
Planning.....	0.00
Design & Engineering.....	26,700.00
Legal/Debt Authorization.....	3,500.00
Financial Advisor.....	0.00
Land/System Acquisition.....	10,000.00
Equipment/Materials.....	0.00
Construction/Installation/Improvement.....	300,700.00
Inspection & Construction Management.....	13,000.00
Project Officer.....	0.00
Administration.....	0.00
Staff Training.....	0.00
Capitalized Interest.....	0.00
Other.....	0.00
Total Budget.....	\$ 353,900.00

Section 2

Project Milestones and Project Phases

Phase 1: Storage Tank

With the oversight of WIFA, ADEQ and ACC, DWU installed a 200,000-gallon storage tank. DWU must complete some well site piping to fully connect the new tank to the system.

Phase 2: Existing Well Enhancements

DWU proposes to use WIFA financing to purchase and install a new well pump and install a new electrical panel.

Phase 3: New Well Development

DWU proposes to use WIFA financing to either: (1) drill a new well within the service area and connect it to the system or (2) purchase an existing well within the service area and connect it to the system. Prior to disbursement of funds for Phase 3, DWU will submit to WIFA for approval a proposed plan of action. Including all necessary permit approvals for the proposed project.

Section 3
Estimated Disbursement Schedule

WIFA Withholding % (released after Final Observation)		10%
Phase 1.....	\$	125,000.00
Phase 2.....	\$	75,000.00
Phase 3.....	\$	118,510.00
WIFA Withholding \$ (released after Final Observation).....	\$	35,390.00
		<hr style="width: 100%; border: 1px solid black;"/> 353,900.00

Section 4
Observation Schedule

Final Observation – Upon general completion of construction. (WIFA Notification Required - 14 days)

Additional Observations – A WIFA representative may perform additional observations based on information provided in the projects status reports.

Section 5
Requirements Prior To Construction

Section 5.1 **Construction Bids**. The Local Borrower shall submit to the Authority for review and approval prior to execution:

- (a) engineering contracts related to the Project,
- (b) bid documents related to the Project, and
- (c) construction contracts related to the Project.

Section 5.2 **User Charges**. The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 5.3 **Interest in Project Site**. As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of- way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 5.4 **Federal Clean Water Act**. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 5.5 **Federal Safe Drinking Water Act**. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 5.6 **Signs**. No requirement.

Section 6 Requirements During Construction

Section 6.1 **Changes in Project Scope**. The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Section 6.2 **Completion of Project and Provision of Moneys Therefor**. The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 6.3 **Inspections; Information**. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 6.4 **Adjustments for Ineligible Costs**. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the federal Clean Water Act, as amended, or the federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 6.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

Section 7
Requirements Prior To Final Disbursements

Section 7.1 **Plan of Operation**. No requirement.

Section 7.2 **Final Approval**. Prior to the release of the withholding the Local Borrower will submit to the Authority (a) as-built drawings by a professional engineer that document all changes from the original plans and specifications (b) copies of all testing results performed by or under the supervision of a professional engineer as required by the specifications, and (c) an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, Arizona Department of Environmental Quality and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

Exhibit C

Reporting Requirements

Section 1. **Annual Loan Review.** Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and the Single Audit Act of 1984 and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower.

Section 2. **Records and Accounts.** The Local Borrower shall keep accurate records and accounts for the System, including the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). To the extent required by law, such System Records shall be maintained in accordance with generally accepted government or other applicable accounting standards and shall be audited annually, if required by law, by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. Such System Records and General Records shall be made available for inspection by the Authority at any reasonable time.

Section 3. **Notice of Change In Key Personnel.** The Local Borrower shall provide notice in writing to the Authority of any change to the information in Section 1 of the Loan Agreement and any other change in key personnel connected to the project and loan.

Section 4. **Notice of Material Adverse Change.** The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise), of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 5. **MBE, WBE, SBRA Monitoring and Reporting.** Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Small Business Enterprise in a Rural Area (SBRA) reporting is a requirement for contracts that are funded in whole, or in part, by Authority monies. If a contract is awarded pursuant to this Loan Agreement, the Local Borrower shall be bound to supply the required reports to the Authority. Failure to do so may result in delay of payments to contractor and/or termination of contract. Guidance for completing the required reports will be supplied to the Local Borrower by the Authority.

Section 6. **Notice of Default.** Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under any Loan Document or (ii) the occurrence of any breach, default, event of default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or event of default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument (other than the Loan Documents) to which the Local Borrower is a party or by which it or any of its property is bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, event of default or Future Breach is to accelerate, or to permit

the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument; provided, however, that the failure of Borrower to give such notice shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7. **Notice of Non-Environmental Litigation.** Promptly after the commencement thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Documents.

Section 8. **Notice of Environmental Litigation.** Without limiting the provisions of Section 7 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Documents.

Section 9. **Regulatory and Other Notices.** Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Documents, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 10. **Other Information.** The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 11. **Additional Reporting Requirements.** No additional reporting requirements.