



0000041607

ORIGINAL

NEW APPLICATION

Anderson Brothers Farms, Inc.  
d.b.a. Anderson Brothers Water Company  
Attn. James W. (Bill) Little  
498 East 4<sup>th</sup> Street  
Casa Grande, Arizona 85222

RECEIVED

2001 OCT 12 P 2: 16

AZ CORP COMMISSION  
DOCUMENT CONTROL

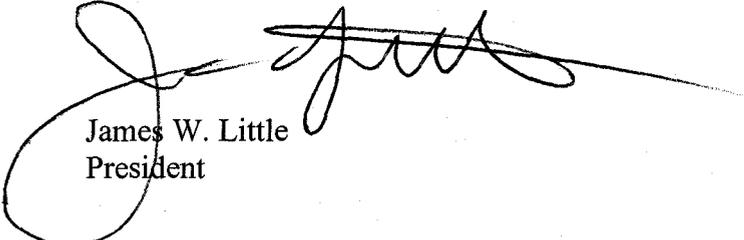
October 3, 2001

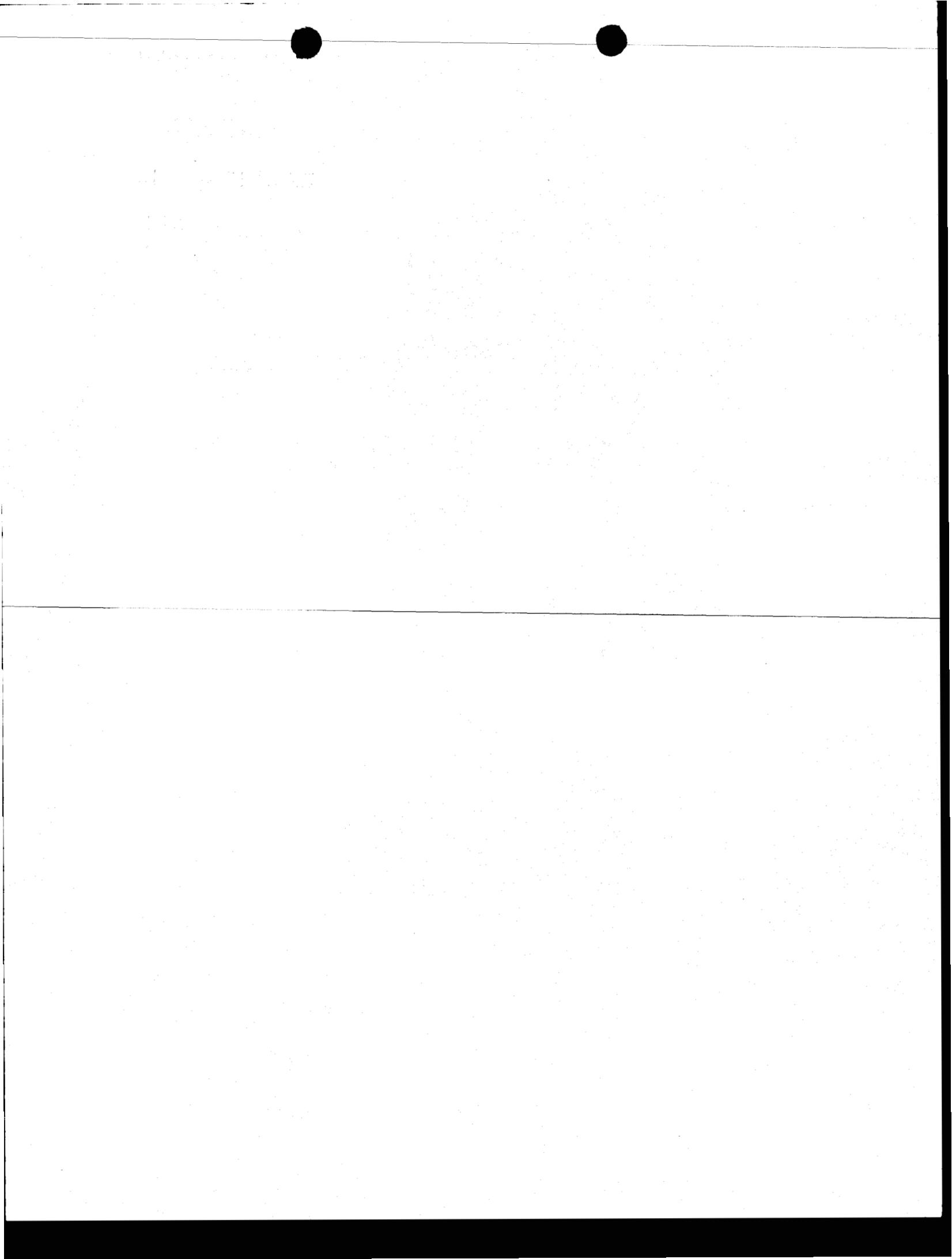
Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

**W-04053A-01-0803**  
**W-02558A-01-0803**

Attached is an application by Anderson Brothers Farms, Inc. d.b.a. Anderson Brothers Water Company for approval of the sale of assets and/or for cancellation of the certificate of convenience and necessity. The purpose of this application is to gain approval for the asset transfer of this company, cancel the certificate of convenience and necessity, and assure the Arizona Corporation Commission that the existing customers will be served comparably or better by the Purchaser of the company assets, Copper Mountain Ranch Community Facilities District.

Sincerely,

  
James W. Little  
President



WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER



BRIAN C. McNEIL  
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

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2001 OCT 29 A 11: 56

October 29, 2001

AZ CORP COMMISSION  
DOCUMENT CONTROL

James W. Little  
President  
Anderson Brothers Farms, Inc.  
D/b/a Anderson Brothers Water Company  
498 East 4<sup>th</sup> Street  
Casa Grande, Arizona 85222

Re: Anderson Brothers Farms, Inc., D/b/a Anderson Brothers Water Company - Application for Approval of the Sale and Transfer of Assets and Cancellation of its Certificate of Convenience and Necessity (CC&N) Docket W-04053A-01-0803 and W-02558A-01-0803

Dear Mr. Little,

In reference to your application for Approval of the Sale and Transfer of Assets and Cancellation of the Certificate of Convenience and Necessity docketed October 12, 2001, this letter is to inform you that your application has met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-402C.

Per Arizona Administrative Code R14-2-411C.6, upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing a proposed Opinion and Order to present to the Commission at an Open Meeting.

Should you have any questions or concerns on this matter, please contact me at (602) 542-0839.

Sincerely,

Jim Fisher  
Executive Consultant  
Utilities Division

Arizona Corporation Commission

DOCKETED

OCT 29 2001

DOCKETED BY	
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Cc: Docket Control  
Lyn Farmer



450

ARIZONA CORPORATION COMMISSION

APPLICATION FOR APPROVAL OF THE SALE OF ASSETS AND/OR  
FOR CANCELLATION OF THE CERTIFICATE OF CONVENIENCE  
AND NECESSITY

WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant is:

James W. (Bill) Little

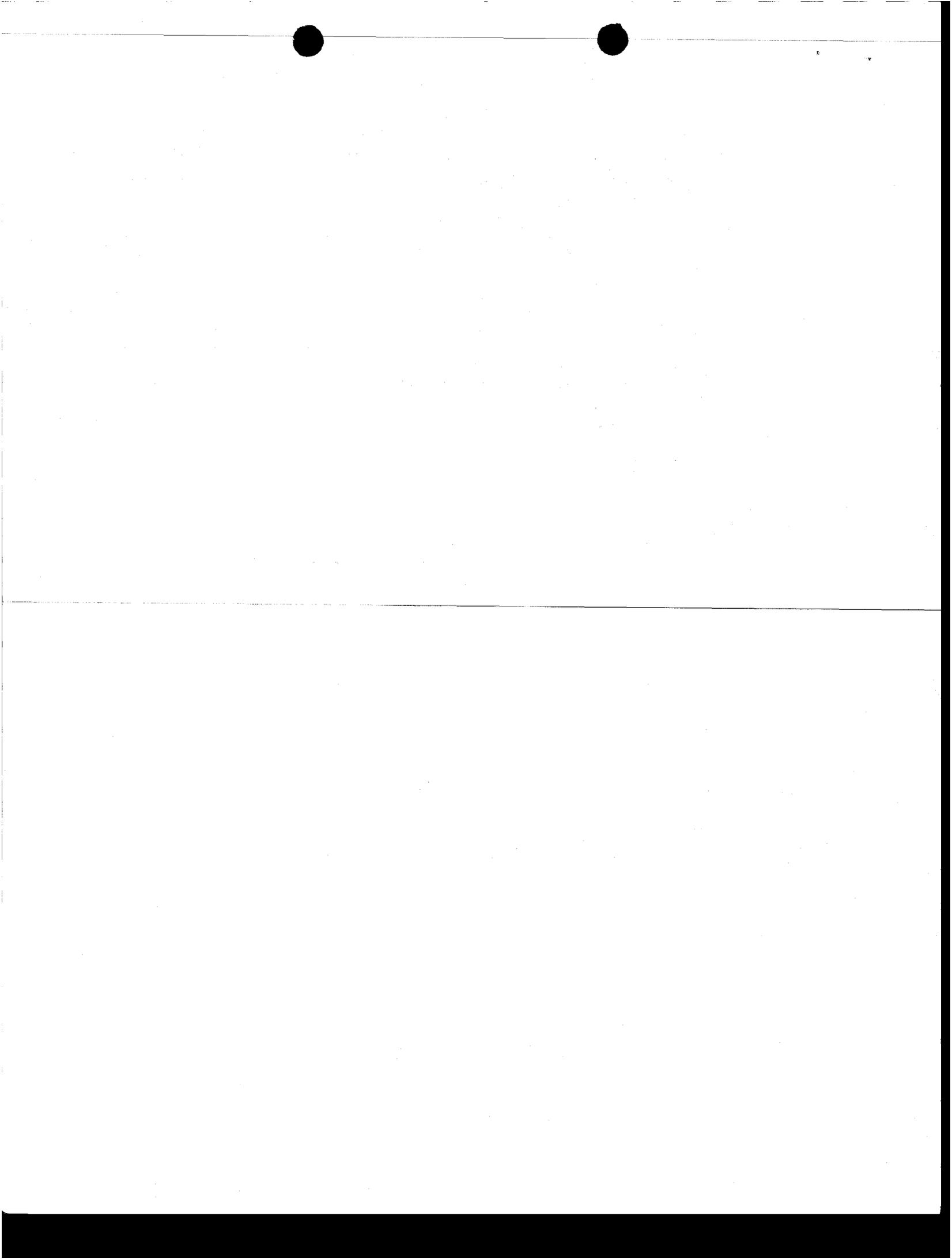
(520) 836-0267

B. If doing business under a name other than the Applicant name, specify

Anderson Brothers Farms, Inc. d.b.a. Anderson Brothers  
Water Company

C. The Applicant is a:

<input checked="" type="checkbox"/> Corporation: <input checked="" type="checkbox"/> "C", <input type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input checked="" type="checkbox"/> Arizona, <input type="checkbox"/> Foreign	<input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign
<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Limited Liability Company (LLC)
<input type="checkbox"/> Other (Specify)	



D. List the name, address and telephone number of the attorney for the applicant:

Thomas A. McCarville (520) 836-8265  
McCarville, Cooper & Vasquez, P.C.  
221 N. Florence Street  
P.O. Box 15005  
Casa Grande, AZ 85230-5005

E. List the name, address and telephone number of the management contact:

James W. (Bill) Little (520) 836-0267  
Anderson Brothers Farms, Inc. d.b.a. Anderson Brothers Water Co.  
498 East 4th Street  
Casa Grande, AZ 85222

F. The name, address and telephone number of the Purchaser is:

Copper Mountain Ranch Community Facilities District  
510 East Florence Boulevard  
Casa Grande, AZ 85222

G. List the name and telephone number of the purchaser's representative.

Kenneth W. Buchanan, District Administrator

H. The Purchaser is a:

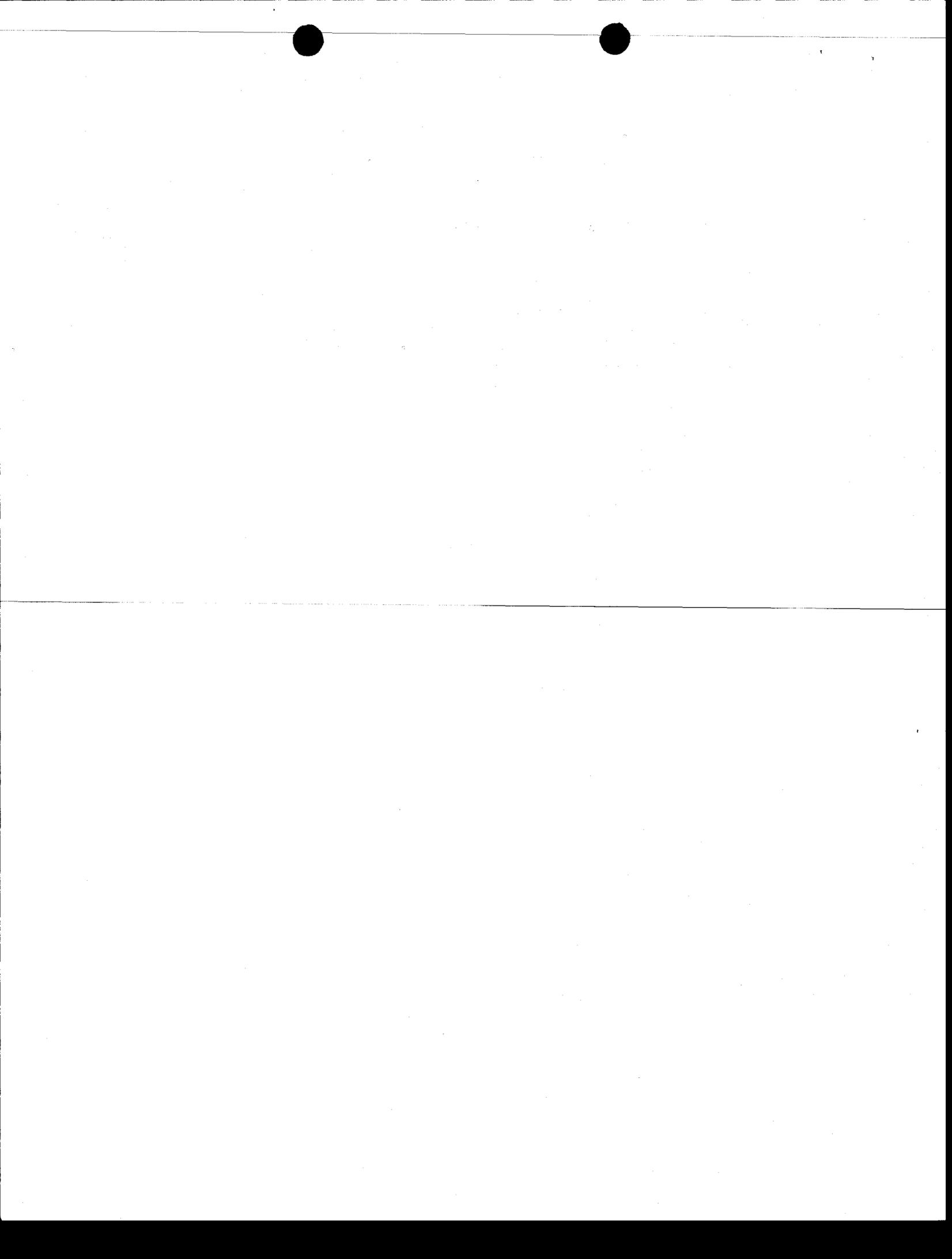
<input checked="" type="checkbox"/> Municipality <input type="checkbox"/> Improvement District <input type="checkbox"/> Other _____
_____

I. The purpose for the sale and/or cancellation is due to:

Negotiated Sale of Asset  Condemnation  Other \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



J. Provide a copy of the following documents:

1. Sales or purchase agreement
2. Court order (if condemnation)
3. Corporate Resolution authorizing the liquidation of the assets, if required by the Articles of Incorporation

K. Have all customer security deposits been refunded? Yes \_\_\_ No X. If no, mark the block below that describes the proposed disposition of security deposits.

\_\_\_ All security deposits will be refunded prior to or at time of closing.

X All security deposits will be transferred to the Purchaser for refund pursuant its terms and conditions.

\_\_\_ Other (explain).

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L. Are there any refunds due on Main Extension Agreements? Yes \_\_\_ No X. If Yes, mark the block below which describes the proposed disposition of the refunds.

\_\_\_ Applicant will continue to refund after the transfer. (Explain method of refunding)

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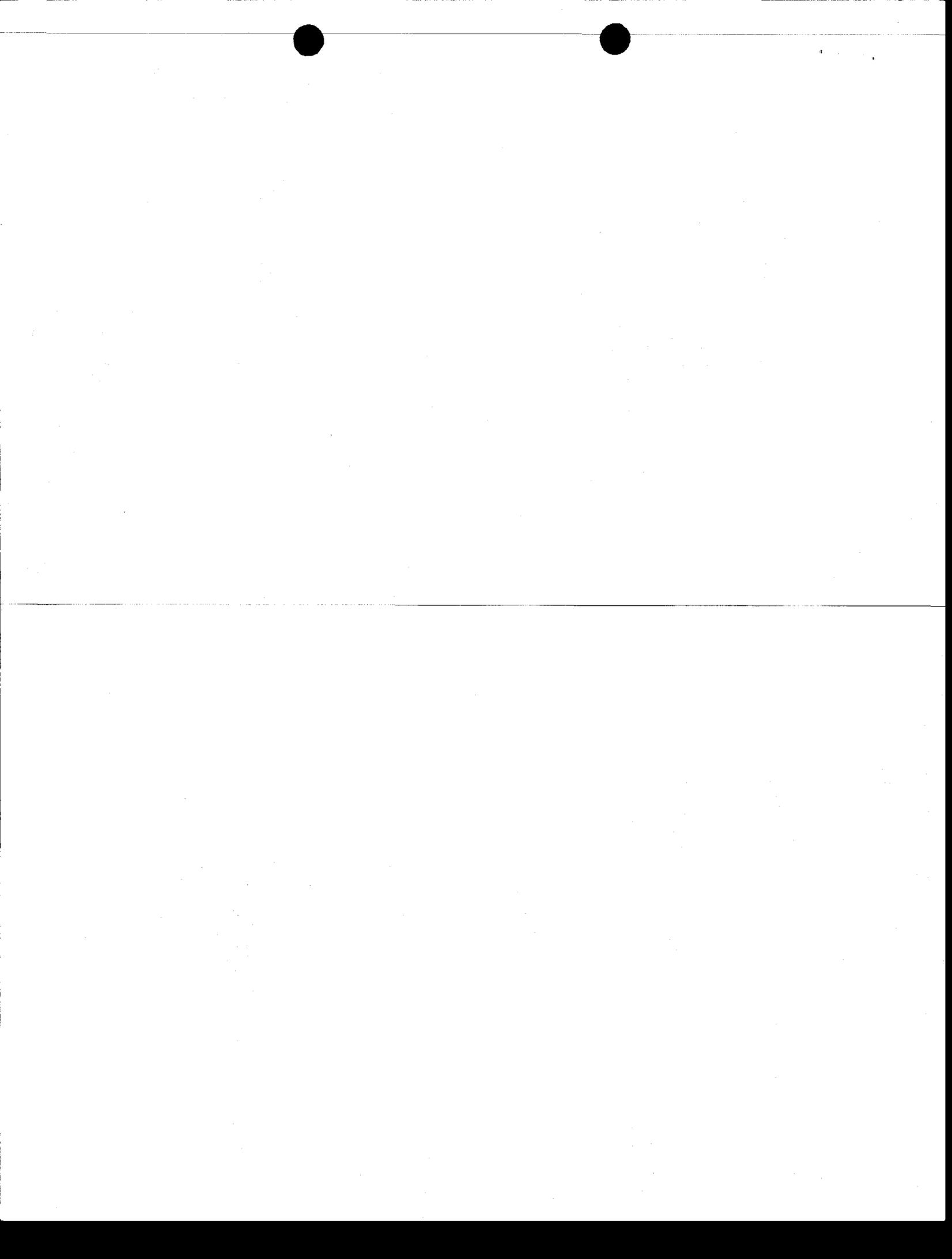
\_\_\_ Purchaser will assume the refunding obligations in accordance with the terms of the main extension agreement.

\_\_\_ Applicant will make a full refund will be made at closing.

\_\_\_ Other (explain).

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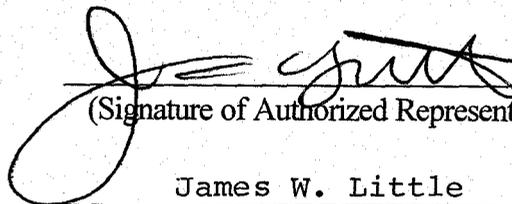
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M. (WATER ONLY) Are there any refunds due on meter and service line installations?  
Yes \_\_\_ No X If Yes, mark the block below which describes the proposed disposition of  
refunds.

- Applicant will continue to refund after the transfer pursuant to Commission Rules.
  - Purchaser will assume the refunding obligations in accordance with Commission Rules.
  - Applicant will make a full refund at closing.
  - Other (explain).
- 
- 

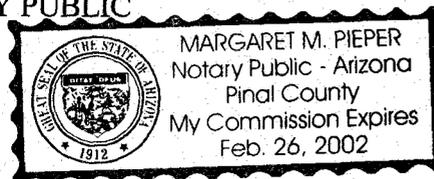
DATED the \_\_\_ day of October, 20 01

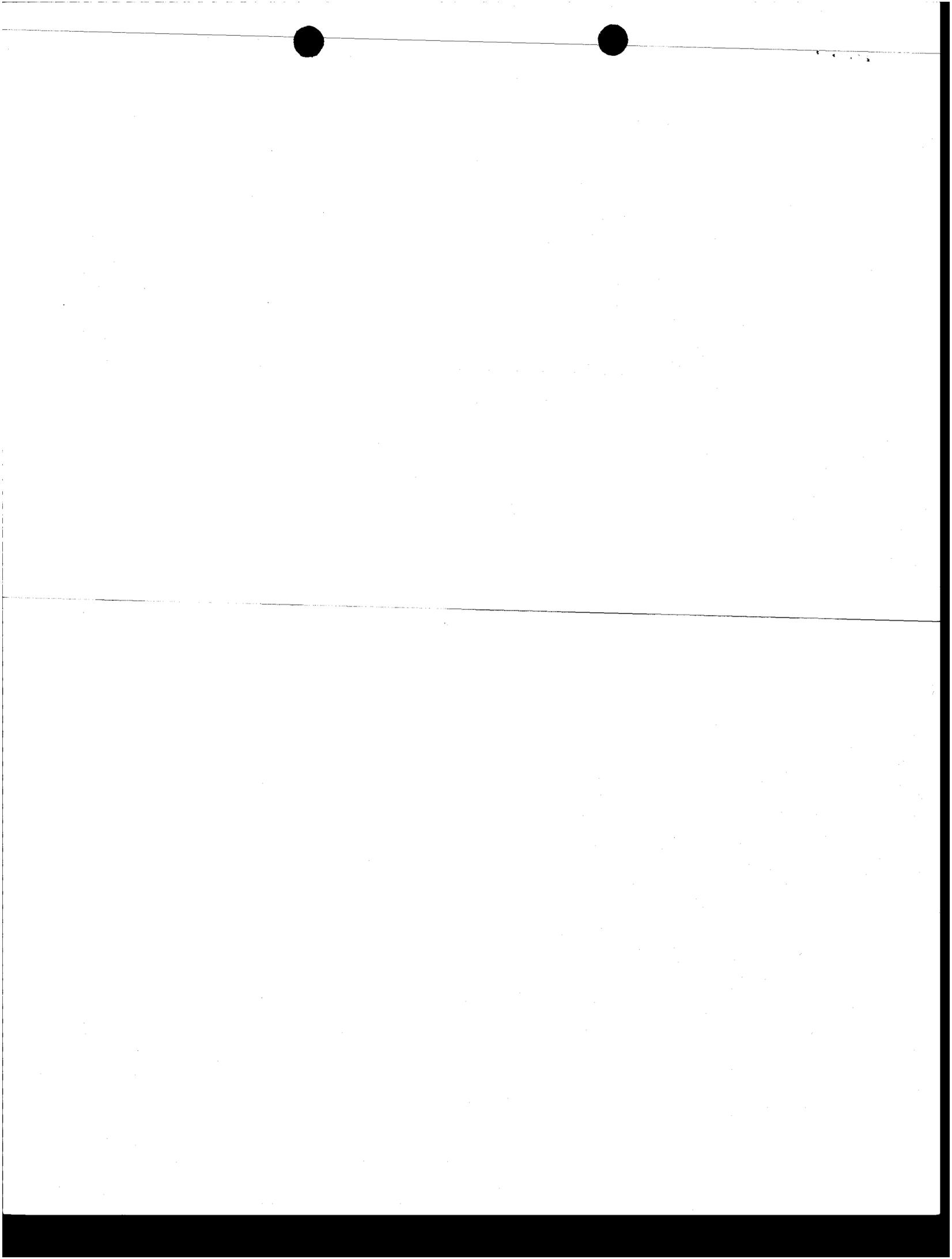
  
\_\_\_\_\_  
(Signature of Authorized Representative of Applicant)  
James W. Little  
\_\_\_\_\_  
(Type or Print Name Here)  
President  
\_\_\_\_\_  
(Title)

SUBSCRIBED AND SWORN to before me on this 3 day of October, 20 01

Margaret M. Pieper  
NOTARY PUBLIC

My Commission Expires 2-26-02





**ASSETS PURCHASE  
AGREEMENT****OFFICIAL  
COPY****INTRODUCTION**

This ASSETS PURCHASE AGREEMENT (hereinafter referred to as the "Agreement") is made and entered into by and between Mohawk Water Company, an Arizona Subchapter S corporation, and Anderson Bros. Farms, Inc., an Arizona corporation, d.b.a. Anderson Bros. Water Company (hereinafter collectively referred to as "Seller") and the Copper Mountain Ranch Community Facilities District, an Arizona municipal corporation (hereinafter referred to as "Purchaser").

**EFFECTIVE DATE**

This agreement shall be effective as of the date of the execution of the last representative of the parties.

**RECITALS**

- a. Seller is the sole owner of all of the Assets, as defined in Section 1.7; and
- b. Seller desires to transfer to Purchaser, and Purchaser desires to acquire from Seller, all of the Assets, as defined in Section 1.7, of the Companies for the consideration and on the terms and subject to the conditions set forth herein.
- c. Purchaser and Seller are cooperating in the completion of a tax-deferred exchange for Seller under I.R.S. Section 1031.
- d. Purchaser acknowledges that the principal of Seller, James W. Little, owns and operates water companies other than the Companies and after the closing hereunder, James W. Little shall continue to own and operate new or existing water companies other than the Companies subject to the provisions in Sections 6.2 and 8.1, and Subsection 2.1(g).

NOW, THEREFORE, in consideration of the promises and the mutual agreements and covenants hereinafter set forth, the Parties hereby agree as follows:

**ARTICLE 1 DEFINITIONS**

Unless otherwise indicated in the text, terms in this Agreement shall have the following meanings. Capitalized terms not defined in this Article 1 shall have the meaning as otherwise set forth herein. Terms which are not defined shall have the regular and common meaning unless otherwise indicated by the text.

**Section 1.1** "Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

**Section 1.2** "Agreement" means this Assets Purchase Agreement, and all amendments hereto.

**Section 1.3** "Business Records" shall mean that which is specified in Subsection 2.1(d).

**Section 1.4** "Cash Consideration" has the meaning specified in Section 2.3.

**Section 1.5** "Closing" has the meaning specified in Section 3.6.

**Section 1.6** "Close of Escrow or COE" means such date of the Closing as the parties mutually agree but not later than January 10, 2002. Any extension of the COE to no later than July 1, 2002, requested by the Purchaser with the offer to have the real property and personal property taxes proration adjusted

to show the Purchaser as responsible for taxes after January 10, 2002 shall be agreed upon by the Seller. Any later extension to the COE shall be mutually agreed upon by the parties and shall not be unreasonably withheld.

**Section 1.7** "Companies" shall mean Mohawk Water Company and Anderson Bros Farms, Inc. as well as any "doing business as" name adopted for these companies now or in the future.

**Section 1.8** "Contracts" shall mean that which is specified in Subsection 2.1(f)

**Section 1.9** "Due Diligence Period" shall mean thirty (30) days following execution and delivery of this Agreement by Seller to Purchaser.

**Section 1.10** "Encumbrance" means any recorded security interest, pledge, mortgage, lien or judgment.

**Section 1.11** "Effective Date" means that which is defined in the second paragraph of page 1 of this Agreement.

**Section 1.12** "Escrow Agent" has the meaning specified in Section 3.1.

**Section 1.13** "Financial Statements" has the meaning specified in Section 4.2,

**Section 1.14** "Governmental Authority" means any United States federal state or local or any foreign government, governmental regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body.

**Section 1.15** "Intangible Assets" shall mean that which is specified in Subsection 2.1(e).

**Section 1.16** "Law" means any federal, state, local or foreign statute, law, ordinance, regulation, rule, code, order, decree, requirement or rule of common law.

**Section 1.17** "Liabilities" means any and all taxes, debts, liabilities and obligations, whether accrued or fixed, absolute or contingent matured or unmatured or determined or determinable.

**Section 1.18** "Loss" has the meaning specified in Subsection 9.4(a).

**Section 1.19** "Material Adverse Effect" means any circumstance, change in or effect on a Person which individually or in the aggregate with any other circumstances, changes in, or effects on such Person is or could reasonably be expected to be materially adverse to the business, financial condition assets or liabilities, customer or supplier relationships, prospects, results of operations or the condition (financial or otherwise) of such Person.

**Section 1.20** "Person" means any individual partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13 (d)(3) of the Securities Exchange Act of 1934, as amended.

**Section 1.21** "Purchase Price" means the appraisal value for the Companies of \$986,860.00 adjusted by all of the following:

(a) Less any Net Balance of the loans made to the Companies by the Water Infrastructure Financing Authority ("WIFA Loans"). The WIFA Loans shall be assumed by the Purchaser in accordance with Subsection 2.2(a). For purposes of this Agreement, Net Balance of the WIFA Loans shall mean the loan principals outstanding at COE, plus accrued interest of the loans through COE, less the debt service cash reserves, and less the unapplied earnings on the cash reserves.

(b) Less the payoff of any other liabilities (including, but not limited to, outstanding property taxes), costs of utility services rendered to Companies prior to COE, encumbrances, liens, or customer deposit accounts for the Companies except any liability of the Companies for reversion of the ownership of the wells in Section 24, Township 5 South, Range 4 East, Gila and Salt River Meridian, which were conveyed to Mohawk Water Company in Special Warranty Deed recorded in the Pinal County Recorder Office as Fee No. 1999-007618;

(c) Plus any material costs for construction, rehabilitation or installation of equipment, up to an aggregate of \$25,000, for the Mohawk Water Company well between March 31, 2001 and COE which decreased readings of NO<sub>3</sub> to Safe Drinking Water Act standards;

(d) Plus 20% of the sum of Subsection 1.21(c), for labor of James W. Little;

(e) Plus face value of Receivables at the time of COE as defined in Section 2.1(b);

(f) If COE extends beyond January 10, 2002 solely because of the request of the Purchaser, the Purchase Price shall be adjusted with an addition of interest on the Purchase Price at 6% per annum accruing to the Purchase Price from January 10, 2002 to the COE on a pro-rated basis; and

(g) All real and personal property taxes and assessments with respect to the Assets and Prepaid Expenses and Deposits as defined in Subsection 2.1(c) shall be prorated as of the Closing and the Purchase Price shall be adjusted to reflect such proration.

**Section 1.22** "Purchaser" has the meaning specified in the introductory paragraph of this Agreement.

**Section 1.23** "Receivables" has the meaning specified in Subsection 2.1(b).

**Section 1.24** "Seller" has the meaning specified in the introductory paragraph of this Agreement.

**Section 1.25** "Tax" or "Taxes" means any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any government or taxing authority, including, without limitation: taxes or other charges on or with respect to income, franchises, groundwater withdrawal fees, water quality fees, monitoring assistance program fees, windfall, or other profits, gross receipts, property, minimum, alternative minimum, estimated, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes; license, registration and documentation fees; and customs' duties, tariffs, and similar charges.

**Section 1.26** "Third-Party Claims" has the meaning specified in Subsection 9.4(a).

**Section 1.27** "Tangible Personal Property" has the meaning specified in Subsection 2.1(a).

## ARTICLE 2 PURCHASE AND SALE

**Section 2.1** Purchase and Sale. Seller agrees to sell and Purchaser agrees to purchase all the Assets as more specifically described below on the terms and conditions of this Agreement:

**(a) Property.**

**(i) Real Property.** All of Seller's right, title and interest in and to any real property, real property improvements, and fixtures owned by or used in connection with the Companies, including without limitation that set forth on Exhibit 1 under the heading of Real Property and Improvements Thereon and any and all easements, appurtenances belonging and appertaining thereto, right-of-way permits, franchises, and all of Seller's rights/interests in rights-of-way, roads, streets, alleys or public and private rights-of-way, including any reverter or reversionary rights or Seller's interest which may accrue to its benefit as an owner of the Real Property as a result of the abandonment of any road, street or alleyway adjoining the Real Property.

**(ii) Personal Property.** All of Seller's right, title and interest in and to any and all equipment, materials, supplies, and other personal property owned by or used in the Companies;

**(b) Receivables.** All of Seller's rights as of the COE to payment for goods sold or services rendered by Seller to customers of Seller in the Companies, whether or not such customers have been presented with an invoice or statement for such payment prior to the COE;

**(c) Deposits and Prepaid Expenses.** All deposits (the "Deposits") and prepaid expenses (the "Prepaid Expenses") and the Monitoring Assistance Program fees of Seller connected with or related to the Companies as of the COE;

**(d) Business Records.** Any and all customer lists, billing and sales records and other records used or maintained in the Companies;

**(e) Intangible Assets.** Any and all intangible assets of Seller relating to the Companies, including without limitation, water service rights for both Companies as identified by the Arizona Department of Water Resources under numbers 56-001303.0000 and 56-001328.0000, Arizona Corporation Commission certificates of convenience and necessity for Companies, goodwill, all governmental licenses, governmental permits, governmental approvals, franchises, trademarks, service marks, trade names, fictitious names, copyrights and all other forms of intellectual property rights, and all other intangible property rights of any kind, owned by the Companies or necessary to the Companies as heretofore conducted;

**(f) Contracts.** Any and all written or oral contracts, agreements, leases, undertakings and other commitments and rights connected with or related to the Companies, as more particularly described in Section 4.9, including without limitation those set forth on Exhibit 1 under the heading of Contracts;

**(g) Business Name.** After COE, in addition to the other assets to be transferred by Seller to Purchaser, Seller shall transfer, assign and convey to Purchaser the right to use the names of Mohawk Water Company, Anderson Bros. Farms, Inc. and Anderson Bros. Water Company in any manner whatsoever, and further agrees to execute such assignments, instruments and documents, as may be necessary to effectuate the complete and permanent transfer of such names to Purchaser. After the COE, Purchaser agrees that Seller may maintain its existing corporate structures under different names as long as Seller:

**(i)** promptly changes the names of the corporations to something other than Mohawk Water Company, Anderson Bros. Farms, Inc. and Anderson Bros. Water Company or any other similar name,

**(ii)** agrees to change its corporate names to a name which does not include the words "water" or "utility;" and

**(iii)** Seller complies with Section 6.2 and the non-compete restrictions of Section 8.1 of this Agreement

After COE, at Purchaser's sole and absolute discretion, Purchaser may operate the Companies being acquired in any form and under any name(s) Purchaser chooses;

**(h) Utility Contracts.** Seller and Purchaser agree that Seller shall transfer to Purchaser all utility contracts and deposits with respect to the Companies and the right to deposits or credits with

respect to the Assets on the date of the Closing and that Purchaser shall thereafter be responsible for all utilities for the Companies; and

(i) **Other Non-Excluded Assets.** Any and all other assets or property (the "Other Assets") of every kind and nature connected with or related to the Companies, other than those listed on Exhibit 2 (the "Excluded Assets").

**Section 2.2 Assumption of Liabilities.** Purchase shall assume certain obligations of Seller as set forth below:

(a) **Assumed Liabilities.** Subject to the terms and conditions of this Agreement, at the Closing, as part of the Purchase Price, Purchaser will assume all obligations of Seller as of and after the COE with respect to the liabilities set forth on Exhibit 3 (the "Assumed Liabilities"). If any of the Assumed Liabilities is not assumable by Purchaser for any reason, or if Purchaser so elects, Purchaser shall pay the same in cash on the COE, and Seller shall cause to be delivered to Purchaser a release satisfactory in form and substance to Purchaser with respect thereto.

(b) **Unassumed Liabilities.** Except for the Assumed Liabilities to be expressly assumed by Purchaser as set forth in Subsection 2.2(a) hereof, Purchaser shall not have any obligation or liability for any debt, tax, obligation or liability of Seller, including without limitation, contingent liabilities, statutory liabilities and any liability relating to the Assets or the conduct of the Companies or any other business of Seller prior to the COE, whether or not disclosed to Purchaser by Seller (the "Unassumed Liabilities"), and such Unassumed Liabilities shall remain the sole obligation of Seller.

### ARTICLE 3 ESCROW

**Section 3.1 Deposit of Earnest Money.** Upon execution of this Agreement by Seller, Purchaser shall deposit earnest money in the amount of \$25,000 ("Earnest Money") with Frances Guerra, First American Title Company (the "Escrow Agent"), 1729 North Tre kell Road, Casa Grande, Arizona 85222, in cash by cashier's check or by money transfer. The Seller hereby agrees to Earnest Money being held in an interest-bearing account with Escrow Agent. The Earnest Money (and any interest earned on it) shall be refunded to Purchaser upon any termination of this Agreement that occurs no later than expiration of the Due Diligence Period. If this Agreement has not been terminated prior to or at the end of the Due Diligence Period, the Earnest Money shall thereafter be deemed "non-refundable", which shall mean that the Earnest Money (and any interest earned on it) is to be returned to Purchaser only if this Agreement is terminated because of a breach or default by Seller or the failure of any required condition provided for in this Agreement. If this transaction closes, the Earnest Money (and any interest earned on it) shall be applied for the benefit of Purchaser to sums payable by Purchaser upon the Closing. If this Agreement is terminated following the end of the Due Diligence Period for any reason other than a breach or default by Seller or the failure of a required condition, the Earnest Money (and any interest earned on it) shall be paid to Seller as Liquidated Damages as set forth in Section 10.2.

**Section 3.2 Due Diligence.** Purchaser shall have a period of thirty (30) days following execution and delivery of this Agreement by Seller to Purchaser (the "Due Diligence Period") in which to investigate the Companies and the feasibility of this transaction. This transaction shall be terminated automatically unless Purchaser gives Seller written notice prior to the expiration of the Due Diligence Period expressing Purchaser's intent to continue transaction. To assist Purchaser in its evaluations, Seller shall provide Purchaser true and correct copies of the books and records of the Companies, or reasonable access to such books and records with an opportunity to have such portions as Purchaser may reasonably designate copied at the expense of Seller. All such materials shall be provided as quickly as reasonably possible after Purchaser's deposit of the Earnest Money with Escrow Agent but in any event not later

than 10 days following deposit of the Earnest Money.

**Section 3.3 Delivery of Assets/Payment.**

**(a) Seller's Obligations.**

**(i)** On the terms and subject to the conditions of this Agreement Seller shall on the Closing, transfer, assign and deliver to Purchaser the Assets of the Companies with any titles or other evidences of ownership, including but not limited to Bills of Sales, duly endorsed or accompanied by appropriate conveyance document executed.

**(ii) Physical Delivery.** On the COE, Seller shall deliver to Purchaser in Casa Grande, Arizona, all tangible Assets at mutually agreed upon location(s), including without limitation, all physical embodiments of all Intangible Assets.

**(b) Purchaser's Obligations.** On the terms and subject to the conditions of this Agreement and concurrent delivery by Seller to Purchaser of the Assets and ownership documents representing the Assets, Purchaser shall pay at the Closing to Seller in immediately available funds the cash consideration ("Cash Consideration") of the Purchase Price less Thirty Thousand Dollars (\$30,000) or the sum of the Purchase Price adjustment factors set forth in Subsections 1.21(c) and 1.21(d), whichever is less ("Contingency Amount"). The Purchaser will place the Contingency Amount into Escrow by COE. The Contingency Amount shall be held by the Escrow Agent until distribution to the Seller if the following conditions are completed:

**(i)** All Companies' liabilities secured by the Assets, except that detailed in Subsection 1.21(b) as possibly reverting to 120 Townsend L.L.C. and the WIFA loan detailed in Subsection 1.21(a), have been paid by the Seller;

**(ii)** the Mohawk well is in compliance with MCL standards for NO<sub>3</sub> based on testing by the Purchaser (with split sample, confirmatory tests done on behalf of James W. Little in accordance with procedure used by ADEQ) for 1 year after COE or the compliance term set forth by the Arizona Department of Environmental Quality ("ADEQ"), whichever is less; and

**(iii)** any loss of payment of Receivables purchased by the Purchaser at the COE in accordance with Subsection 1.21(e) as long as the Purchaser has notified the Seller of the lack of payment within 90 days of the due date of the payment and reasonably cooperated with the Seller in its collection efforts of the payment.

**Section 3.4 Transaction Taxes.** Any sales, use, transfer taxes and other similar levies or charges on the transaction shall be the responsibility of Seller.

**Section 3.5 Documents of Transfer.** At the Closing, Seller shall deliver to Purchaser documents of title and transfer with respect to the Assets as Purchaser may reasonably request, in form and substance satisfactory to Purchaser. Seller shall pay any transfer, recording or filing fees, stamp taxes, and other similar costs or levies in connection with such documents.

**Section 3.6 Closing.** Subject to the terms and conditions of this Agreement the sale and purchase of the Assets contemplated by this Agreement shall take place at a closing (the "Closing") on the COE to be held at the office of the Escrow Agent, or at such other location as the parties mutually agree.

**Section 3.7 Closing Deliveries by Seller.** At the Closing, Seller shall deliver or cause to be delivered to Purchaser the following:

**(a)** true and complete copies, certified by a duly authorized officer of Seller, of resolutions duly and validly adopted by Seller evidencing its authorization of the execution and delivery of this Agreement and all other documents hereunder and the consummation of the transactions contemplated hereby and thereby;

(b) such other documents as Purchaser may reasonably request; and  
(c) the Consultant Agreement, described in Subsection 7.1(f), executed by James W. Little in his personal capacity.

(d) Tax Receipt. On or before Closing, Seller shall deliver to Purchaser a receipt from the Arizona Department of Revenue pursuant to A.R.S. 32-119, stating that no amount is due with respect to Seller.

**Section 3.8 Closing Deliveries by Purchaser.** At the Closing, Purchaser shall deliver or cause to be delivered to the Seller the following:

(a) true and complete copies, certified by a duly authorized officer of Purchaser, of resolutions duly and validly adopted by Purchaser evidencing its authorization of the execution and delivery of this Agreement and all other documents hereunder and the consummation of the transactions contemplated hereby and thereby;

(b) such other documents as Seller may reasonably request; and

(c) a Notice of Intent to serve water (subject to terms and conditions later established by separate agreement between LARJ Investment & Development, L.L.C. and the Purchaser and subject to the approvals of any necessary regulatory agencies) to the real property conveyed in Exhibit 8, attached hereto and incorporated herein by this reference.

(d) the Consultant Agreement, described in Subsection 7.1(f), executed by the Purchaser.

#### **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF SELLER**

As an inducement to Purchaser to enter into this Agreement, Seller hereby makes the following representations and warranties to Purchaser:

**Section 4.1 Assets.** The Assets as set forth in Exhibit 1 and as described in Section 2.1(a) represent all of the assets of both Companies.

**Section 4.2 Financial Information Books and Records.** True and complete copies of the balance sheets of the Companies and the related profit and loss statements of the Companies (the "Financial Statements") will be delivered (or made available) to Purchaser by Seller. The Financial Statements

(a) will have been prepared in accordance with the books of account and other financial records of the Companies, and

(b) present fairly the financial condition and results of operations of the Companies as of the dates thereof or for the periods covered thereby.

**Section 4.3 No Material Adverse Effect.** There has been no Material Adverse Effect since the date of the Financial Statements.

**Section 4.4 Authority of the Companies.** The Companies are duly organized, validly existing and in good standing under the laws of the State of Arizona and have all requisite power and authority to carry out their legal responsibilities and provide utility services in the areas presently served by the Companies.

**Section 4.5 Ownership of Assets.** Seller is the record and beneficial owner of the Assets, free and clear of all Encumbrances except the WIFA Loans. Seller has the power and authority to transfer good and valid title to such Assets to Purchaser free and clear of all Encumbrances except the WIFA Loans.

**Section 4.6 Authorization.** The execution of this Agreement by Seller and its delivery to Purchaser and the consummation by Seller of the transactions contemplated herein have been duly authorized by all necessary action on the part of Seller. No further authorization will be necessary on the part of Seller for the execution, delivery, performance or consummation of this Agreement by Seller or the consummation by Seller of the transactions contemplated herein. Seller has full power and authority to enter into this Agreement and to sell, assign, transfer and deliver the Assets hereunder. This Agreement and the transactions contemplated hereby are valid and binding upon Seller and enforceable in accordance with their terms.

**Section 4.7 Employment Matters.**

(a) Attached as Exhibit 9 is a list of all employees, agents and independent contractors and consultants of the Companies, together with a statement of all compensation currently payable for past and future services to each such person (including, without limitation, salaries and any bonus and fringe benefits payable to the person) and the compensation (as defined above) actually paid to each such person during the Companies' fiscal years ending December 31, 2000 and June 30, 2001. No written or oral contracts of employment and no written or oral representations or warranties of continued employment have been made of any of the employees, agents or independent contractors of the Companies, all of which relationships are terminable at will. Seller shall cause all such signatories to tender written resignations, effective as of the COE.

(b) **Benefit, Pension and Profit-Sharing Plans.** The Companies has no employee benefit plans or policies of any kind whatsoever, connected with or related to the Companies including without limitation, group health or life insurance, sick leave, pension, holiday, vacation or profit-sharing policies or plans, or any plans or policies subject to ERISA.

**Section 4.8 Banks.** To the extent included in the Assets, attached as Exhibit 7 is a list of all banks and other institutions, persons, associations or entities with which the Companies has an account, loan, line of credit, investment, instrument of deposit, safe deposit box or other banking or investment relationship, specifying account numbers, balances, signatories, agreement terms and such other information as Purchaser may reasonably request.

**Section 4.9 Contracts.** Attached as Exhibit 1 - Contracts is a list and copies of the executed originals of all written agreements, contracts, commitments or undertakings, a list and detailed descriptions of all oral agreements, contracts, commitments or undertakings and a list and copies of the executed originals or detailed descriptions of all written or oral amendments to the foregoing, connected with or related to the Companies, to which the Seller is a party or to which the Companies or the Assets are subject or bound (all collectively, the "Contracts"). Exhibit 1 - Contracts also includes all agreements, judgments, orders, writs, injunctions or decrees connected with or related to the Companies to which the Companies or the Assets are subject or bound (which shall also be deemed Contracts). The obligations of the Companies under the Contracts listed on Exhibit 1 - Contracts shall be duly terminated by Seller and the Companies, without additional cost or expense to the Companies, effective on or before the Closing.

**Section 4.10 Insurance.** To the extent included in the Assets, attached as Exhibit 6 is a list and copies of all liability, casualty, health and accident, keyman, worker's compensation, and other insurance policies owned by the Seller in connection with the Companies or of which the Companies is a beneficiary ("Insurance Policies") (which shall also be deemed Contracts).

**Section 4.11 Contractual Relations.** The Seller and all other parties to the Contracts, Insurance Policies and Registrations which Seller has executed have complied fully with all the provisions of all Contracts, Insurance Policies and Registrations; and neither the Seller nor any such other party is in

default, breach or violation, nor is there any fact or circumstance that with a lapse of time, notice or both which would result in such a default, breach or violation, under any of the foregoing. All Contracts, Insurance Policies and Registrations are set forth in the Exhibits, conform with the terms of the copies thereof or, where oral, the written summaries thereof contained in the Exhibits, are in full force and effect (and no notices of cancellation or termination have been given or received) and are valid, binding and enforceable in accordance with their terms. No term or provision of such Contracts, Insurance Policies or Registrations violates any applicable law. The Seller has not paid any obligations not yet due under any of its Contracts, Insurance Policies or Registrations except as set forth in the Exhibits. The Seller is not subject to a covenant not to compete or any other restriction related to the Companies or the Assets.

**Section 4.12 Assets Condition.** All accounts receivable arose from valid sales and are collectible in the ordinary course of business at the full amount as set forth on the Financial Statements. Possession of all Assets not in the possession of Seller can be obtained without the payment of any fee or charge of any kind.

**Section 4.13 Title to Assets.** Seller has, and upon the Closing, Purchaser will receive, good and marketable title to, or valid, binding and enforceable leasehold interests in, all the Assets, free and clear of any security interest, financing statement, mortgage, pledge, lien, conditional sale agreement, lease, license, encumbrance, charge, or claim of any kind or any restriction, qualification, limitation or right of any kind adversely affecting use, marketability or title, except as specifically described in detail in the Exhibits and the encumbrance as a result of the WIFA Loan.

**Section 4.14 Consents.** Attached as Exhibit 4 is (i) a list of all consents (the "Necessary Consents") from any person, association, entity, or governmental authority, necessary to render the transactions contemplated hereby lawful, effective in accordance with the terms of this Agreement, and in compliance with any requirements by which any of the Seller or the Assets are bound, or any requirement of any person or entity necessary for the Assets to be used by Purchaser to conduct the Companies in an executed copy of all Necessary Consents.

**Section 4.15 Freedom from Restrictions.** The execution and delivery of this Agreement, the consummation of the transaction contemplated hereby, and the fulfillment of the terms hereof by Seller

(a) do not violate or conflict with, and will not result in a breach or default, or in any occurrence that, with a lapse of time or action by a third-party or both, could result in a breach or default, with respect to any Contract of any contract, agreement, commitment, or undertaking, either written or oral, to which Seller is a party or by which Seller or the Companies or the Assets is bound;

(b) will not violate any applicable foreign or domestic law or public policy;

(c) will not result in an acceleration or increase of any amounts due from the Companies; and

(d) will not result in an alteration to the detriment of the Companies of the terms or conditions of any Contract, Insurance Policy or Registration. No contract, agreement, commitment, or undertaking, either oral or written, or judgment, order, writ, injunction or decree exists that in any other manner restricts, limits, or affects the execution, delivery or performance of this Agreement, the Companies or the Assets or the transferability of the Assets.

(e) **Registrations.** Attached as Exhibit 5 is a list and copies of the originals and all amendments of

(i) all foreign and domestic registrations, licenses, filings, permits, approvals, authorizations, exemptions, certifications and pending applications for any of the same,

(ii) any intellectual property rights (including all rights to the name "Mohawk Water Company" (the d.b.a. name being created as part of this transaction in accordance with Section 6.2) and

"Anderson Bros Water Company" (the d.b.a. name for Anderson Bros. Farms, Inc.) which is exclusively the property of the Seller),

(iii) the Authorizations described below; and

(iv) all other intangible property rights of any kind, connected with or related to the Companies as heretofore conducted, owned by or licensed to Seller or in which Seller has any other interest of any kind (all of the foregoing, the "Registrations").

All such Registrations are in full force and effect and were obtained in full compliance with all applicable requirements and regulations. Except as otherwise set forth on Exhibit 5, Seller owns and has the power to transfer to Purchaser the entire right, title, and interest in and to such Registrations free to all security interests, financing statements, mortgages, pledges, liens, conditional sales agreements, leases, licenses, encumbrances, charges, claims, restrictions, qualifications, limitations or rights of any kind, and no third-party is using, infringing or otherwise violating or exercising any rights under any Registration.

(f) Bulk Sales. Seller represents and warrants that Seller has no creditors and that compliance with the notice provisions of the Arizona Bulk Transfer Statute is not required.

(g) General Representation. No statement made by or on behalf of Seller in connection with the execution, delivery and performance of this Agreement by Seller contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statement made not misleading in any material respect.

(h) Exchange. It is the intention of Seller to effect an I.R.S. Section 1031 exchange or "like-kind" exchange. Purchaser agrees to cooperate with Seller in effectuating such an exchange provided that the transaction shall be structured so that Purchaser shall not incur any additional liabilities or obligations in excess of the liabilities and obligations otherwise assumed by Purchaser in the proposed sale set forth herein. Seller shall defend with counsel of the Purchaser's reasonable choice, and indemnify and hold Purchaser harmless from any liability, cost (including attorney's fees), damage or claim which may occur as a result of any such exchange. The COE shall not otherwise be delayed or affected by reason of the Seller's exchange nor shall the consummation or accomplishment of the Seller's exchange be a condition precedent or condition subsequent to Seller's obligations under this Agreement. Purchaser shall not be required to take an assignment of the purchase agreement for the replacement property to be acquired by Seller or be required to acquire, take a beneficial interest in or hold title to any real property for purposes of consummating the Seller's exchange. Seller shall in no event be released because of the attempt or consummation of its exchange from any of its obligations (payment, performance or otherwise) or its responsibilities for representations, warranties and indemnities under this Agreement.

## ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Seller to enter into this Agreement Purchaser represents and warrants to Seller as follows:

**Section 5.1 Authority of Purchaser.** Purchaser is duly organized, validly existing and in good standing under the laws of the State of Arizona and has all requisite power and authority to enter into this Agreement, to carry out its obligations hereunder, and to consummate the transactions contemplated hereby.

**Section 5.2 Other Purchaser's Representations and Warranties.**

(a) Based on its knowledge and experience in financial and business matters in general and its knowledge and experience with Companies, Purchaser understands the nature of his acquisition of the Assets, is fully aware and familiar with the business operations of Companies (or will be prior to the end

of the Due Diligence Period), and is able to evaluate the merits and risks of the acquisition of the Assets.

(b) Purchaser has sufficient income and net worth such that Purchaser does not contemplate being required to dispose of any portion of the investment in the Assets to satisfy any existing or expected undertaking or indebtedness. Purchaser is able to bear the economic risks of an investment in the Assets, including, without limiting the generality of the foregoing, the risk of losing all or any part of the investment in the Assets and possible inability to sell or transfer the Assets for an indefinite period of time.

(c) Purchaser, in determining to purchase the Assets, has relied solely upon

(i) its own independent evaluation of the business, operations and prospects of the Companies and the merits and risks of the purchase of the Assets; and

(ii) the representations and warranties of Seller contained in this Agreement.

## ARTICLE 6 ADDITIONAL AGREEMENTS

**Section 6.1 Conduct of Business Before Closing.** Seller covenants that before the Closing, without the consent of Purchaser in advance, the Companies shall not, except as otherwise contemplated by or specifically disclosed in this Agreement:

(a) amend, terminate, cancel or compromise any material claims of the Companies or waive any other rights of substantial value to the Companies;

(b) sell, transfer, lease, sublease, license or otherwise dispose of any properties or assets, other than in the ordinary course of business;

(c) issue or sell any capital stock, notes, bonds or other securities, or any option, warrant or other right to the same, of the Companies,

(d) redeem any of the capital stock or declare, make or pay any dividends or distributions (whether in cash, securities, or other property) to Seller or third Persons.

(e) make any capital expenditure or commitment for any capital expenditure except that detailed in Subsection 1.21(c);

(f) make any material changes in the customary methods of operations of the Companies;

(g) incur any indebtedness or draw-downs from the WIFA loan for anything other than that which is set forth in Subsection 1.21(c);

(h) make any loan to, guarantee any indebtedness of, or otherwise incur any indebtedness on behalf of any Person;

(i) grant any increase, or announce any increase, in the wages, salaries, compensation, bonuses, incentives, pension, severance or other benefits payable by the Companies to any of its employees or consultants or any other Person; or

(j) agree or commit to do or authorize any of the foregoing or discuss or negotiate with any person or entity or entertain proposals to do any of the foregoing.

**Section 6.2 Further Action.** Each of the parties hereto shall use all reasonable efforts to take, or cause to be taken all appropriate actions, do, or cause to be done, all things necessary, proper or advisable under applicable Laws. Each of the parties hereto shall additionally execute and deliver such documents and other papers, as may be required to carry out the provisions of this Agreement and to consummate and make effective the transactions contemplated hereby.

**Section 6.3 Preservation of Relationships.** After the Effective Date hereof and through the Closing, Seller agrees at all times that it will continue to operate the Companies in the usual and ordinary course and insubstantial conformity with all applicable laws, ordinances, regulations, rules, or orders, and will use its best efforts to preserve its business organization. Seller also agrees at all times before the COE

that it will maintain all of its assets in their present condition, reasonable wear and tear and ordinary usage excepted, and maintain the Companies' inventories at level normally maintained. Seller shall cause the Companies to use their reasonable efforts to keep available the services of their employees and maintain good relationships with suppliers and customers; provided, however, that Seller shall cause Companies to have its officers and directors to tender their resignations effective concurrently with the Closing.

## ARTICLE 7 CONDITIONS TO CLOSING

**Section 7.1 Conditions to Seller's Obligations to Close.** The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment at or before the Closing, of each of the following conditions:

(a) **Representations, Warranties and Covenants.** The representations and warranties of Purchaser contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects as of the COE with the same force and effect as if made as of the COE, other than such representations and warranties as are specifically made as of another date.

(b) **Purchaser's Compliance with Agreement.** The covenants and agreements contained in this Agreement to be complied with by Purchaser, on or before the COE, shall have been complied with in all material respects.

(c) **No Proceeding or Litigation.** No Action shall have been commenced or threatened by or before any Governmental Authority against the Companies, Seller or Purchaser, seeking to restrain or materially alter the transaction contemplated hereby which in the reasonable good faith determination of Seller, is likely to tender it impossible or unlawful to consummate the transactions contemplated by this Agreement; provided, however, that the provision of this Subsection 7.1(c) shall not apply if the Seller has solicited or encouraged any such Action.

(d) **Resolutions.** Seller shall have received certified copies of the resolutions of Purchaser evidencing its authorization of the execution and delivery of this Agreement and the other agreements, documents and instruments referenced herein and therein and the consummation of the transactions contemplated hereby and thereby.

(e) **Closing Documents.** Purchaser shall be prepared to deliver the Cash Consideration set forth in Section 3.3 and the closing documents set forth in Section 3.8 of this Agreement.

(f) **Consulting Agreement.** For 24 months after COE, Purchaser shall retain James W. Little to provide consulting, management and development services related to water systems ("Consulting Services") for the benefit of the Purchaser at the cost of \$25,000 annually, paid in equal quarterly payments. The Purchaser shall make the first equal quarterly payment thirty (30) days following execution and delivery of this Agreement by Seller to Purchaser. Purchaser shall make the subsequent payments every ninety-one (91) days until 24 months after COE unless this agreement is terminated in accordance with Article 10 without consummation of the Assets transfer. Consulting Services rendered by Mr. Little shall be documented each thirty (30) day period within 10 days of the end of the period. Mr. Little need not render any minimum of Consulting Services for the Purchaser's payment of the periodic payment set forth in this Subsection 7.1(f). Consulting Services shall not exceed 300 hours per year (marked by the anniversary of COE). Consulting Services shall generally include providing advise and input as to the billing services, collection services, transmission of customer information to Purchaser, documentation and transmission of existing documentation on Companies' facilities; training and oversight of Purchaser's employees or independent contractors, assistance to the Purchaser in any plans to expand the existing service area of the Companies, acquire new connections in the existing service area, and acquire new service areas. During the time for performing such Consulting Services, Mr. Little shall, among other things, advise and assist the Purchaser in negotiating with developers,

government entities and other water users, in obtaining necessary franchises, permits and certificates of convenience and necessity, and in planning and implementing such expansions and acquisitions. Mr. Little shall not be required to operate heavy construction equipment or actually bill or collect on the Receivables in the completion of his consulting duties. Mr. Little may oversee heavy construction equipment, billing and collecting duties, if requested by the Purchaser, but the Purchaser shall hire others to do such duties. Purchaser and Mr. Little agree that Mr. Little shall perform as an independent contractor and shall have absolute and sole discretion over the manner and times of such performance of the Consulting Services but shall not perform any of the Consulting Services without a specific request from the Purchaser.

**Section 7.2 Conditions to Purchaser's Obligations to Close.** The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or before the Closing, of each of the following conditions:

(a) **Representation Warranties and Covenants.** The representations and warranties of Seller contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects as of the COE with the same force and effect as if made as of the COE other than such representations and warranties as are specifically made as of another date.

(b) **Seller's Compliance with Agreement.** The covenants and agreements contained in this Agreement to be complied with by the Companies and Seller on or before the COE shall have been complied with in all material respects.

(c) **No Proceeding or Litigation.** No Action shall have been commenced or threatened by or before any Governmental Authority against the Companies, Seller or Purchaser, seeking to restrain or materially and adversely alter the transactions contemplated hereby which in the reasonable good faith determination of Purchaser is likely to render it impossible or unlawful to consummate the transactions contemplated by this Agreement or which could have a Material Adverse Effect; provided, however, that the provisions of this Subsection 7.2(c) shall not apply if Purchaser has solicited or encouraged any such Action.

(d) **Resolution.** Purchaser shall have received certified copies of the resolutions of Seller evidencing its authorization of execution and delivery of this Agreement and other agreements, documents and instruments referenced herein and therein, and the consummation of the transactions contemplated hereby and thereby.

(e) **Closing Documents.** Seller shall be prepared to deliver the closing documents set forth in Section 3.7 of this Agreement.

(f) **Consulting Agreement.** James W. Little shall, by his signature below, agree in his personal capacity, to consult for the Purchaser for 24 months after COE in accordance with that which is described in Subsection 7.1(f).

## **ARTICLE 8 POST-CLOSE OF ESCROW ACTIONS**

**Section 8.1 Non-Compete Clause.** Neither of the Companies being sold in this transaction shall ever own, manage, lease, operate as a water provider, a water service area, or a certificate of convenience and necessity for a water utility in Arizona after the COE.

**Section 8.2 Endorsement of Checks.** Seller hereby authorizes Purchaser as of the COE to endorse the names "Mohawk Water Company," "Anderson Bros Farms, Inc." and "Anderson Bros Water Company" or "James W. Little" on any checks or other instruments that may be received by it in collecting Receivables subsequent to the COE and to deposit the same for the account of Purchaser.

## ARTICLE 9 INDEMNIFICATION

**Section 9.1 Survival of Representations and Warranties.** The representations and warranties of the parties contained in this Agreement shall survive the Closing, to the indemnifying party pursuant to Section 7.4, a period of one year after the COE. If an indemnified party will give, written notice of a claim before the one-year anniversary of the COE, then the relevant representations and warranties shall survive as to such claim until the claim has been finally resolved.

**Section 9.2 Indemnification by Seller.** Seller agrees to indemnify and hold harmless the Purchaser from and against any and all Losses actually suffered or incurred by the Purchaser arising out of or resulting from:

(a) the breach of any representation or warranty made by Seller contained in this Agreement or in any other document or agreement delivered by Seller pursuant to or in connection with this Agreement; or

(b) the breach of any covenant or agreement by Seller contained in this Agreement or in any other document or agreement delivered by Seller pursuant to or in connection with this Agreement.

(c) The Seller specifically does not indemnify the Purchaser from the risk of the reversion of the wells to 120 Townsend, L.L.C. which is detailed in Subsection 1.21(b).

**Section 9.3 Indemnification by Purchaser.** Purchaser agrees to indemnify and hold harmless Seller from and against any and all Losses actually suffered or incurred by Seller arising out of or resulting from:

(a) the breach of any representation or warranty made by Purchaser contained in this Agreement or in any other document or agreement delivered by Purchaser pursuant to or in connection with this Agreement; or

(b) the breach of any covenant or agreement by Purchaser contained in this Agreement or in any other document or agreement delivered by Purchaser pursuant to or in connection with this Agreement.

(c) The reversion of the wells to 120 Townsend, L.L.C. which is detailed in Subsection 1.21(b).

**Section 9.4 Notice to Indemnifying Party.**

(a) **Notice between Parties.** An indemnified party shall give the indemnifying party notice of any matter which an indemnified party has determined will give, or could give rise to a right of indemnification under this Agreement. In such notice, the indemnified party shall state the amount of the Loss, if known, and method of computation thereof and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises.

(b) **Notice for Third-Party Claims.** The obligations and Liabilities of an indemnifying party under this Article with respect to Losses arising from claims of any third-party which are subject to the indemnification provided for in this Article ("Third-Party Claims") shall be governed by the following additional terms and conditions:

(i) If an indemnified party receives notice of any Third-Party Claims, the indemnified party shall give the indemnifying party notice of such Third-Party Claim within 30 days of the receipt of such notice by the indemnified party. Notwithstanding the foregoing, the failure to provide such notice shall not release the indemnifying party from any of its obligations under this Article except to the extent the indemnifying party is prejudiced by such failure and shall not relieve the indemnifying party from any other obligation or liability it may have to any indemnified party

otherwise than under this Article.

(ii) If the indemnifying party acknowledges in writing its obligation to indemnify the indemnified party hereunder against any Losses that may result from such Third-Party Claim then the indemnifying party shall be entitled to assume and control the defense of such Third-Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the indemnified party within five days of the receipt of such notice from the indemnified party. Notwithstanding the foregoing, if there exists, or is reasonably likely to exist, a conflict of interest that would make it inappropriate in the reasonable judgment of the indemnified party for the same counsel to represent both the indemnified party and the indemnifying party, then the indemnified party shall be entitled to retain its own counsel, at the expense of the indemnifying party, in each jurisdiction for which the indemnified party determines in its reasonable judgment that counsel is required.

(iii) If the indemnifying party exercises the right to undertake any such defense against any such Third-Party Claim as provided above, the indemnified party shall cooperate with the indemnifying party in such defense and make available to the indemnifying party, at the indemnifying party's expense, all witnesses, pertinent records, materials and information in the indemnified party's possession or under the indemnified party's control relating thereto as is reasonably required by the indemnifying party. Similarly, if the indemnified party is, directly or indirectly, conducting the defense against any such Third-Party Claim, the indemnifying party shall cooperate with the indemnified party in such defense and make available to the indemnified party, at the indemnifying party's expense, all such witnesses, records, materials, and information in the indemnifying party's possession or under the indemnifying party's control relating thereto as is reasonably required by the indemnified party. No such Third-Party Claim may be settled by the indemnifying party without the written consent of the indemnified party.

## ARTICLE 10 TERMINATION

**Section 10.1 Termination.** This Agreement may be terminated at any time prior to the Closing:

- (a) By consent of Seller and Purchaser,
- (b) By Purchaser or by Seller if the other party shall, contrary to the terms of this Agreement, intentionally fail or refuse to consummate the transactions contemplated by this Agreement or to take any other action referred to herein or therein necessary to consummate such transactions, after affording the defaulting party a ten (10) day period after notice in which to cure;
- (c) By Purchaser or by Seller if the Closing shall not have taken place on or before the COE.

**Section 10.2 Effect of Termination.** In the event of termination of this Agreement as provided in Section 10.1, this Agreement shall become wholly void and of no further force and effect except that indemnities shall be specifically enforceable without regard to any other remedies provided for herein. If the termination arises from a breach or default by Purchaser, Seller shall receive the Earnest Money (and any interest earned thereon) as its sole and exclusive remedy, the parties hereby agreeing that actual damages will be difficult to ascertain with certainty and that the Earnest Money and any earned interest is a fair estimate of actual damages. Seller waives and covenants not to assert any claim for other damages. If the termination arises from a breach or default by Seller, Purchaser shall either receive a refund of the Earnest Money (and any interest earned thereon) or may seek specific performance of Seller's obligations hereunder, as its sole and exclusive remedy. Purchaser waives and covenants not to assert any claim for other damages so long as specific performance is not made unavailable by the actions of Seller. If this Agreement terminates, Mr. Little does not need to return any prepaid Consulting Services payments. The agreement for Consulting Services and the Purchaser's obligation to pay Mr.

Little terminates without other action at the same time this Agreement terminates without consummation of the Assets transfer

## ARTICLE 11 GENERAL PROVISIONS

**Section 11.1 Expenses.** Each party will pay all of its own costs and expenses, including, without limitation, fees, disbursements, and commissions of brokers, finders, financial advisors, counsel, accountants, and other Third-Parties in connection with this Agreement and the transactions contemplated hereby and thereby, regardless of whether the transactions contemplated hereby and thereby are consummated.

**Section 11.2 Waiver.** At any time before the Closing, Purchaser may (a) extend the time for the performance of any of the obligations or other acts of Seller, (b) waive any inaccuracies in the representations and warranties of Seller contained herein or in any document delivered by Seller pursuant hereto, or (c) waive compliance with any of the agreements or conditions of Seller contained herein. At any time before the Closing, Seller may (a) extend the time of performance of any of the obligations or other acts of Purchaser, (b) waive any inaccuracies in the representations and warranties of Purchaser contained herein or in any document delivered by Purchaser pursuant hereto, or (c) waive compliance with any of the agreements or conditions of Purchaser contained herein. The extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition, of this Agreement. The failure of any party to assert any of its rights hereunder shall not constitute a waiver of any such rights.

**Section 11.3 Notices.** All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by cable, by facsimile, by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section):

(a) if to Purchaser:

Copper Mountain Ranch CFD Administrator  
Copper Mountain Ranch CFD  
510 E. Florence Boulevard.  
Casa Grande, Arizona 85222  
Facsimile: (520) 421-8604

With a copy to:  
Charles James, Esq. (District Counsel)  
Squire, Sanders and Dempsey  
40 N. Central Avenue, Suite 2700  
Phoenix, Arizona 85004-4440  
Facsimile: (602) 253-8129

(b) if to Seller:

James W. Little  
498 East Fourth Street  
Casa Grande, Arizona 85222

With a copy to:  
Thomas McCarville, Esq.  
McCarville, Cooper and Vasquez

Telephone: (520) 421-5608

P.O. Box 15005  
Casa Grande, Arizona 85230-5005

**Section 11.4 Headings.** The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

**Section 11.5 Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by and Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible.

**Section 11.6 Entire Agreement.** This Agreement (including attached and referenced Exhibits) and the other agreements, documents and instruments specifically referenced herein constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings, both written and oral, by and between Seller and Purchaser with respect to the subject matter hereof and thereof.

**Section 11.7 Assignment.** This Agreement may not be assigned by operation of Law or otherwise without the express written consent of Seller and Purchaser (which consent may not be unreasonably withheld).

**Section 11.8 No Third-Party Beneficiaries.** This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assignees and nothing herein, express or implied, is intended to or shall confer upon any other Person, including, without limitation, any employee or former employee of the Companies, any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this Agreement. Notwithstanding the foregoing sentence, the Purchaser and Seller are creating mutual obligations for Consulting Services in Subsections 7.1(f) and 7.2(f).

**Section 11.9 Amendment.** This Agreement may not be amended or modified except by an instrument in writing signed by, or on behalf of, Seller and Purchaser.

**Section 11.10 Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Arizona applicable to contracts executed in and to be performed entirely within that state.

**Section 11.11 Construction.** When used herein, the terms "include" or "including" shall mean without limitation by reason of the enumeration. All grammatical usage herein shall be deemed to refer to the masculine, feminine, neuter, singular, or plural as the identity of the person or persons may require. The word "day" shall mean a calendar day unless specified otherwise. If the last day of any time period stated herein shall fall on a Saturday, Sunday, or legal holiday in the State of Arizona, then the duration of such time period shall be extended so that it shall end on the next succeeding day which is not a Saturday, Sunday, or legal holiday in the State of Arizona.

**Section 11.12 Cancellation for Conflict of Interest.** This Agreement is subject to the cancellation provisions for conflicts of interest pursuant to A.R.S. §38-511.

**Section 11.13 Equal Treatment of Parties in Interpretation of Agreement.** This Agreement is the result of arms-length negotiations between parties of roughly equivalent bargaining power and expresses the complete, actual, and intended agreement of the parties. This Agreement shall not be construed for or against either party as a result of its participation, or the participation of its counsel, in the preparation and/or drafting of this Agreement or any exhibits hereto.

**Section 11.14 Brokers and Finders.** Each party hereto represents and warrants to the other party that it has not employed any broker or finder in connection with the transactions contemplated by this Agreement. Notwithstanding the preceding sentence, Seller and Purchaser may retain the services of financial advisors and attorneys, the fees of such persons to be borne by the party hiring such advisors and attorneys.

We, the undersigned, have executed this document on the dates below written and hereby swear and affirm that we are duly authorized in accordance with law to execute this document.

**Copper Mountain Ranch Community Facilities District, a municipal corporation**

by: Kenneth W. Buchanan  
Kenneth W. Buchanan,  
District Administrator  
date: 10/02/01, 2001

ATTEST:  
Gloria Leija  
Gloria Leija, District Clerk

APPROVED AS TO FORM:  
Ken Bigelow  
District Counsel

State of Arizona )  
County of Pinal ) ss  
)

**Mohawk Water Company, an Arizona corporation**

by: James W. Little  
James W. Little, President  
date: 10/02/01, 2001

**Anderson Bros Farms, Inc., an Arizona corporation d.b.a. Anderson Bros Water Company**

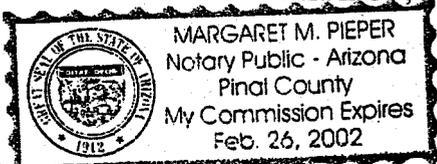
by: James W. Little  
James W. Little, President  
date: 10/02/01, 2001

**District Administrator  
Acknowledgment**

On this 2nd day of October, 2001, Kenneth W. Buchanan who acknowledged himself to be the Copper Mountain Ranch Community Facilities District Administrator personally appeared before

the undersigned and that he, as such officer, being authorized to do so, executed the Agreement in the capacity therein stated and for the purposes therein contained by signing his name.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Margaret M. Pieper  
Notary Public

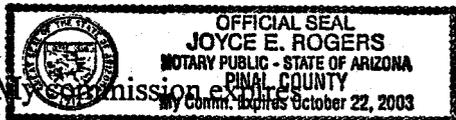
My commission expires: 2-26-2002

State of Arizona )  
County of Pinal ) ss )

**Mohawk Water Company  
Acknowledgment**

On this 2nd day of October 2001, James W. Little personally appeared before the undersigned and acknowledged himself to be the President of Mohawk Water Company, being authorized so to do, executed the Agreement in the capacity therein stated and for the purposes therein contained by signing his name.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Joyce E. Rogers  
Notary Public

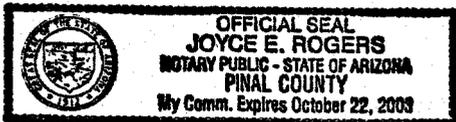
State of Arizona )  
County of Pinal ) ss )

**Anderson Bros. Farms, Inc.  
Acknowledgment**

On this 2nd day of October 2001, James W. Little personally appeared before the undersigned and acknowledged himself to be the President of Anderson Bros Farms, Inc, being authorized so to do, executed the Agreement in the capacity therein stated and for the purposes therein contained by signing his name.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

My commission expires:



Joyce E. Rogers  
Notary Public

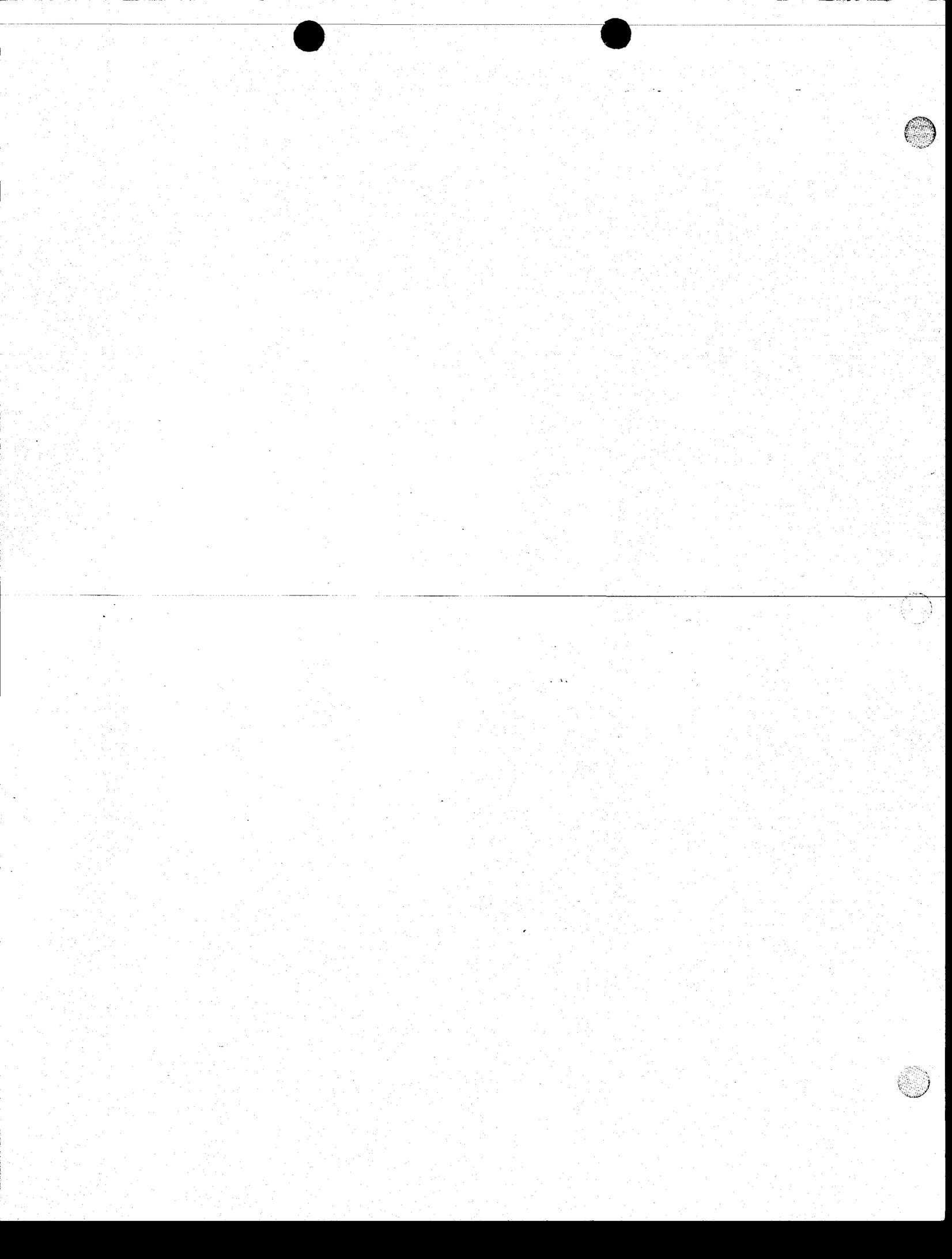


Exhibit 1 - Real Property and Improvements Thereon

EXHIBIT "A"

Legal Description

That portion of the Southwest Quarter of said Section 14, Township 5 South, Range 4 East of Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

**BEGINNING** at the Southwest corner of said Section 14;

thence North 454 feet;

thence East 50 feet to the **TRUE POINT OF BEGINNING**;

thence North 50 feet;

thence East 50 feet;

thence South 50 feet;

thence West 50 feet to the **POINT OF BEGINNING**.

ANDERSON WATER COMPANY

EXHIBIT "A"

Legal Description

The East 112.50 feet of the South 60 feet of said Lot 87, of SANTA ROSA RANCHOS UNIT ONE AMENDED, according to Book 16 of Maps, Page 34, records of Pinal County, Arizona; EXCEPT all the coal, gas, oil and other mineral deposits as reserved in Patent from United States of America.

EXHIBIT "A"

Commitment No. 62,164-T

PARCEL 1:

Lot Forty-one (41), of SADDLEBACK FARMS, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Book 17 of Maps, Page 32.

PARCEL 2:

That portion of the Southwest quarter of said Section 14, Township 5 South, Range 4 East of Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the Southwest corner of said Section 14; Thence North 454 feet; Thence East 50 feet to the TRUE POINT OF BEGINNING; Thence North 50 feet; Thence East 50 feet; Thence South 50 feet; Thence West 50 feet to the POINT OF BEGINNING.

PARCEL 3:

That portion of the Northwest quarter of Section 23, Township 5 South, Range 4 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 23, Thence Southerly along the West line of said Section 23, 169.2 feet to a point on the Northeasterly right-of-way line of the Maricopa-Casa Grande Highway; Thence Southeasterly, along said Northeasterly line, 61.99 feet to a point on the Northwesterly line of Lot Forty-one (41), of SADDLEBACK FARMS, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Book 17 of Maps, Page 32; Thence Northerly along said Westerly line 25 feet to a point being the most Westerly corner of said Lot Forty-one (41); Thence North  $24^{\circ} 21' 45''$  East along the Northwesterly line of said Lot Forty-one (41), 187.14 feet to a point on the South right-of-way line of Starr Road, as set forth in SADDLEBACK FARMS according to Book 17 of Maps, Page 32, records of Pinal County, Arizona; Thence Westerly, along said South right-of-way line, 80.67 feet to the beginning of a curve to the left concave to the Southeast having a radius of 25 feet; Thence Southwesterly 38.94 feet along said curve through a central angle of  $89^{\circ} 15'$  to a point on the Easterly right-of-way line of Anderson Road as set forth on the plat of said SADDLEBACK FARMS; Thence Southerly, along said Easterly right-of-way line, 105.84 feet to the POINT OF BEGINNING.

EXHIBIT "A"

Legal Description

The East 112.50 feet of the South 60 feet of said Lot 87, of SANTA ROSA RANCHOS UNIT ONE AMENDED, according to Book 16 of Maps, Page 34, records of Pinal County, Arizona;

EXCEPT all the coal, gas, oil and other mineral deposits as reserved in Patent from United States of America.

Fluid Solutions

City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

Miscellaneous  
 Unit Summary

Year Installed	Description	Height (ft)	Quantity (lf)
Mohawk Water Company			
1972	Chainlink Fence	6	400
1972	Gate	6	20
1989	Chainlink Fence	6	245
1989	Gate	6	24
Anderson Water Company			
1981	Chainlink Fence	6	250
1981	Gate	6	24

Fluid Solutions  
 City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

9/20/2001

Wells  
 Unit Summary

Year Drilled	Year Motor Replaced	Year Pump Replaced	Well Name, No.	Meets SDWA	Cased Diameter (inches)	Depth (feet)	Equipped Capacity (gpm)	Horsepower (hp)
Mohawk Water Company								
1952	1999	1999	Well #1 - 55-620620	No	16	704	150	25
1954			Well #2 - not connected	No	20/16/12	505		
1950	2001	2001	P.F. Well West 55-608903	Yes	16	705	85	20
1950			P.F. Well East 55-608904	Yes	20	620		
Anderson Water Company								
1981	2000	2000	Well - 55-087174	No	12	755	90	15

- Well Notes:
- 55-620620 1985 Mohawk Water Co., high NO4, perforation at 193-143 ft
  - 55-087174 High NO4, Perforated below 120 ft, cascading water in video, 1955 domestic well with 100 gpm, 1985 Anderson Water Co. 90 gpm, high DBCP once
  - 55-608904 6" pipe at 345 ft stopped video camera.
  - 55-608903 533 ft deep on video, break in casing needs repair, tested in 1999.
  - 55-608902 domestic well
  - 55-087174 Replacement well drilled in 1981

Fluid Solutions  
 9/20/2001  
 City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

Booster Pumps  
 Unit Summary

Year Installed	Configuration	Discharge Line Size (in.)	460 V Load (hp)	Rated Capacity (gpm)
Mohawk Water Company				
1972	Duplex	2	7.5	150
			7.5	
1972 Booster				
			15	
Anderson Water Company				
1981	duplex	2	5	90
			7.5	

City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

Fluid Solutions  
 9/20/2001

Transmission and Distribution Mains

Unit Summary

Year Installed	Steel Diameter (Inches)			PVC Diameter (Inches), Class					AC Diameter (In.)		DIP Diameter (In.)		Total Pipe (ft/yr)			
	2" Steel	4" Steel	10" Steel	12" Steel	4" PVC, 150	6" PVC, 150	6" PVC, C900	8" PVC, 150	8" PVC, C900	6" AC	8" AC	8" DIP		16" DIP		
Mohawk Water Company																
1972	75	10				12696			4537					17318		
1975	40				10855	12923								23818		
1989	5			40		30		311						386		
Anderson Water Company																
1981	10					300					11114		6210	17634		
Connection																
2000								15984	15984	4848	624	11114	6210	154	270	17032
Totals	130	10		40	30	10855	25919	15984	4848	624	11114	6210	154	270	76188	

Total Linear Feet (PVC, CI 150) 41622  
 Total Linear Feet (PVC, CI 200) 16608  
 Total Linear Feet (Steel) 210  
 Total Linear Feet (DIP) 424  
 Total Linear Feet (AC) 17324  
 Total Linear Feet 76188  
 Total Linear Miles 14.4

Fluid Solutions  
9/20/2001

City of Casa Grande  
Mohawk and Anderson Water Companies  
Inventory as provided by Bill Little

Gate Valves and Flush Valves  
Unit Summary

Year Installed	Gate Valves Resilient Seat Diameter (inches)					Butterfly Valve Diameter		Flush Valve and Box	Air Relief Valve and Box
	2"	6"	8"	10"	12"	4"	6"	2"	1"
Mohawk Water Company									
1972	8	20	5					2	
1975							14	17	4
1989			2					1	
Anderson Water Company									
1981									
Connection									
2000		9	4						4
Unit Cost	160	450	750	600	800	125	150	50	350

City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

Fluid Solutions  
 9/20/2001

Services  
 Unit Summary

Year Installed	Service Type	3/4"	5/8"	1"	1 1/2"	Services Diameter				Total	
						1" Single	2" Single	4" Comm	Total		
Mohawk Water Company											
1972	polyethylene	112		10	12	8			10		152
1975	polyethylene										0
1989	PVC										1
Anderson Water Company											
1981	polyethylene	80		10	12	8		0	13		83
Totals		192		10	12	8		0	13		236

City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

Fluid Solutions  
 9/20/2001

Meters

Unit Summary

Year Installed	Meters						Dual Check Valves 3"
	5/8" x 3/4"	3/4"	1"	1 1/2"	2"	4"	
Mohawk Water Company							
1972	10	112	12	8	10		
1975							
1989						1	
Anderson Water Company							
1981	80				3		1
Totals	90						

City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

Hydrants  
 Unit Summary

Year Installed	Hydrants Diameter (in.)	Annual Total
Mohawk Water Company		
1972	0	0
1975		
1989		
Anderson Water Company		
1981		
Totals	0	

Fluid Solutions

City of Casa Grande  
 Mohawk and Anderson Water Companies  
 Inventory as provided by Bill Little

Tanks  
 Unit Summary

Year Installed	Description	Quantity	Capacity (gallons)
Mohawk Water Company			
1972	Storage Tank	1	32000
1972	Pressure sensor	1	
1972	Pneumatic Tank	1	5000
1972	Air Compressor	1	
1975	Storage Tank	1	35000
1989	Storage Tank	1	225000
1989	Pressure sensor	1	
Anderson Water Company			
1981	Storage Tank	1	30000
1981	Pressure sensor	1	
1981	Pneumatic Tank	1	5000
1981	Air Compressor	1	

Recording Requested by:

120 Townsend, L.L.C.

When recorded mail to:

5040 E. Shea Blvd., #254  
Scottsdale, AZ 85254



OFFICIAL RECORDER OF  
PINAL COUNTY RECORDER  
LAURA DEAN-LYTLÉ

DATE: 02/22/99 TIME: 1433  
FEE: 13.88  
PAGES: 3  
FEE NO: 1200-007810

**SPECIAL WARRANTY DEED**

193-42-1114-A2

For the consideration of TEN AND NO/100 DOLLARS, and other valuable considerations, I or we,

120 TOWNSEND, L.L.C., an Arizona limited partnership

do GRANTOR

to hereby convey to

MOHAWK WATER COMPANY, INC., an Arizona corporation

as GRANTEE, the following described real property situate in Pinal County, Arizona:

SEE EXHIBIT A ATTACHED HERETO AND BY THIS REFERENCE MAKE A PART HEREOF.

AS TO: Existing taxes, assessments, liens, encumbrances, covenants, conditions, restrictions, rights of way and easements of record.

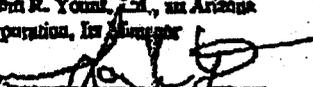
The GRANTOR binds itself and its successors to warrant the title as against its acts and name other, subject to the matters above set forth.

WITNESSED: February 5, 1999

120 TOWNSEND, L.L.C.,  
an Arizona limited partnership

By: RRY Real Estate, L.L.C., and Arizona  
limited liability company, its Manager

By: Robin R. Young, Ltd., an Arizona  
corporation, its Manager

By:   
LARRY K. YOUNG, Secretary

STATS OF ARIZONA )

County of Maricopa )

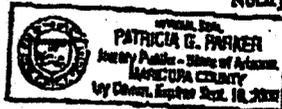
On 2-1-99, before me, the undersigned Notary Public, personally appeared LARRY K. YOUNG, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) were subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/his/their authorized capacity(ies), and that by his/his/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal,

  
Notary Public

My Commission Expires:

Sept. 10, 2002



**LEGAL DESCRIPTION**

A parcel of land lying in and being a part of the East half of the West half of Section 24, T5S-R4E, Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

**WELL SITE ONE (1)**

Commencing at the North quarter corner of said Section 24, a GLO Brass Cap, thence, N84 57'46"W, a distance of 812.47'; thence, S00 02'00"E, a distance of 89.81, to the **TRUE POINT OF BEGINNING;**

Thence, continue S00 02'00"E, a distance of 50.00';  
Thence, N89 57'38"W, a distance of 50.00';  
Thence, N00 02'00"W, a distance of 50.00';  
Thence, S89 57'38"E, a distance of 50.00', to the **TRUE POINT OF BEGINNING;**

**ALONG**, with a 20' Ingress/Egress Easement, the centerline of which is described as follows;

Commencing at the said North quarter corner, thence, N84 57'46"W, a distance of 837.47'; thence, S00 02'00"E, a distance of 33.00', to the **TRUE POINT OF BEGINNING;**

Thence, continue S00 02'00"E, a distance of 56.81', to the **POINT OF TERMINATION.**

**WELL SITE TWO (2)**

Commencing at the North quarter corner of said Section 24, a GLO Brass Cap, thence, S00 02'00"E, a distance of 75.12'; thence, N89 57'38"W, a distance of 15.12', to the **TRUE POINT OF BEGINNING;**

Thence, continue N89 57'38"W, a distance of 50.00';  
Thence, S00 02'00"E, a distance of 50.00';  
Thence, S89 57'38"E, a distance of 50.00';  
Thence, N00 02'00"W, a distance of 50.00', to the **TRUE POINT OF BEGINNING;**

**ALONG**, with a 20' Ingress/Egress Easement, the centerline of which is described as follows;

Commencing at the said North quarter corner, thence, S00 02'00"E, a distance of 33.00', to the **TRUE POINT OF BEGINNING;**

continue S00 02'00"E, a distance of 67.12';  
N89 57'38"W, a distance of 15.25', to the POINT OF TERMINATION.

**FILE THREE (3)**

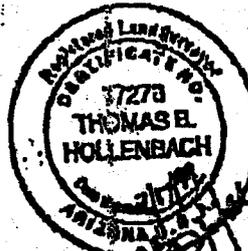
at the North quarter corner of said Section 24, a GLO Brass Cap, thence,  
02'E, a distance of 1481.77'; thence, N89 57'38"W, a distance of 28.73', to the  
POINT OF BEGINNING;

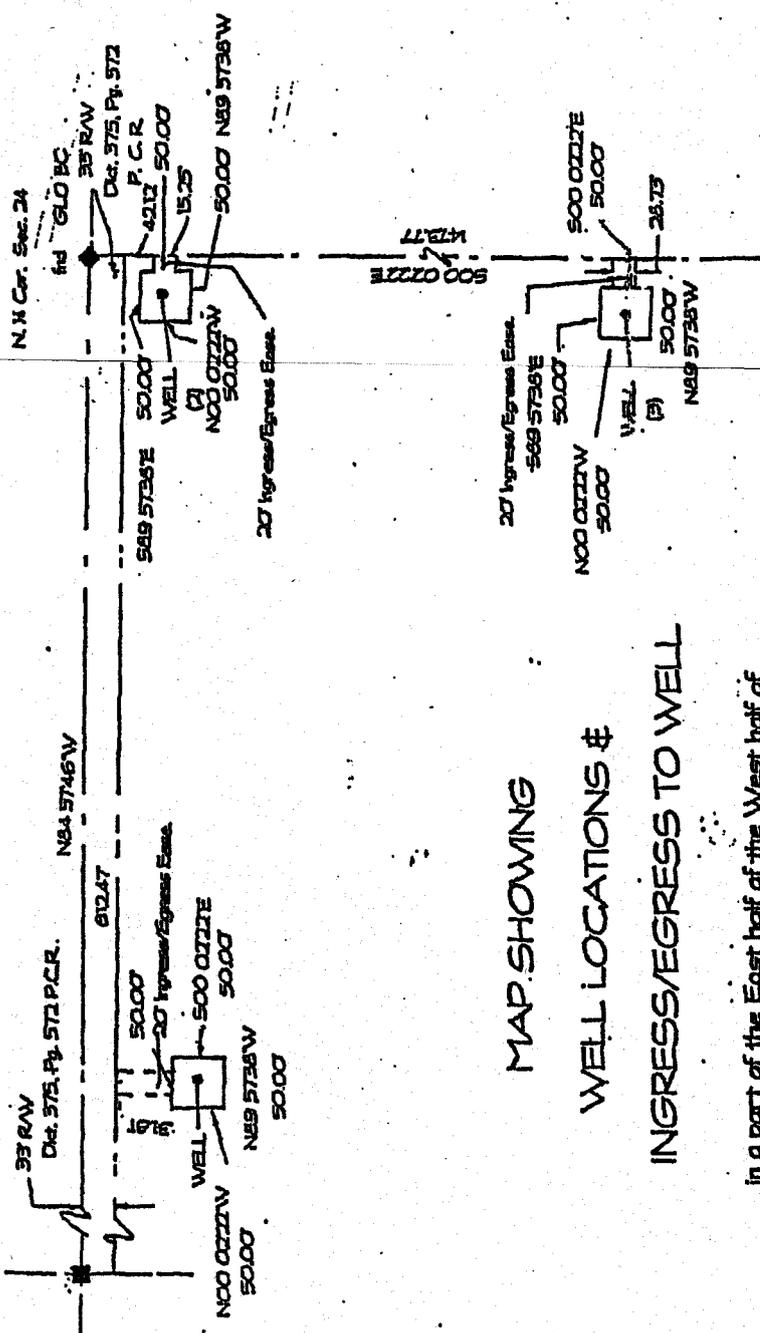
thence N89 57'38"W, a distance of 50.00';  
02'00"E, a distance of 50.00';  
07'38"E, a distance of 50.00';  
02'00"W, a distance of 50.00', to the TRUE POINT OF BEGINNING;

with a 20' Ingress/Egress Easement, the centerline of which is described as follows;  
at the said North quarter corner, thence, S00 02'00"E, a distance of 33.00', to the  
POINT OF BEGINNING;

thence, continue S00 02'00"E, a distance of 1473.77';  
thence, N89 57'38"W, a distance of 28.73', to the POINT OF TERMINATION.

Prepared by Thomas B. Hollenbach, RLS





MAP SHOWING  
WELL LOCATIONS &  
INGRESS/EGRESS TO WELL

in a part of the East half of the West half of  
Section 24, T5S-R4E, G6SRM, Pinal County,  
Arizona.

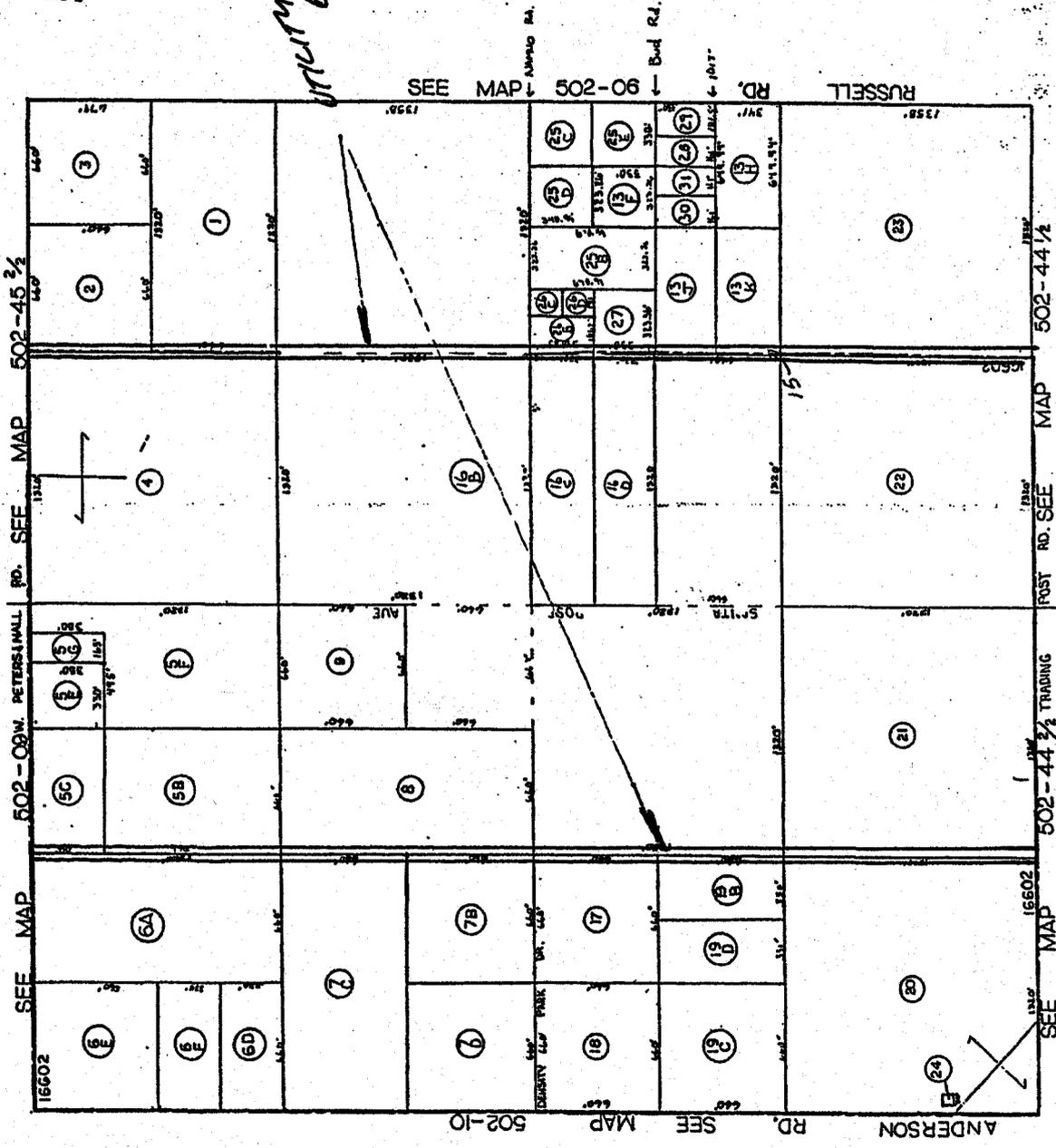
SEC. 14

TN. 5S

RG. 4E

502-47

*UTILITY EASEMENT  
& ACCESS*



SCALE 1"=500'  
5-26-2000

COUNTY ASSESSOR'S MAP

A.C.  
 0412  
 S.D.  
 10250  
 12663  
 A.C.  
 0416  
 S.D.  
 10250  
 12663  
 16602



OFFICIAL RECORDS OF  
PINAL COUNTY RECORDER  
LAURA DEAN-LYTLE

Recorded at the request of: Scott W Ries

DATE: 09/26/01 TIME: 1424  
FEE : 14.00  
PAGES: 2  
FEE NO: 2001-043862

After recording mail to:  
Scott W Ries  
Saddleback Industrial Park  
801 North Federal Street, Suite 1052  
Chandler, Arizona USA 85226

### EASEMENT

That Scott W Ries and Mary S Ries, owners of the following described property in Pinal County, Arizona:

The North half of the South half of the Northeast Quarter of the Southeast Quarter of Section 14, Township 5 South, Range 4 East of the Gila and the Salt River Base and Meridian, Pinal County, Arizona.

Do hereby Grant unto all PRESENT AND FUTURE OWNERS of:

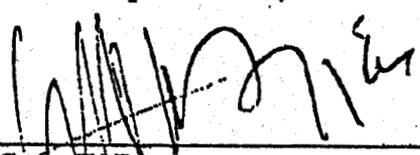
The North half of the South half of the Northeast Quarter of the Southeast Quarter of Section 14, Township 5 South, Range 4 East of the Gila and the Salt River Base and Meridian, Pinal County, Arizona.

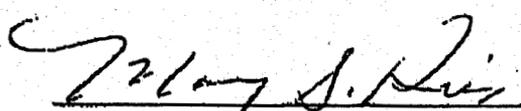
An Easement for ingress, egress and utilities over the following portions thereof:

The North 30 feet and the South 30 feet thereof

It is the intention of the parties herein that the easements described herein shall not be extinguished by merger with the greater estate and shall survive future conveyances, and shall be for the use and benefit of said present and future property owners as described above.

Dated: September 25, 2001

  
\_\_\_\_\_  
Scott W Ries

  
\_\_\_\_\_  
Mary S Ries

ALL PURPOSE NOTARY CERTIFICATE

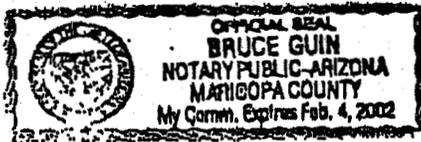
STATE OF ARIZONA )  
 ) ss.  
County of MARICOPA )

On 9-25-01, before me, the undersigned Notary Public, personally appeared SCOTT W. RIE'S and MARY S. RIE'S, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission Expires: 2/4/2002

[Signature]  
Notary Public



THIS NOTARY CERTIFICATE IS TO BE ATTACHED TO: (Type of Document)

Easement, DATED \_\_\_\_\_

BY AND BETWEEN \_\_\_\_\_

AND \_\_\_\_\_

CONSISTING OF 1 PAGES AND WAS EXECUTED IN CONJUNCTION WITH FIRST AMERICAN TITLE ESCROW NO. \_\_\_\_\_



502-44

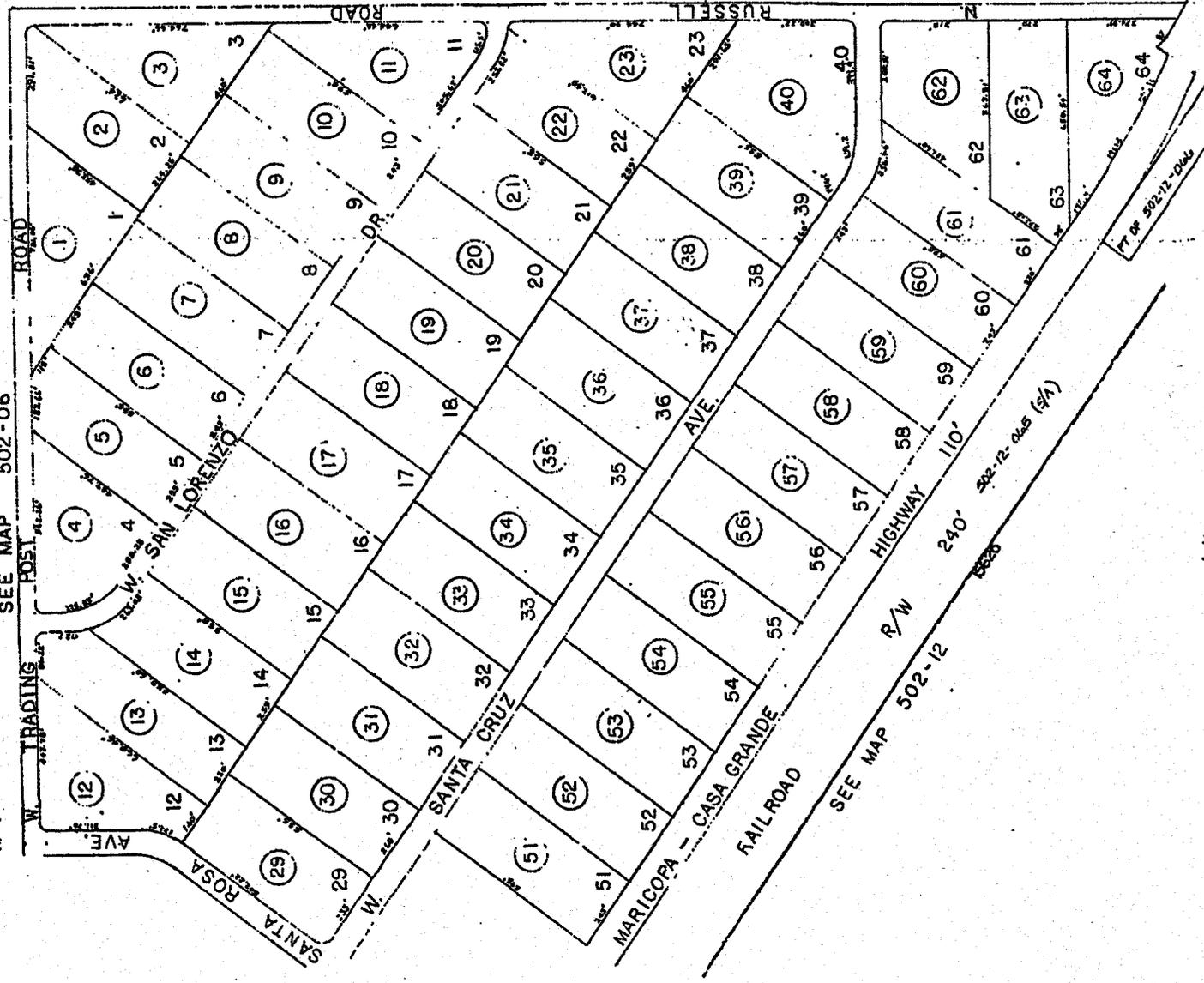
1-2

SADDLEBACK FARMS

CBK. 17, PG 32

SEC 23 NE TN 55 RG 4

SEE MAP 502-06



SEE MAP 502-44 2/2

SEE MAP 502-13

SCALE 1" = 300'

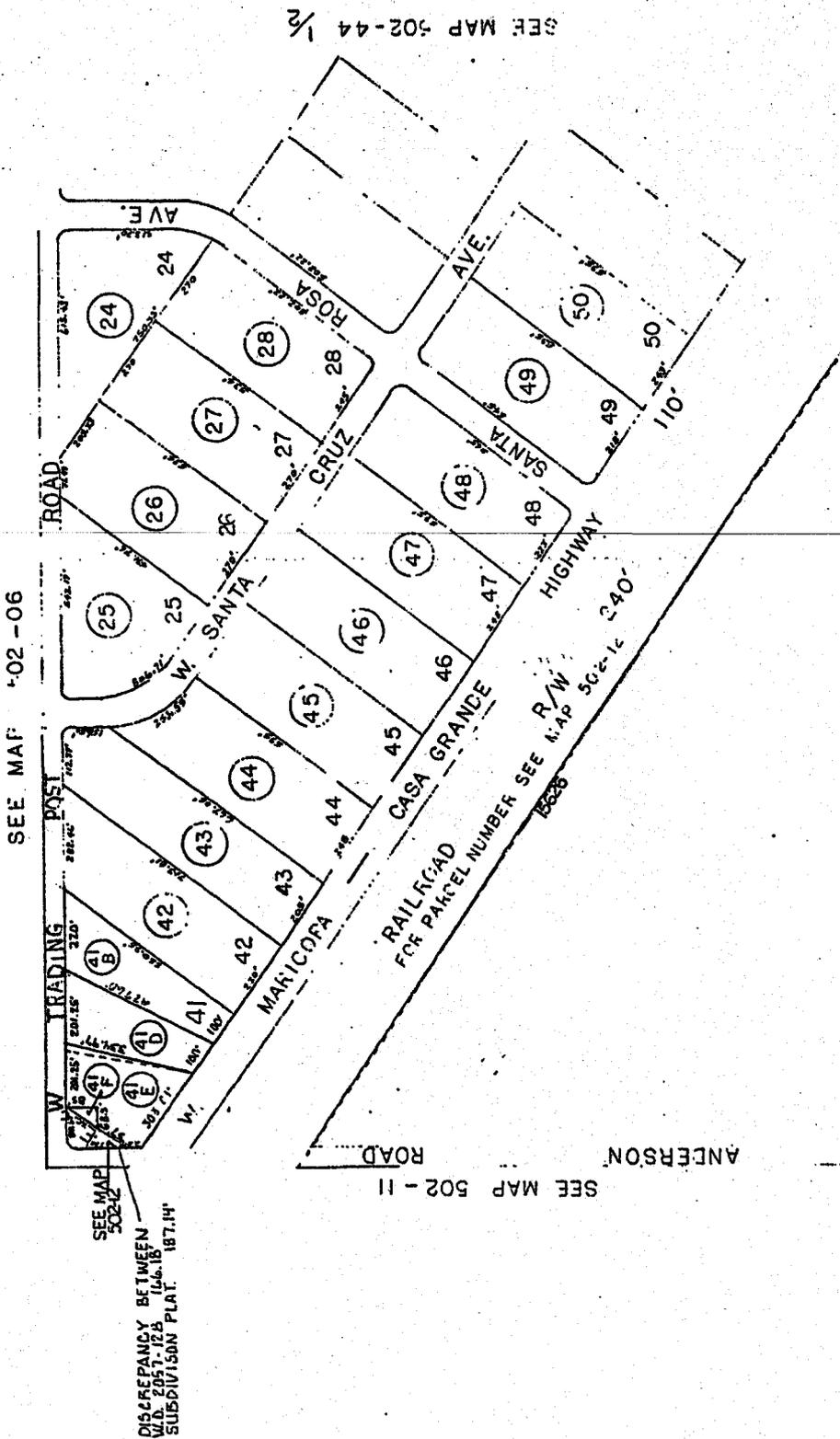


4443

502 - 44 2/2

SADDLEBACK FARMS  
UNIT 1  
BK 17 - PG 32

SEC. 23 NW TN. 5S RG. 4E



SCALE 1"=300'

3-17-95

SEE MAP 502-12

SEE MAP 502-12  
DISCREPANCY BETWEEN  
W.D. 2057-12B (166.18')  
SUBDIVISION PLAT (187.14')



502 - 45 1/2

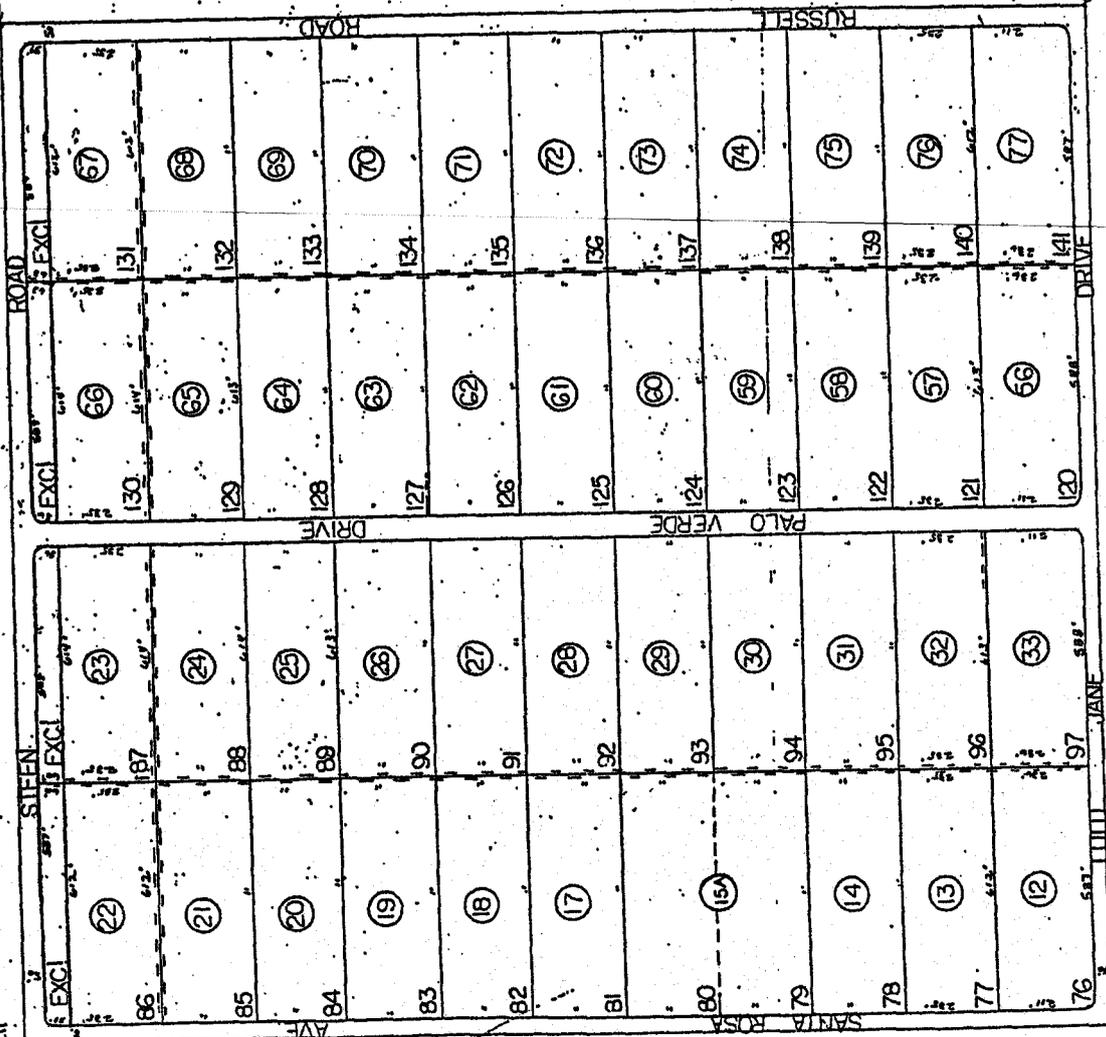
SADDLEBACK FARMS  
UNIT 2 AMENDED  
BK 18 - PG 31



SCALE 1" = 300'  
3-25-83

SEC. 11 NE TN. 58 RG. 4E

SEE MAP 502-06



SEE MAP 502-09

SEE MAP 502-45 1/2

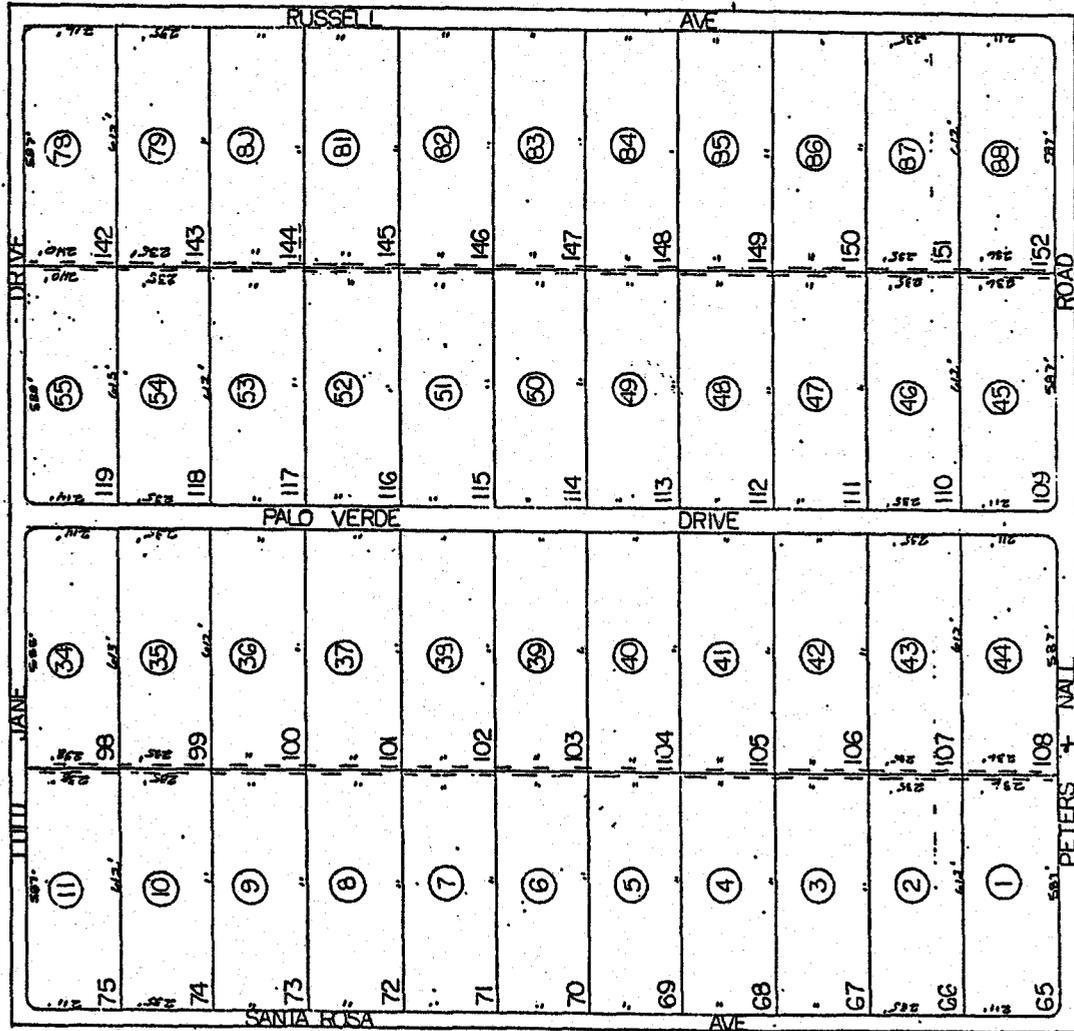
# 502 - 45 2/2

SADDLEBACK FARMS  
 UNIT 2 AMENDED  
 BK 18 - PG 31



SCALE 1=300  
 3-2-83

SEE MAP 502-05



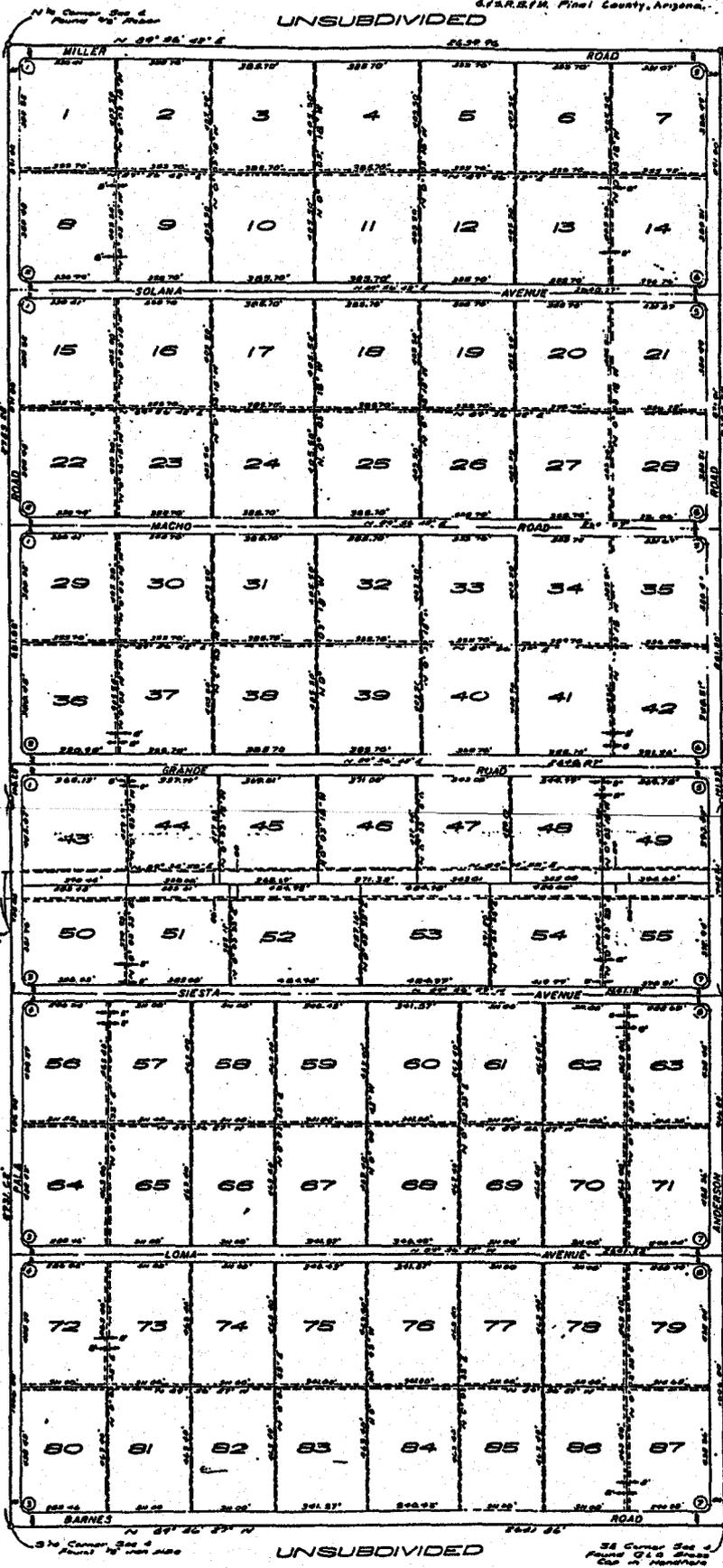
SEC. 11 SE TN. 5S RG. 4E SEE MAP 502-45 1/2

SEE MAP 502-09

SEE MAP 502-06

# SANTA ROSA RANCHOS - UNIT ONE - AMENDED -

A Re-subdivision of Santa Rosa Ranches Unit One, Block 15,  
Page 29 situated in the East 1/4 of Section 4, T.5S., R.2E.,  
S. of N.R. 27th, Pinal County, Arizona.



**DEDICATION**

STATE OF ARIZONA ) S.S.  
COUNTY OF PINAL )

KNOW ALL MEN BY THESE PRESENTS: Transamerica Title Insurance Company of Arizona, an Arizona Corporation, as Trustee, has subdivided under the name of Santa Rosa Ranches Unit One, the 1/4 of Section 4 Township 5 South, Range 2 East, Gila and Salt River Basins and Heretofore, hereby published this plat and for the plat of said Santa Rosa Ranches Unit One and hereby declares that said plat sets forth the location, and gives the dimensions of the lots and streets constituting same, and that each lot and each street shall be known by the number or name that is given to each respectively, and said plat, and the Transamerica Title Insurance Company of Arizona, as Arizona Corporation, as Trustee, hereby dedicates to the public for use as such, the aforesaid shown on said plat and included on the above described instrument.

Easements designated to the use as shown.

**DEDICATION**

This dedication is made in compliance with Arizona Revised Statutes 21-201-01 so that there may be established with reasonable permanency commercial, fertilizer plants, refineries, commercial feed lots, meat packing plants, oil and gas and like businesses in the area zoned C-2 Heavy Industrial.

The undersigned subdivider, being the owner of, or having an interest in the real property herein subdivided, for the sum of One Dollar (\$1.00) and other good and valuable consideration, does hereby convey to the users and operators of land zoned C-2 Heavy Industrial situated in Pinal County Arizona, which may be within Five Linear miles of the exterior boundaries of this subdivision, an easement for the purpose of installing wells and adits into the atmosphere that would emanate from such commercial feed lots and other lawful uses in and around the area, in and about and across said subdivision, so long as such commercial feed lots are operated in conformity with and within the standards set out in the Best Lotion Feed Lot Act of 1964 (Section 20-301 et. seq. 20-1956).

IN WITNESS WHEREOF: Transamerica Title Insurance Company of Arizona, an Arizona Corporation, as Trustee, has caused its corporate name to be signed and its corporate seal to be affixed, by its undersigned officer, thereunto duly authorized so to do, this day of \_\_\_\_\_ 1971.

By: Trust Officer

**ACKNOWLEDGMENT**

STATE OF ARIZONA ) S.S.  
COUNTY OF PINAL )

On this the \_\_\_\_\_ day of \_\_\_\_\_ 1971, before me, the undersigned officer, personally appeared \_\_\_\_\_ who acknowledged to me that he is the Trust Officer of the Transamerica Title Insurance Company of Arizona, an Arizona Corporation, and acknowledged to me in his capacity as such officer, being duly authorized so to do, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation, as Trustee, by himself/herself, as such officer.

In Witness Whereof: I hereunto set my hand and official seal.

My Commission Expires: \_\_\_\_\_ Notary Public

**CERTIFICATE**

This is to certify that the survey and subdivision of the premises described and plotted herein were made under my direction during the month of \_\_\_\_\_ 1971.

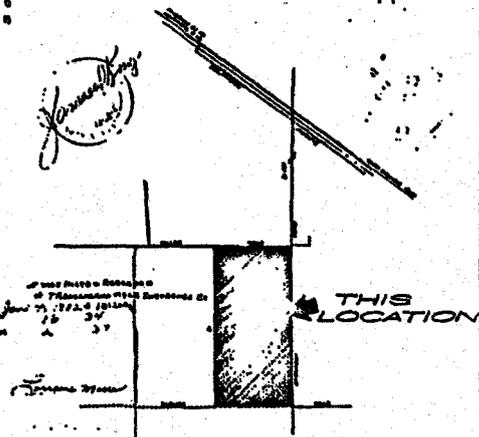
*[Signature]*  
James G. King  
Registered Land Surveyor

This plat has been approved as to form and content.

County Engineer    County Health Department    Planning and Zoning Commission

This plat has been approved as to form in accordance with A.R.S. Sec. 2-479 (1952) by order of \_\_\_\_\_ day of \_\_\_\_\_ 1971, and said approval is not an acceptance of any street or roads of County Highways.

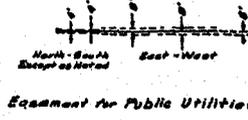
By: Chairman



**CURVE DATA**

No.	Radius	Delta	Chord	Length
1	200.00'	45° 59' 59"	141.42'	200.00'
2	200.00'	45° 59' 59"	141.42'	200.00'
3	200.00'	45° 59' 59"	141.42'	200.00'
4	200.00'	45° 59' 59"	141.42'	200.00'
5	200.00'	45° 59' 59"	141.42'	200.00'
6	200.00'	45° 59' 59"	141.42'	200.00'
7	200.00'	45° 59' 59"	141.42'	200.00'
8	200.00'	45° 59' 59"	141.42'	200.00'
9	200.00'	45° 59' 59"	141.42'	200.00'
10	200.00'	45° 59' 59"	141.42'	200.00'

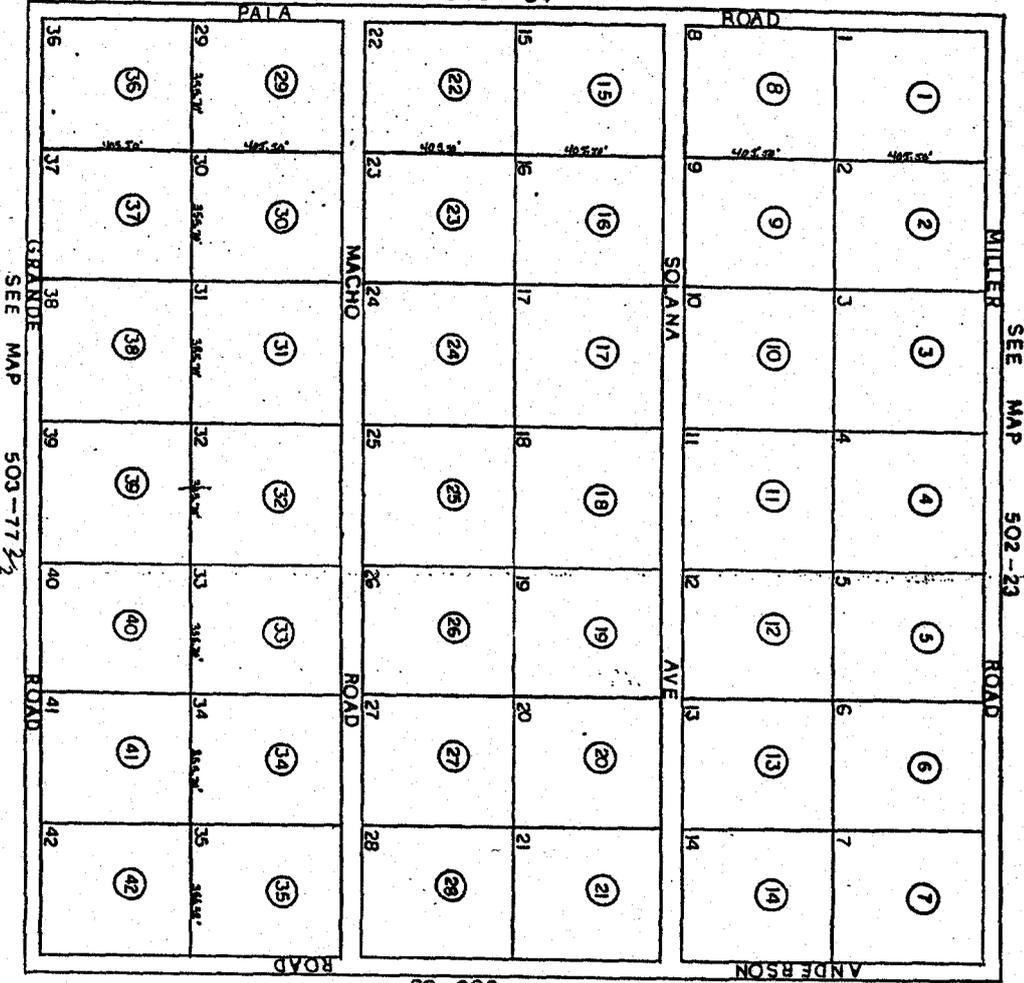
**Note:** No structures shall be placed on or across the El Paso Natural Gas Co. Easement without the written consent of El Paso Natural Gas Co.



Basis of Bearing—Anderson Road Assumed.

A.C.  
2407  
S.D.  
12663  
15630

SEE MAP 503 - 04



SEE MAP 503-77 2/2

SEE MAP 503-03

# 503 - 77 1/2

SANTA ROSA RANCHOS  
UNIT 1 AMENDED  
BK. 16 - PG. 34

SEC. 4 NE  
TN. 6S  
RG. 4E  
SCALE: 1"=300'

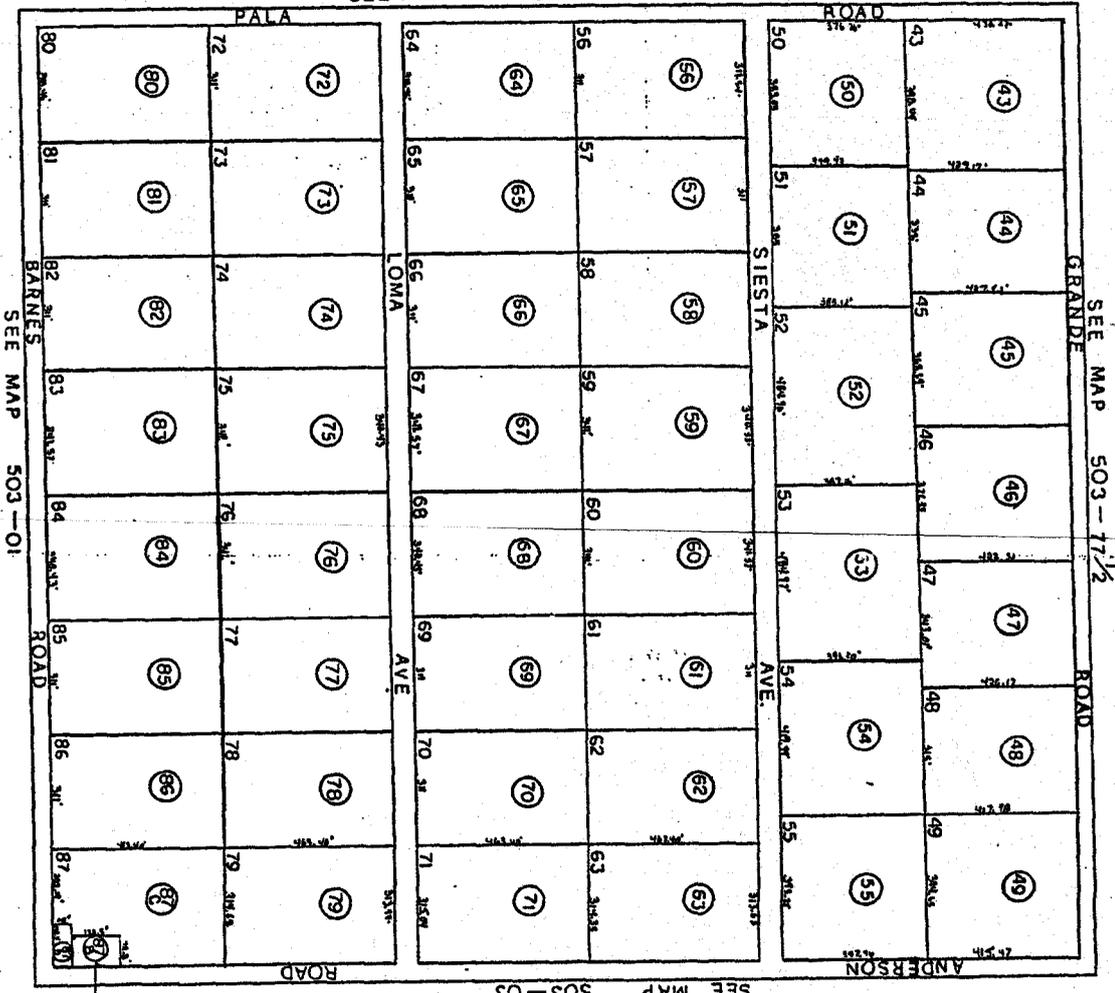


PINAL COUNTY  
ASSESSOR

2-3-82

A.C.  
2407  
S.D.  
12663  
15630

SEE MAP 503-04



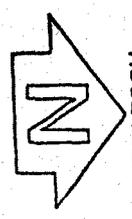
SEE MAP 503-01

**503 - 77 2/2**

SANTA ROSA RANCHOS  
UNIT 1 AMENDED  
BK. 16 - PG. 34

SEC. 4 SE  
TN. 6S  
RG. 4E  
SCALE 1:300'

PINAL COUNTY  
ASSSESSOR

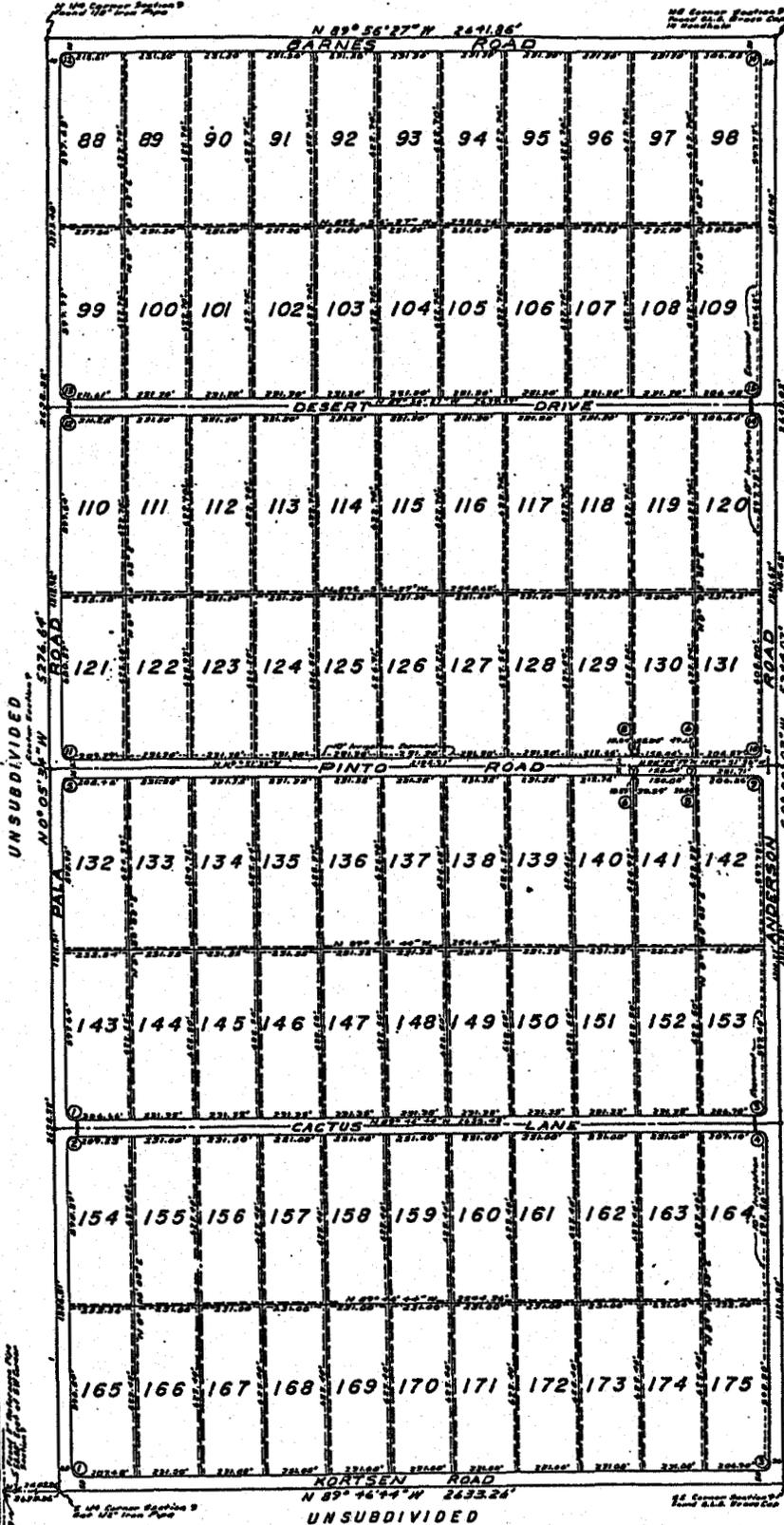


1-17-90

# SANTA ROSA RANCHOS 18-21 UNIT TWO

A Subdivision of the East 1/2  
of Section 9 T6S., R.4E., G.8S.  
R.B.M., Pinal County, Arizona

SANTA ROSA RANCHOS UNIT ONE Book 15, Page 50



STATE OF ARIZONA } S.S.  
COUNTY OF PINAL }

**DEDICATION**

KNOW ALL MEN BY THESE PRESENTS: Transamerica Title Company, an Arizona Corporation, as Trustee, has subdivided under the name of Santa Rosa Ranchos Unit Two, the E 1/2 of Section 4, Township 6 South, Range 4 East, Gila and Salt River Base and Meridian, Pinal County, Arizona, as shown attached hereto, and hereby publishes this plat as and for the plat of said Santa Rosa Ranchos Unit Two and hereby declares that said plat sets forth the location, and gives the dimensions of the lots and streets constituting same, and that each lot and each street shall be known by the number or name that is given to each respectively, and said plat, and Transamerica Title Company, as Trustee, hereby dedicates to the public for use as such, the streets shown on said plat and included on the above described process.

Consents dedicated to the use as shown.

**DEDICATION**

This dedication is made in compliance with Arizona Revised Statutes 17-221-01 so that there may be established with reasonable permanency, fertilizer plants, refineries, commercial food lots, meat packing plants, sawing works and like businesses in the above named heavy industrial zone.

The undersigned subdivider, being the Owner of, or having an interest in the real property herein subdivided, for the sum of One Dollar (\$1.00) and other good and valuable consideration, does hereby convey to the owners and/or operators of land owned (1) heavy Four (4) linear miles of the interior boundaries of the subdivision on account for the purpose of permitting traffic and water into the subdivision that would normally flow through said lots and other lands used in said zoning to pass in, an over and across said subdivision as long as such commercial food lots are operated in conformance with and within the standards set out in the Food Cattle Feed Lot Act of 1964 (Section 24-301 et. seq. AS 1964).

**IN WITNESS WHEREOF:** Transamerica Title Company, an Arizona Corporation, as Trustee, has hereunto caused its corporate seal to be struck and its corporate seal to be affixed by the undersigned officer, hereunto fully authorized so to do, this \_\_\_\_\_ day of \_\_\_\_\_, 1975.

By: *[Signature]*  
Trust Officer

STATE OF ARIZONA } S.S.  
COUNTY OF PINAL }

**ACKNOWLEDGMENT**

On this the \_\_\_\_\_ day of \_\_\_\_\_, 1975, before me, the undersigned officer, personally appeared \_\_\_\_\_ who acknowledged himself/herself to be the \_\_\_\_\_ of the Transamerica Title Company, \_\_\_\_\_ an Arizona Corporation, and acknowledged that he/she on such officer, being duly sworn, had so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation, as Trustee, of the above described property in Pinal County, Arizona.

My Commission Expires: March 24, 1975



*[Signature]*  
Notary Public

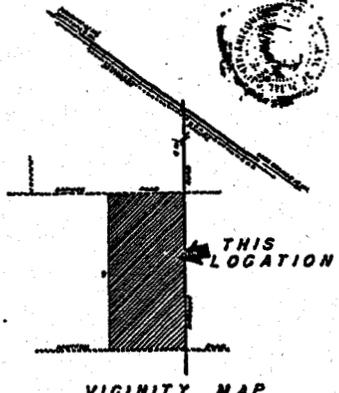
**CERTIFICATE**

This is to certify that the survey and subdivision of the above described and related herein were made under my direction and supervision on \_\_\_\_\_, 1975.

This plat has been approved as to form and content \_\_\_\_\_  
County Engineer County Health Department Planning and Zoning Committee

This plat has been approved as to form in accordance with A.R.S. Sec. 17-221-01 on \_\_\_\_\_ day of \_\_\_\_\_, 1975, but this approval is not an acceptance of any street or road as County Highway.

Attest: \_\_\_\_\_ By: \_\_\_\_\_  
Clerk Chairman



**CURVE DATA**

No.	Radius	Delta	Tangent	Length
1	25.00'	89° 41' 50"	49.00'	39.27'
2	25.00'	70° 17' 53"	25.00'	39.37'
3	25.00'	89° 46' 52"	49.00'	39.27'
4	25.00'	70° 17' 53"	25.00'	39.37'
5	25.00'	89° 46' 52"	49.00'	39.27'
6	25.00'	70° 17' 53"	25.00'	39.37'
7	25.00'	89° 46' 52"	49.00'	39.27'
8	25.00'	70° 17' 53"	25.00'	39.37'
9	25.00'	89° 46' 52"	49.00'	39.27'
10	25.00'	70° 17' 53"	25.00'	39.37'
11	25.00'	89° 46' 52"	49.00'	39.27'
12	25.00'	70° 17' 53"	25.00'	39.37'
13	25.00'	89° 46' 52"	49.00'	39.27'
14	25.00'	70° 17' 53"	25.00'	39.37'
15	25.00'	89° 46' 52"	49.00'	39.27'
16	25.00'	70° 17' 53"	25.00'	39.37'

Basis of Bearing— Anderson Road Assumed

EASEMENT FOR PUBLIC UTILITIES

APPROVED AND CORRECTED  
This \_\_\_\_\_ day of \_\_\_\_\_, 1975.  
Notary Public

*[Signature]*  
Notary Public

HOLMQUIST & KING  
CONSULTING ENGINEERS  
PHOENIX, ARIZONA



UTILITY EASEMENT

KNOW ALL MEN BY THESE PRESENTS:

THAT CECIL J. CROUCH, SR., as Conservator of the Estate of LULU JANE CROUCH, and CECIL J. CROUCH, SR., as Executor of the Estate of William J. Crouch, Deceased, as GRANTORS, in consideration of the covenants and conditions to be kept and performed by the GRANTEE, and in further consideration of the sum of One Dollar (\$1.00), do hereby grant unto MOHAWK WATER COMPANY, an Arizona corporation, a public utility, a perpetual right and easement for the purpose of constructing and maintaining utility services, and for the purposes of installing, repairing, maintaining, altering, and otherwise servicing utilities, with the term "utilities" intended to encompass and include all uses and purposes as are commonly included within the term in the area of Pinal County, State of Arizona; said Utility Easement shall be located upon and across a certain parcel of land situated in Pinal County, Arizona, and is described as follows, to-wit:

Said easement shall be located in the West Half of the East Half of Section 14, T.5S., R.4E, G&SR&M, Pinal County, Arizona, shall be 15' in width and shall run in a North-South direction from the South boundary line of said section parallel to the East and West boundary lines of said section, and the easement is more particularly described as follows:

Beginning at a point which is the SE/Corner of said Section; thence West along the South boundary line of said section 1,335 ft. to a point which shall be the true point of beginning; thence North along a line parallel to the East and West boundary lines of said section approximately a mile to a point on the North boundary line of said section; thence West 15' to a point on said North boundary line of said section; thence South along a line parallel to the East and West boundary lines of said section approximately one mile to a point on the South boundary line of said section, and thence East 15' to a point which is the point of beginning, which description is intended to describe a strip of land approximately one mile in length North and South and 15' wide.

TO HAVE AND TO HOLD the same forever, provided that Grantee complies with the following conditions, to-wit:

- (1) That if at any time said use be completely abandoned by the Grantee, said land shall revert to the Grantor, or the successors in interest of the Grantor, and all rights existing by

Utility Easement

virtue of this instrument shall be extinguished.

All provisions herein shall be binding upon the heirs, successors and assigns of the parties hereto.

WITNESS our hand this 18 day of April, 1975.

CECIL J. CROUCH, SR., as Conservator of the Estate of LULU JANE CROUCH

By: Cecil J. Crouch, Sr.

CECIL J. CROUCH, SR., as Executor of the Estate of WILLIAM J. CROUCH, DECEASED

By: Cecil J. Crouch, Sr.

STATE OF ARIZONA )  
                          )ss:  
COUNTY OF PINAL )

This instrument was duly acknowledged before me this 18 day of April, 1975, by Cecil J. Crouch, Sr., as Conservator of the Estate of Lulu Jane Crouch, and Cecil J. Crouch, Sr., as Executor of the Estate of William J. Crouch, Deceased.

For the purpose and consideration therein contained.

William A. Stanford  
NOTARY PUBLIC

My commission expires:  
3/21/76

\*\*\*\*\*

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, each having a recorded encumbrance against the above described real property, consent to the granting of said easement for the purposes therein contained.

DATED this 18<sup>th</sup> day of April, 1975.

CASA GRANDE COTTON FINANCE COMPANY,  
an Arizona corporation

By: J. A. Killion

THE VALLEY NATIONAL BANK OF ARIZONA,  
a national banking institution

By: David R. Weber <sup>21 April 1975</sup> Assistant Cashier

RELIANCE INSURANCE COMPANY,  
a Pennsylvania corporation

By: William F. Haug Attorney

\*\*\* CERTIFICATE OF RECORDING \*\*\*

STATE OF ARIZONA, COUNTY OF PINAL (SS)  
I HEREBY CERTIFY THAT THE WITHIN INSTRUMENT WAS FILED FOR RECORD IN  
PINAL COUNTY, STATE OF ARIZONA. WITNESS MY HAND AND OFFICIAL SEAL.

NO: 717118 TIME: 1343 19OCT82 PAGES: 002 FEE \$008.00

WILLIAM S. TRUMAN  
PINAL COUNTY RECORDER, BY *W.S. Truman* DEPUTY

② 8.0  
1135-739

717118

RECORDING REQUESTED BY

STATE OF ARIZONA } ss. I hereby certify  
COUNTY OF \_\_\_\_\_ } that the within instrument was filed and recorded \_\_\_\_\_

Fee No.

ALL: AND WHEN RECORDED MAIL TO

NAME HTDCO  
ADDRESS 6601 E. Humingbird Lane  
CITY & STATE Paradise Valley, Az. 85253

in DOCKET \_\_\_\_\_ Pages \_\_\_\_\_  
at the request of \_\_\_\_\_

Compared

Photostated

Witness my hand and official seal.

Fees

\_\_\_\_\_, County Recorder

By

\_\_\_\_\_, Deputy Recorder

Order No. 4-729,495

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MAIL TAX STATEMENTS TO

NAME HTDCO  
ADDRESS 6601 E. Humingbird Lane  
CITY & STATE Paradise Valley, Az. 85253

APPRI I.R.S. \$ \_\_\_\_\_ IN THIS SPACE

SPECIAL  
WARRANTY DEED

For the consideration of Ten Dollars, and other valuable considerations, the undersigned WESTERN TITLE AGENCY, INC., an Arizona corporation, as Trustee, the Grantor herein, does hereby convey to HTDCO, a general partnership

the Grantee, the following real property situated in \_\_\_\_\_ Pinal \_\_\_\_\_ County, Arizona:

The Southeast quarter of the Northeast quarter of Section Fourteen (14), Township Five (5) South, Range Four (4) East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Subject to a non-exclusive easement for ingress, egress and utilities over the West 30 feet.

PURSUANT TO ARS 33-401, THE BENEFICIARIES AND THEIR ADDRESSES ARE FOLLOWS:  
MI TIERRA DEVELOPMENT COMPANY U.S. WESTERN LAND CO.  
906 N. Picacho Drive 5743 East Thomas Road, Ste. 5  
Casa Grande, Arizona 85222 Scottsdale, Arizona 85251

THIS DEED IS SUBJECT TO TERMS AND CONDITIONS OF WESTERN TITLE AGENCY TRUST 205 AND PARTICULARLY AS TO THE RELEASE PROVISIONS.

SUBJECT TO: Current taxes and other assessments, reservations in patents and all easements, rights of way, encumbrances, liens, covenants, conditions, restrictions, obligations and liabilities as may appear of record.

And the Grantor hereby binds itself and its successors to warrant and defend the title as against all acts of the Grantor herein and no other, subject to the matters above set forth.

IN WITNESS WHEREOF, said Corporation has caused these presents to be signed by its duly authorized officer.

Dated September 11, 1982

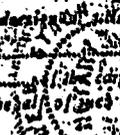
WESTERN TITLE AGENCY, INC  
as Trustee

Trust No. 205

*John J. Karmelich*  
Trust Officer

STATE OF ARIZONA } ss.  
County of Maricopa

On October 14, 1982, before me, the undersigned, a Notary Public, in and for said County and State, personally appeared JOHN J. KARMELECH, TRUST OFFICER known to me to be the \_\_\_\_\_ of the \_\_\_\_\_ Corporation, and also known to me to be the person who executed it on behalf of said Corporation, and acknowledged to me



\*\*\* CERTIFICATE OF RECORDING \*\*\*

STATE OF ARIZONA, COUNTY OF PINAL (SS)  
I HEREBY CERTIFY THAT THE WITHIN INSTRUMENT WAS FILED FOR RECORD IN  
PINAL COUNTY, STATE OF ARIZONA. WITNESS MY HAND AND OFFICIAL SEAL.

NO: 717120 TIME: 1345 19OCT82 PAGES: 002 FEE \$008.00

WILLIAM S. TRUMAN  
PINAL COUNTY RECORDER, BY *W. S. Truman* DEPUTY

717120

RECORDING REQUESTED BY

72  
AND WHEN RECORDED MAIL TO

NAME [ HOWARD E. PARKS & JUDITH J. PARKS ]  
ADDRESS 3815 East Elm  
CITY & STATE Phoenix, Arizona 85018

Order No. 4-129,491

STATE OF ARIZONA  
COUNTY OF \_\_\_\_\_ I hereby certify  
that the within instrument was filed and recorded \_\_\_\_\_  
in DOCKET 1135-743  
at the request of \_\_\_\_\_  
Witness my hand and official seal.  
By \_\_\_\_\_ County Recorder  
\_\_\_\_\_ Deputy Recorder

Fee No. \_\_\_\_\_  
Compared \_\_\_\_\_  
Photostated \_\_\_\_\_  
Fee: \_\_\_\_\_

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MAIL TAX STATEMENTS TO

NAME [ HOWARD E. PARKS & JUDITH J. PARKS ] R.S. # \_\_\_\_\_ IN THIS SPACE  
ADDRESS 3815 East Elm  
CITY & STATE Phoenix, Arizona 85018

COURTESY RECORDING

**SPECIAL  
JOINT TENANCY DEED**

For the consideration of Ten Dollars, and other valuable consideration, WESTERN TITLE AGENCY, INC., an Arizona corporation, as Trustee, does hereby convey to

HOWARD E. PARKS and JUDITH J. PARKS, husband and wife

not as tenants in common and not as community property estate, but as joint tenants with right of survivorship, the following described property situated in the County of Pinal, State of Arizona.

AS PER EXHIBIT "A" ATTACHE HERETO AND MADE A PART HEREOF:

PURSUANT TO ARS 33-401, THE BENEFICIARIES AND THEIR ADDRESSES ARE AS FOLLOWS:

MI TIERRA DEVELOPMENT COMPANY U. S. WESTERN LAND CO.  
906 N. Picacho Drive 5743 East Thomas, Suite 5  
Casa Grande, Arizona 85222 Scottsdale, Arizona 85251

SUBJECT TO: Current taxes and other assessments, reservations in patents and all easements, rights of way, encumbrances, liens, covenants, conditions, restrictions, obligations and liabilities as may appear of record.

And the Grantor hereby binds itself and its successors to warrant and defend the title as against all acts of the Grantor herein and no other, subject to the matters above set forth.

IN WITNESS WHEREOF, said Corporation has caused these presents to be signed by its duly authorized officer.

DATED July 13, 1982

WESTERN TITLE AGENCY INC., as Trustee  
Trustee 205  
*John J. Karamanlian*  
Trust Officer

The grantees by signing the acceptance below evidence their intention to acquire said premises as joint tenants with the right of survivorship, and not as community property or as tenants in common.

*Howard E. Parks*  
HOWARD E. PARKS  
*Judith J. Parks*  
JUDITH J. PARKS GRANTEES

THIS DEED IS SUBJECT TO TERMS AND CONDITIONS OF WESTERN TITLE AGENCY TRUST 205 and PARTICULARLY AS TO THE RELEASE PROVISIONS.

STATE OF ARIZONA } ss.  
County of Maricopa

On September 27, 1982 before me, the undersigned, a Notary Public in and for said County and State, personally appeared John J. Karamanlian known to me to be the Trust Officer of the corporation that he executed the within instrument, and also known to me to be the person who executed it on behalf of such corporation and acknowledged to me that such corporation executed the same.

*John J. Karamanlian*  
Notary Public

My Commission Expires March 10, 1985

STATE OF ARIZONA } ss.  
County of MARICOPA

On SEPTEMBER 23, 1982 before me, the undersigned, a Notary Public in and for said County and State, personally appeared Howard E. Parks and Judith J. Parks known to me to be the persons whose names subscribed to the within instrument and acknowledged that THEY executed the same.

*Wm W Blaque*  
Notary Public

My Commission Expires 2-16-85

1135-744

EXHIBIT "A"

The West Half (W $\frac{1}{2}$ ) of the Northeast quarter (NE $\frac{1}{4}$ ) of Section Fourteen (14), Township Five (5) South, Range Four (4) East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Together with an easement for ingress, egress and utilities over the South 30 feet of the North Half and the North 30 feet of the South Half

\*\*\* CERTIFICATE OF RECORDING \*\*\*

STATE OF ARIZONA, COUNTY OF PINAL (SS)  
I HEREBY CERTIFY THAT THE WITHIN INSTRUMENT WAS FILED FOR RECORD IN  
PINAL COUNTY, STATE OF ARIZONA. WITNESS MY HAND AND OFFICIAL SEAL.

NO: 717122 TIME: 1345 19OCT82 PAGES: 001 FEE \$008.00

WILLIAM S. TRUMAN  
PINAL COUNTY RECORDER, BY *W. Truman* DEPUTY

717122

0802

RECORDING REQUESTED BY	STATE OF ARIZONA } ss. I hereby certify COUNTY OF _____ } that the within instrument was filed and recorded.	Fee No.
AND WHEN RECORDED MAIL TO	in DOCKET <u>1135-748</u> Pages _____	Composed
NAME <i>Pat 1;</i> ALEXANDER M. & MARIE S. TOTH	at the request of _____	Photostated
ADDRESS 8412 E. Angus Drive	Witness my hand and official seal.	Fee
CITY & STATE Scottsdale, Arizona 85251	By _____ County Recorder	
Order No. <u>4-729,494</u>	By _____ Deputy Recorder	

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MAIL TAX STATEMENTS TO

NAME ALEXANDER M. & MARIE S. TOTH APPL. I.R.S. # \_\_\_\_\_ IN THIS SPACE

ADDRESS 8412 E. Angus Drive

STREET Scottsdale, Az. 85251

CITY & STATE

SPECIAL WARRANTY DEED

For the consideration of Ten Dollars, and other valuable considerations, the undersigned WESTERN TITLE AGENCY, INC., an Arizona corporation, as Trustee, the Grantor herein, does hereby convey to

ALEXANDER M. TOTH and MARIE S. TOTH, husband and wife

the Grantees, the following real property situated in \_\_\_\_\_ Pinal County, Arizona:

The Northeast quarter of the Northeast quarter of Section Fourteen (14), Township Five (5) South, Range Four (4) East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Subject to a non-exclusive easement for ingress, egress and utilities over the South 30 feet of the West 30 feet.

Subject to terms and conditions of Western Title Agency Trust No. 205 and particularly as to the release provisions.

PURSUANT TO ARS 33-401, THE BENEFICIARIES AND THEIR ADDRESSES ARE AS FOLLOWS:

MI TIERRA DEVELOPMENT COMPANY	U. S. WESTERN LAND CO.
906 N. Picacho Drive	5743 E. Thomas Rd., Suite 3
Casa Grande, Arizona 85222	Scottsdale, Arizona 85251

SUBJECT TO: Current taxes and other assessments, reservations in patents and all easements, rights of way, encumbrances, liens, covenants, conditions, restrictions, obligations and liabilities as may appear of record.

And the Grantor hereby binds itself and its successors to warrant and defend the title as against all acts of the Grantor herein and no other, subject to the matters above set forth.

IN WITNESS WHEREOF, said Corporation has caused these presents to be signed by its duly authorized officer.

Dated September 13, 1982

WESTERN TITLE AGENCY, INC  
as Trustee  
Trust No. 205  
*John J. Karmelich*  
Trust Officer

STATE OF ARIZONA } ss.  
County of Maricopa

On October 14, 1982, before me, the undersigned, a Notary Public, in and for said County and State, personally appeared John J. Karmelich

known to me to be the TRUST OFFICER of the corporation that executed the within instrument, and also known to me to be the person who executed it on behalf of such corporation and acknowledged to me that such corporation executed the same.

My Commission Expires 12-12-93

*John J. Karmelich*  
Notary Public

\*\*\* CERTIFICATE OF RECORDING \*\*\*

STATE OF ARIZONA, COUNTY OF PINAL (SS)  
I HEREBY CERTIFY THAT THE WITHIN INSTRUMENT WAS FILED FOR RECORD IN  
PINAL COUNTY, STATE OF ARIZONA. WITNESS MY HAND AND OFFICIAL SEAL.

NO: 717901

TIME: 0800 29OCT82

PAGES: 002

FEZ \$007 00

WILLIAM S. TRUMAN  
PINAL COUNTY RECORDER, BY

*W. S. Truman* DEPUTY

3-70

717901

STATE OF ARIZONA  
County of Maricopa

I hereby certify that the within instrument was filed and recorded  
in DOCKET 1137-190 and indexed in seeds.

Fee No.

at the request of

When recorded, mail to  
WESTERN TITLE AGENCY, INC.  
4041 N. Central Ave., Ste. B-145  
Phoenix, Arizona 85012

Witness my hand and official seal.

County Recorder

Compared  
Photostated  
Fee:

By

Deputy Recorder

Order No. 1-729,517

### Warranty Deed Corporation

For the consideration of Ten Dollars, and other valuable considerations, the undersigned corporation

MI TIERRA DEVELOPMENT COMPANY, an Arizona corporation

does hereby convey to

WESTERN TITLE AGENCY, INC., as Arizona corporation, Trustee according to Trust No. 210

the following described property situated in Maricopa County, Arizona:

AS PER EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF:

PURSUANT TO ARS 33-401, THE BENEFICIARIES AND THEIR ADDRESSES ARE AS FOLLOWS:

U. S. WESTERN LAND CO. (2nd Beneficiary)  
5743 E. Thomas Road, Suite 5  
Scottsdale, Arizona 85251

MI TIERRA DEVELOPMENT COMPANY (1st Beneficiary)  
906 N. Picacho Drive  
Casa Grande, Arizona 85222

Subject to Existing taxes, assessments, liens, encumbrances, covenants, conditions, restrictions, rights of way and  
of record.

And the undersigned corporation does warrant the title against all persons whomsoever, subject to the matters above set forth

Dated this 21st day of October 1982 MI Tierra Development Company  
*Cecil J. Crouch*  
Cecil J. Crouch

(CORPORATION)

STATE OF ARIZONA

County of

MARICOPA

FOR THE RECORD

This instrument was acknowledged before me this 22 day of OCTOBER 1982 by CECIL J. CROUCH, PRESIDENT

Name

MI TIERRA DEVELOPMENT COMPANY  
ARIZONA corporation, official

EXHIBIT "A"

1137-191

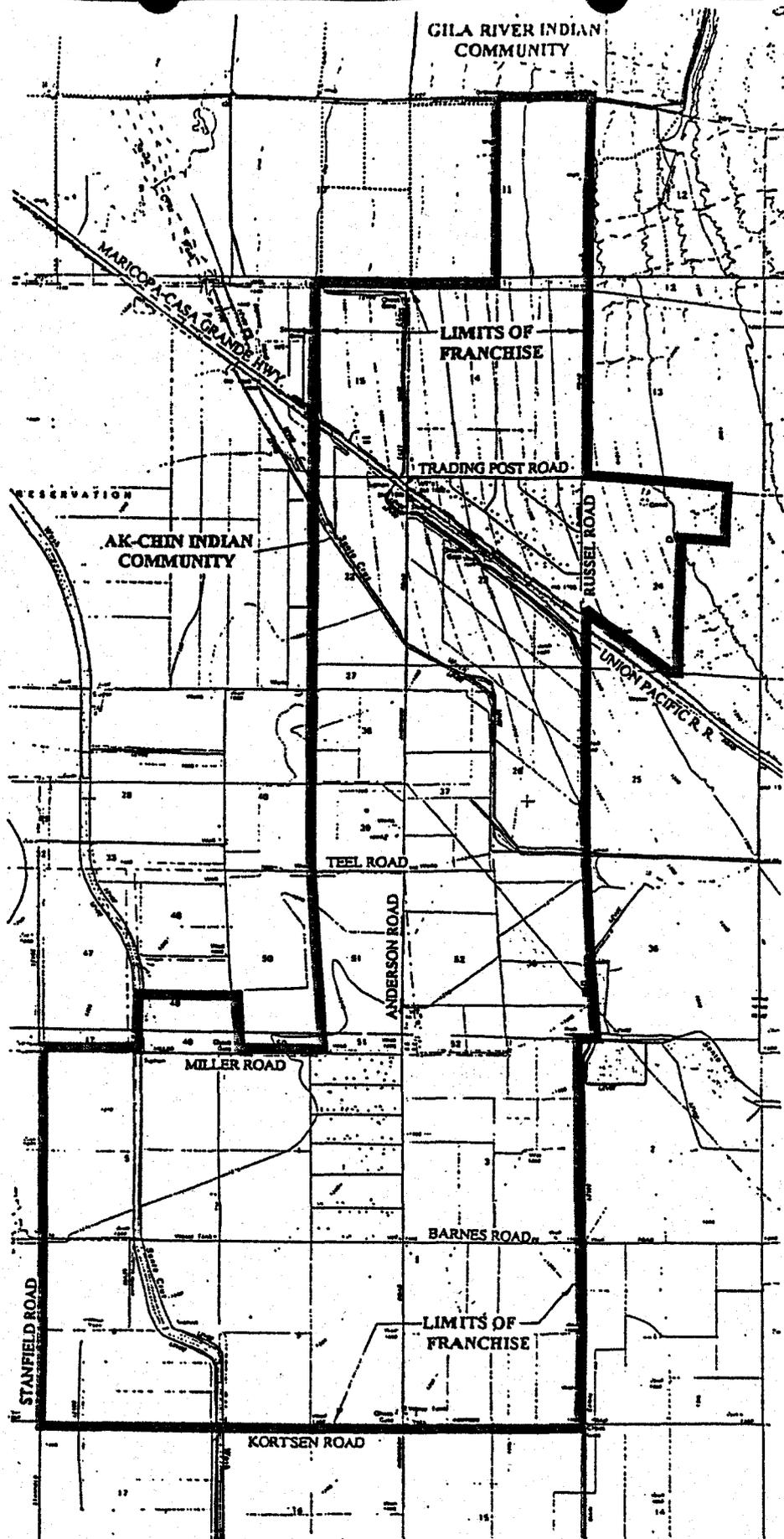
The Southwest quarter of Section Fourteen (14), Township Five South (5) Range Four East (4), of the Gila and Salt River Basins and Meridian, Pinal County, Arizona.

EXCEPTING and reserving, however, to the United States all the coal and other minerals in the lands so entered and patented together with the right to prospect for, mine, and remove same pursuant to the provisions and limitations of the Act of December 29, 1916 (39 Stat. 862) as set forth in the Patents recorded in Book 49, page 277 and Book 49, page 97 of Deeds.

SUBJECT TO AN EASEMENT OVER: The North 30 feet for utilities, ingress and egress. And  
The South 30 feet of the North half and the North 30 feet of the South half for ingress, egress and Utilities. And  
The West 30 feet of the East half and the East 30 feet of the West half for Utilities.

EXCEPT that portion of the Southwest quarter of said Section 14, Township 5 South, Range 4 East described as follows:

BEGINNING at the Southwest corner of said Section 14 thence North 454 feet; thence East 50 feet to the true point of beginning; thence North 50 feet; thence East 50 feet; thence South 50 feet; thence West 50 feet to the true point of beginning. For well site purposes.



**MOHAWK / ANDERSON BROS.  
FRANCHISE AREA EXHIBIT**

NO SCALE



**D.N.A. INC.**  
**CIVIL ENGINEERING**  
**LAND SURVEYING**

Exhibit 1 - Property (Personal Property)

Parts and equipment in the Mobile Mini storage box which has been specifically expensed to the Companies, and/or by size, function, etc, make them exclusively the property of the Companies.

Exhibit 1 - Contracts

List:

WIFA Loan (see Exhibit 3)

Water Service Agreement with Richard Bunger (see Exhibit 3)

WATER SERVICE AGREEMENT

Mohawk Water Company (MWC) hereby agrees to provide water service to Richard E. Bungar, dba MOBILE MINI STORAGE SYSTEMS (MMSS) for its manufacturing facility located in the Southeastern corner of Section 15 Township 5 South, Range 4 East, Gila and Salt River Meridian, Pinal County, Arizona. This Water Service Agreement shall be conditional on the following terms:

1. Mobile Mini Storage Systems will cause to be installed at its sole cost a 8" PVC water main extension from the vicinity of the MWC pumping discharge located in trading Post Road westerly to the Southeast corner of MMSS property and terminate in an 8" gate valve. MMSS will simultaneously install a 3" service meter on this main extension and dedicate the main extension and meter to MWC effective with the date MWS begins service the MMSS.
2. Where required and applicable MMSS to obtain or define easements necessary to provide MWS with access to its water mains and meters.
3. MMSS to secure any required building permits at its sole cost and effort, and shall install its system according to the standard required by the Pinal County plumbing code in effect at time of issuance of the plumbing permit. And obtain all necessary approvals and permits from ADEQ technical review section.
4. MWC will read its meter monthly and bill MMSS for water used by MMSS at the same rate and terms that it charges its other water customers according to the Arizona Corporation Commission approved rates and regulations then in effect, but for the first 10 years of operation of said water main extension MWC shall provide a 10% discount against water sales not to exceed an amount equal to 10% of the total construction cost annually.
5. MWC will be responsible for maintenance and repair of its meter and all preceeding systems at no charge to MMSS.

This WATER SERVICE AGREEMENT shall be considered to be a continuing agreement, and may be cancelled only by the written consent of both parties to this agreement. This WATER SERVICE AGREEMENT shall be assignable to any successors in interest, heirs or assigns of the parties to this agreement.

ACCEPTED AND AGREED:

MOHAWK WATER COMPANY

MOBILE MINI STORAGE SYSTEMS  
5202 East Washington Street  
Phoenix, Arizona 85034

BY: JAMES W. LITTLE, PRESIDENT  
TITLE: J. W. Little  
DATE: 5/23/89

BY: Richard E. Bungar  
DATE: 5-23-89

STATE OF ARIZONA }  
County of } ss.

This instrument was acknowledged before me this 23 day of May 1989 by the grantors Richard E. Bungar & James W. Little

Christine E. Smith  
Notary Public

My commission will expire June 12, 1990



Exhibit 2 - Excluded Assets

Mobile Mini storage box located on/or near the Mohawk Water Company well site.

All equipments and parts not specifically listed in Exhibit 1 - Personal Property and located in the Mobile Mini storage box on the Mohawk site are Excluded Assets

All Personal Property not listed in Exhibit 1 are excluded.

Exhibit 3 - Assumed Liabilities

WIFA loan

Customer Deposits - Purchaser will assume the obligation to return customer deposits of the companies based on the customers' fulfillment of the terms and conditions of the deposit agreements between the Companies and the customers.

**LOAN AGREEMENT BY AND BETWEEN**

**WATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA**

**AND**

**ANDERSON BROTHERS WATER COMPANY**

**Dated May 1, 1999**

SECTION 21.	LENDER APPROVAL OF INSTRUMENTS AND PARTIES .....	20
SECTION 22.	LENDER DETERMINATION OF FACTS .....	20
SECTION 23.	INCORPORATION OF PREAMBLE, RECITALS AND STATEMENT OF TERMS .....	20
SECTION 24.	DISCLAIMER BY LENDER .....	20
SECTION 25.	SEVERABILITY .....	21
SECTION 26.	CHOICE OF LAW AND JURISDICTION .....	21
SECTION 27.	CAPTIONS .....	21
SECTION 28.	WAIVER OF JURY TRIAL .....	21
SECTION 29.	TIME OF THE ESSENCE .....	21
SECTION 30.	NOTICES AND DEMANDS .....	21
SECTION 31.	NO CONSTRUCTION AGAINST LENDER OR BORROWER .....	22
SECTION 32.	RESCISSION OR RETURN OF PAYMENTS .....	22
SECTION 33.	INDEMNIFICATION OF LENDER .....	22
SECTION 34.	WAIVER OF STATUTE OF LIMITATIONS .....	22
SECTION 35.	NUMBER AND GENDER .....	22
SECTION 36.	HEADINGS AND REFERENCES .....	22
SECTION 37.	COUNTERPART EXECUTION .....	22
SECTION 38.	ARBITRATION .....	23
SECTION 39.	NOTICE REGARDING A.R.S. § 38-511 .....	23
SECTION 40.	SIGNS .....	23

## TABLE OF CONTENTS

SECTION 1.	SUMMARY OF LOAN TERMS .....	1
SECTION 2.	THE LOAN .....	2
SECTION 3.	ADVANCES .....	3
SECTION 4.	PAYMENT OF PRINCIPAL, INTEREST AND FEES .....	3
SECTION 5.	LOAN AND SECURITY DOCUMENTS .....	4
SECTION 6.	DEBT SERVICE RESERVE FUND .....	5
SECTION 7.	REPLACEMENT RESERVE FUND .....	6
SECTION 8.	CONDITIONS PRECEDENT .....	7
SECTION 9.	REPRESENTATIONS AND WARRANTIES .....	8
SECTION 10.	AFFIRMATIVE COVENANTS .....	11
SECTION 11.	NEGATIVE COVENANTS .....	16
SECTION 12.	EVENTS OF DEFAULT .....	17
SECTION 13.	REMEDIES UPON EVENT OF DEFAULT .....	18
SECTION 14.	SURVIVAL .....	19
SECTION 15.	INTEGRATION, CHANGE, DISCHARGE, TERMINATION, OR WAIVER .....	19
SECTION 16.	PARTIES AND BINDING EFFECT .....	19
SECTION 17.	COSTS AND EXPENSES .....	20
SECTION 18.	AUTHORITY TO FILE NOTICES .....	20
SECTION 19.	INCONSISTENCIES WITH LOAN DOCUMENTS .....	20
SECTION 20.	NO WAIVER .....	20

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**

**LOAN AGREEMENT**

(Non-governmental Water System)

**DATE:** May 1, 1999

**PARTIES:** Borrower: ANDERSON BROTHERS WATER COMPANY, an Arizona corporation

Borrower 498 East 4th Street  
Mailing Casa Grande, Arizona 85222  
Address: Attention: James W. Little

Borrower 498 East 4th Street  
Business Office Casa Grande, Arizona 85222  
Street Address:

Lender: WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

Lender 202 E. Earll Drive, Suite 480  
Address: Phoenix, Arizona 85012  
Attention: Executive Director

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 above by and between Borrower and Lender set forth above. Borrower and Lender agree as follows:

**SECTION 1. SUMMARY OF LOAN TERMS.** On all of the terms and subject to all of the conditions set forth in this Agreement, Lender agrees to make a loan (the "Loan") to Borrower. The terms and conditions of the Loan include, but are not limited to, the following:

- (a) **Loan Amount:** Up to \$92,650.00
- (b) **Purpose of Loan:** An abandoned agricultural well will be rehabilitated and the water from that well transported via via a six (6) inch transmission main to the existing 265,000 gallon storage tank located at Anderson and Trading Post Roads creating a blend within safe drinking water standards. From the centralized storage facility, water will be delivered to both Mohawk Water Company and with the construction of a 16,000 foot long transmission main to Anderson Brothers Water company customers.

- (c) **Combined Interest and Fee Rate:** 5.43%
- (d) **Closing Fee:** \$463.25 (0.5% of Loan Amount); see Subsection (b) of Section 4.
- (e) **Principal and Interest Repayment Dates:** Monthly, commencing January 15, 2000, with the final principal repayment on December 15, 2019.
- (f) **Debt Service Reserve Fund:** Required in the total amount of \$7,604.04 by December 15, 2004, by monthly deposits of \$126.73, commencing January 15, 2000, and continuing on the same day of each Payment Date, subject to adjustment; see Section 6.
- (g) **Replacement Reserve Fund:** Required monthly deposits to begin January 15, 2005, in the amount of \$126.73, annual deposits to total \$1,520.81; see Section 7.
- (h) **Quarterly Financial Statements from Borrower:** Quarterly financial statements are due within thirty (30) days after the end of each calendar quarter in a format approved by the Lender. The quarterly financial statements must be submitted by the Borrower with respect to each calendar quarter through and including the calendar quarter ending September, 1999. All such statements of Borrower shall be prepared by Borrower and certified by Borrower's chief financial officer or treasurer. See Clause (ii) of Subsection (i) of Section 10.
- (i) **Annual Financial Statements from Borrower:** Annual financial statements are due within one-hundred and eighty (180) days after the end of each fiscal year of Borrower in a format approved by the Lender. All such statements of Borrower shall be prepared by Borrower and certified by Borrower's chief financial officer or treasurer. See Clause (i) of Subsection (i) of Section 10.
- (j) **Fiscal Year of Borrower:** From January 1 to December 31 of each year.
- (k) **Limit on Other Borrowings and Leases Without Lender Consent:** \$25,000.00; see Subsections (a) and (f) of Section 11.
- (l) **Subordinated Creditors:** James W. Little; see Clause (x) of Subsection (a) of Section 8.
- (m) **Borrower Deposit Account:** Demand Deposit Account in the name of Borrower, Account number 600-642-0011 maintained with The Bank of Casa Grande Valley.

**SECTION 2. 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

3. 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 Statement of Terms. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note, 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 3 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 action 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 4. PAYMENT OF PRINCIPAL, INTEREST AND FEES.**

(a) **Principal and Interest.** 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.

(i) **Loan Repayment Schedule.** Borrower shall pay to Lender the amounts shown in the Loan repayment schedule in Schedule 1 hereto on or before the dates shown in Schedule 1 as the same may be adjusted as provided below to reflect the revised principal repayment schedule of the Loan. At the expiration of the Commitment, if the total amount of the

Advances is less than the maximum Loan Amount, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Schedule 1 shall be adjusted based on (A) the principal balance then outstanding, (B) the amortization schedule as provided in Schedule 1 and (C) the Combined Interest and Fee Rate. Upon such adjustment, Lender shall compute the adjusted interest payment amounts for each Repayment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to Borrower.

(ii) **Prepayment.** Borrower may prepay the Loan, in whole, or in part in increments of principal of not less than \$5,000.00, at any time without premium or penalty. Prepayment shall not alter the repayment schedule except to the extent that the final principal repayment date and the final interest repayment date shall be affected thereby.

(iii) **Application of Payments.** Absent a default under the Note or this Agreement, any payments received by Lender shall be applied first to sums, other than principal and interest, due Lender, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by Lender after any Event of Default shall be applied to the amounts specified in this paragraph in such order as Lender may, in its sole discretion, elect.

(iv) **Late Payments.** If any payment of interest and/or principal is not received by Lender when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at the an annual rate equal to the sum of (i) six percent (6%) and (ii) the Interest Rate specified in **Section 1**, payable on demand.

(v) **Calculations of Interest.** Interest shall be calculated on the actual number of days each Advance is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Advance is made shall be included and the date each such Advance is repaid shall be excluded.

(vi) **Payment on Maturity Date.** On the final Principal Repayment Date, Borrower shall make one (1) final payment of principal, accrued and unpaid interest, and all other amounts due and payable hereunder and under all of the Loan Documents.

(b) **Closing Fee.** As additional consideration for the Loan, Borrower agrees to pay to Lender a Closing Fee of one half of one percent (0.5%) of the maximum Loan amount, which shall be non-refundable to Borrower, shall be held and retained by Lender as its sole property, and shall not be applied to any payments due under the Loan Documents.

**SECTION 5. 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 and the Cash Collateral Agreement of even date herewith by and between Borrower and Lender (the "Cash Collateral Agreement") providing for the holding of, and granting Lender a security interest in, the Debt Service Reserve Fund and the Replacement Reserve Fund (as hereinafter described). The Continuing Security Agreement and the Cash Collateral Agreement, 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 are referred to as the "Loan Documents".

#### **SECTION 6. DEBT SERVICE RESERVE FUND.**

(a) The deposits required pursuant to **Subsection (f) of Section 1** of this Agreement shall be automatically debited from the Borrower Deposit Account along with Borrower's regularly scheduled payments of principal and interest. The amount allocated to the Debt Service Reserve Fund shall be administered and invested by the Lender and allocated to the Borrower (the "Debt Service Reserve Fund"). Amounts therein shall secure payment to Lender of Loan repayments payable under the Loan Documents pursuant to the Cash Collateral Agreement. The regularly scheduled deposits into the Debt Service Reserve Fund shall be in an amount, as determined by Lender, so as to accumulate over five (5) years an amount equal to the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule, which Borrower and Lender agree is the initial amount of the debt service reserve requirement (the "Debt Service Reserve Requirement") for the Loan. Initially, the amount of the Debt Service Reserve Requirement and the amount of the required periodic build up are set forth in **Section 1**. The amount of the Debt Service Reserve Requirement and the amount of the required periodic build up will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if on any Repayment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, Borrower hereby consents and directs the Lender to transfer, the amount of the deficiency from the Debt Service Reserve Fund to the payment of any amounts due. Borrower shall then cause to be delivered to Lender for deposit to the Debt Service Reserve Fund after provision is made for payment of amounts which have become due under this Agreement an amount sufficient to cause the amount credited to the Debt Service Reserve Fund to be at least equal to the amount then required to be on deposit therein.

(c) The Lender may commingle funds of Borrower with other funds but shall keep adequate and accurate records of moneys and investment earnings on amounts credited to the Debt Service Reserve Fund. Borrower shall pay the reasonable fees and charges of the Lender for administering the Debt Service Reserve Fund from investment earnings on amounts credited to the Debt Service Reserve Fund in an amount not to exceed 10% of investment earnings. The Lender will not assess any fees and charges in connection with administering the Debt Service Reserve Fund.

(d) Not less than annually, Lender shall deliver to Borrower an accounting of the Debt Service Reserve Fund, indicating the principal amount therein, and net annual investment earnings (investment earnings less administrative costs and fees pursuant to **Clause (c) of Section 6**) (the "Net Earnings"). Net Earnings shall be applied not less than quarterly as a prepayment of principal pursuant to **Clause (ii) of Subsection (a) of Section 4** of this Agreement, notwithstanding that the prepayment is less than \$5,000.00.

(e) When all amounts payable by Borrower under this Agreement have become due, and all such amounts have been paid, the Lender may transfer to Borrower all monies and Net Earnings credited to the Debt Service Reserve Fund.

#### **SECTION 7. REPLACEMENT RESERVE FUND.**

(a) Borrower shall establish a separate account to secure payment to Lender of Loan repayments payable under the Loan Documents (the "Replacement Reserve Fund"). The Replacement Reserve Fund shall be held and administered by the Borrower in an account which is acceptable to Lender pursuant to the provisions of the Cash Collateral Agreement. Borrower shall cause to be deposited on or before the first business day of each month commencing with the sixty-first (61st) month following the month in which the first Advance occurs amounts at least equal to one-twelfth (1/12th) of twenty percent (20%) of the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule. Initially, the amount of the required monthly deposit and the aggregate annual deposits are set forth in **Section 1**. The amount of the required monthly deposit will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if no Event of Default, and no event or occurrence which, with the giving of notice or the passage of time or both, would become and Event of Default (an "Unmatured Event of Default"), has occurred and is continuing, Borrower from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the drinking water system provided that the property is depreciable; (ii) for the performance of repairs with respect to the drinking water system which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the drinking water system provided that the property is depreciable; and/or (iv) to make payments to Lender on the Loan.

(c) For so long as the Loan is outstanding, if on any Repayment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, and the Debt Service Reserve Fund does not hold sufficient moneys to cover the deficiency, Lender will direct the Borrower to transfer, and

Borrower hereby consents to transfer, the amount of the deficiency from the Replacement Reserve Fund to Lender.

(d) The Lender shall require that the Borrower shall keep adequate and accurate records of moneys, investments and investment earnings on amounts credited to the Replacement Reserve Fund. Lender shall have the right to audit the records of the Borrower insofar as they pertain to the Replacement Reserve Fund.

#### SECTION 8. CONDITIONS PRECEDENT.

(a) **Conditions Precedent to Initial Advance.** This Agreement and Lender's obligation to and make the initial Advance shall become effective only upon satisfaction, at Borrower's sole cost and expense, of the following conditions precedent, as determined by Lender in its absolute and sole discretion on or before the date of such Advance:

(i) **Loan Documents.** That Lender receive duly executed originals of this Agreement, the Note, the Security Agreement, the Cash Collateral Agreement and all other instruments and documents contemplated hereby.

(ii) **Corporate Existence and Authorization.** That Lender receive copies of (A) all corporate resolutions, documents and proceedings of Borrower authorizing the execution, delivery, and performance of the Loan Documents to which it is a party, certified to be true and correct by the Secretary of Borrower; (B) Borrower's Articles of Incorporation, with all amendments certified by the Arizona Corporation Commission; (C) certificate as to Borrower's good standing from the Arizona Corporation Commission and (D) Borrower's Bylaws with all amendments certified by the Secretary of Borrower.

(iii) **Approvals.** That Lender receive evidence satisfactory to it that all consents and approvals which are necessary for, or required as a condition of, the validity and enforceability of the Loan Documents have been obtained and are in full force and effect.

(iv) **Opinion of Counsel.** That Lender receive an opinion of counsel for Borrower (who shall be acceptable to Lender) in form and content acceptable to Lender in substantially the form attached hereto as Exhibit A.

(v) **Perfection and Priority of Liens.** That Lender receive evidence satisfactory to it that Lender has, as of the date of the initial Advance, a duly perfected security interest on all security provided for herein.

(vi) **Permits.** That Lender receive evidence satisfactory to it that Borrower possesses all necessary operating permits, authorizations, approvals, and the like which are material to the conduct of Borrower's business or which may otherwise be required by law.

(vii) **Fees, Expenses.** That Borrower pay the fee set forth in **Subsection (b) of Section 4** hereof, pay the costs and expenses to obtain, perfect and determine the priority of any security hereof. Further, if all costs and expenses of this transaction are not known at the time of the initial advance, Borrower agrees to pay such costs and expenses upon demand.

(viii) **Insurance.** That Lender receive evidence of insurance in such amount and covering such risks as are usually carried by companies engaged in the same or similar business.

(ix) **Debt Service Reserve and Replacement Reserve.** That Lender receive evidence that Borrower has established the Debt Service Reserve Fund and Replacement Reserve Fund as required in **Sections 6 and 7** hereof.

(x) **Subordination Agreement.** That Lender receive a Subordination Agreement, in form and substance satisfactory to Lender, fully executed by the Borrower and the Subordinated Creditors referenced in **Section 1**.

(b) **Advances Generally.** Lender's obligation to make each Advance hereunder, including the initial Advance, is subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance

(i) **Event of Default.** That no Event of Default (as that term is defined in **Section 12** hereof) exists, and that there has occurred no event which with the passage of time or the giving of notice, or both, could become an Event of Default (a "Default").

(ii) **Continuing Representations and Warranties.** That the representation and warranties of Borrower contained in this Agreement be true and correct on and as of the date of the initial Advance and each subsequent Advance as though made on and as of such date.

(iii) **Other Items.** That Lender receive such other items or documents as Lender may reasonably require.

## **SECTION 9. REPRESENTATIONS AND WARRANTIES.**

(a) **Organization; Power; Etc.** Borrower (i) is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents to which it is a party, (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law; (v) is eligible to borrow from Lender.

(b) **Due Authorization; No Violations; Etc.** The execution and delivery by Borrower of, and the performance by Borrower of its obligations under, the Loan Documents have been duly authorized by all requisite corporate action on the part of Borrower and do not and will not (i) violate any provision of any law, rule or regulations, any judgment, order or ruling of any court or governmental agency, the articles of incorporation or bylaws of Borrower, or any agreement, indenture, mortgage, or other instrument to which Borrower is a party or by which Borrower or any of its properties is bound or (ii) be in conflict with, result in a breach of, or constitute with the giving of notice or lapse of time, or both, a default under any such agreement, indenture, mortgage, or other instrument. No action on the part of any member or shareholder of Borrower is necessary in connection with the execution and delivery by Borrower of and the performance by Borrower of its obligations under the Loan Documents except for actions which have occurred.

(c) **Consents.** No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents to which Borrower is a party, except such as have been obtained and are in full force and effect.

(d) **Binding Agreement.** Each of the Loan Documents to which Borrower is a party is, or when executed and delivered will be, the legal, valid, and binding obligation of Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(e) **Compliance with Laws.** Borrower is in compliance in all material respects with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, except as Borrower has disclosed on Schedule 2 attached hereto.

(f) **Environmental Compliance.** Without limiting the provisions of **Subsection (e)** above, all property owed or leased by Borrower and all operations conducted by it are in compliance in all material respects with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations, under the Loan Documents, except as Borrower has disclosed on Schedule 2 attached hereto.

(g) **Litigation.** There are no pending legal, arbitration, or governmental actions or proceedings to which Borrower is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, and to the best of Borrower's knowledge, no such actions

or proceedings are threatened or contemplated, except as Borrower has disclosed on Schedule 2 attached hereto.

(h) **Title to Property.** Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any lien or encumbrance, except the liens and encumbrances specifically identified on Schedule 2 attached hereto.

(i) **Financial Statements; No Material Adverse Change; Etc.** All financial statements submitted to Lender in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of Borrower and the results of Borrower's operations for the periods covered thereby, and are prepared in accordance with generally accepted accounting principles for regulated utilities ("GAAP") consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of Borrower. All budgets, projections, feasibility studies, and other documentation submitted by Borrower to Lender are based upon assumptions that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(j) **Principal Place of Business; Records.** The principal place of business and chief executive office of Borrower and the place where the records required by **Subsection (g) of Section 10** hereof are kept is at the business office street address of Borrower shown on the first page hereof.

(k) **Subsidiaries.** Borrower has no subsidiary, except as Borrower has disclosed on Schedule 2 attached hereto.

(l) **Water Rights and System Condition.** Borrower has water rights with such amounts, priorities and qualities as are necessary to adequately service Borrower's customers and members. Borrower controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, and has not abandoned such water rights, or any of them, nor has done any act or thing which would impair or cause the loss of any such water rights. Borrower's utility facilities reasonably meet present demand in all material respects, are constructed in a good and workmanlike manner, are in good working order and condition, and comply in all respects with applicable laws.

(m) **Rate Matters.** Borrower's rates for the provision of water services have been approved, if applicable, by the Arizona Corporation Commission and any and all other necessary governmental regulatory authorities, including without limitation, each public service commission or public utilities commission, which may have jurisdiction over the operations and rates of Borrower. Further, there are no pending, nor to Borrower's knowledge any threatened, proceedings before any governmental authority the objective or result of which is or could be to materially reduce or otherwise materially change adversely any of Borrower's rates for the provision of water and/or waste water services.

## SECTION 10. AFFIRMATIVE COVENANTS.

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Advance is outstanding, Borrower agrees to:

(a) **Corporate Existence.** Preserve and keep in full force and effect its corporate existence and good standing in the jurisdiction of its incorporation and its good standing and qualification to transact business in all places required by law.

(b) **Compliance with Laws and Agreements.** Comply in all material respects with (i) all Laws, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents; and (ii) all agreements, indentures, mortgages, and other instruments to which it is a party or by which it or any of its property is bound.

(c) **Compliance with Environmental Laws.** Without limiting the provisions of Subsection (b) above, comply in all material respects with, and cause all persons occupying or present on any properties owned or leased by Borrower to so comply with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents.

(d) **Licenses; Permits; Etc.** Duly and lawfully obtain and maintain in full force and effect all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of Borrower's business or which may be otherwise required by law.

(e) **Insurance.** Maintain insurance with insurance companies or associations acceptable to Lender in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as Lender may request. All such policies insuring any collateral provided for herein, shall provide for loss payable clauses or endorsements in form and content acceptable to Lender. At the request of Lender, all policies (or such other proof of compliance with this Section as may be satisfactory) shall be delivered to Lender.

(f) **Property Maintenance.** Maintain and preserve at all times its property, and each and every part and parcel thereof, in good repair, working order and condition and in compliance with all applicable laws, regulations and orders.

(g) **Books and Records.** Keep adequate records and books of account in accordance with GAAP consistently applied.

(h) **Inspection.** Permit Lender or its agents, during normal business hours or at such other times as the parties may agree, to examine Borrower's properties, books, and records, and to discuss Borrower's affairs, finances, operations, and accounts with its respective officers, directors, employees, and independent certified public accountants.

(i) **Reports and Notices.** Furnish to Lender.

(i) **Annual Financial Statements.** As soon as available, but in no event later than the number of days set forth in **Section 1** after the end of any fiscal year of Borrower occurring during the term hereof, annual financial statements of Borrower prepared in accordance with GAAP consistently applied. Such annual financial statements shall: (i) be prepared in reasonable detail and in comparative form; and (ii) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(ii) **Quarterly Financial Statements.** As soon as available but in no event more than the number of days set forth in **Section 1** after each quarter end for so long as required under **Section 1**, a balance sheet, a statement of income for such quarter and for the period year to date, and such other quarterly statements as Lender may specifically request, which quarterly statements shall include any and all supplements thereto.

(iii) **Notice of Default.** Promptly after becoming aware thereof, a notice of (i) the occurrence of any Default 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 breach, default, or event of default under any agreement, indenture, mortgage, or other instrument (other than the Loan Documents) to which it is a party or by which it or any of its property is bound or affected if the effect of such breach, default, event of default or event 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 Lender to exercise any and all of the remedies specified herein.

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

(v) **Notice of Environmental Litigation.** Without limiting the provisions of **Clause (iv)** above, promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Borrower to undertake or to contribute to a cleanup or other response under Laws relating to environmental protection, or which seeks penalties, damages, injunctive relief, or criminal sanctions related to

alleged violations of such Laws, or which claims personal injury or property damage to any person 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 Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents.

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

(vii) **Material Adverse Change.** Prompt notice of any mater which has resulted or may result in a material adverse change in the condition, financial or otherwise, operations, properties, or business of Borrower, or the ability of Borrower to perform its obligations under the Loan Documents.

(viii) **Compliance Certificates.** Concurrent with each statement required to be furnished pursuant to **Clause (i)** above, a certificate of a responsible officer or employee of the Borrower acceptable to Lender (and attached hereto as Exhibit B), certifying that (i) such financial statements are prepared in accordance with GAAP consistently applied (except as may be noted therein) and fairly present its financial condition during the periods covered thereby and as of the dates thereof (subject to normal year-end adjustment); and (ii) setting forth calculations showing compliance with the financial covenants set forth in **Subsections (j)** and **(k)** below.

(ix) **Other Information.** Such other information regarding the condition, financial or otherwise, or operations of the Borrower as Lender may, from time to time, reasonably request.

(j) **Debt Service Reserve.** Establish upon closing and maintain the Debt Service Reserve Fund and the Replacement Reserve Fund (the "Reserves") in accordance with the provisions hereof.

(k) **DSC.** Achieve, at each fiscal year end a Debt Service Coverage Ratio ("DSC") of 1.20. For the purposes of this Section, DSC shall be computed by adding net income plus interest expense, depreciation and amortization expenses and dividing the total by the sum of principal and interest payments required during the period. In the computation of net income, gains and losses and any taxes or reduction of taxes resulting from the sale or other disposition or abandonment of capital assets, or from increases or decreases in value of capital assets, or from the retirement or reacquisition or resale or reissuance of debt or capital stock, shall be disregarded.

(l) **Use of Dividends and Surplus Revenues.** Retain all existing capital and retained earnings in the business and retain all revenue which may accumulate over and above that

needed to pay operating, maintenance, debt service, and Reserve requirements; or use same to reduce obligations due creditors; or invest same for capital expenditures related directly to Borrower's ability to provide services to users.

(m) **Water Rights.** Maintain or procure water rights with such amounts, priorities and qualities as are necessary to service adequately Borrower's customers and members. Borrower will continue to control, own or have access to all such water rights free and clear of the interest of any third party, will not suffer any transfer or encumbrance of such water rights, will not abandon such water rights, or any of them, nor do any act or thing which would impair or cause the loss of any such water rights.

(n) **Operation and Maintenance of System.** Borrower covenants and agrees that it shall, in accordance with prudent utility practice, (a) at all times operate the properties of the water system and any business in connection therewith in an efficient manner, (b) maintain its drinking water system in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its drinking water system so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(o) **Archaeological Artifacts.** In the event that archaeological artifacts or historical resources are discovered during construction excavation of the project, Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office, and Lender of such discovery.

(p) **Federal Safe Drinking Water Act.** 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 Borrower agrees that the project will comply with applicable provisions of those federal laws and authorities listed below:

ENVIRONMENTAL:

1. Archeological and Historic Preservation Act of 1974, Pub. L. 85-523, as amended.
2. Clean Air Act, Pub. L. 84-159, as amended.
3. Coastal Barrier Resources Act, Pub. L. 97-348.
4. Coastal Zone Management Act, Pub. L. 92-583, as amended.
5. Endangered Species Act, Pub. L. 93-205, as amended.
6. Environmental Justice, Executive Order 12898.

7. Floodplain Management, Executive Order 11988 as amended by Executive Order 12148.
8. Protection of Wetlands, Executive Order 11990.
9. Farmland Protection Policy Act, Pub. L. 97-98.
10. Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended.
11. National Historic Preservation Act of 1966, PL 89-665, as amended.
12. Safe Drinking Water Act, Pub. L. 93-523, as amended.
13. Wild and Scenic Rivers Act, Pub. L. 90-542, as amended.

ECONOMIC AND MISCELLANEOUS:

1. Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372.
2. Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
3. Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended.
4. Debarment and Suspension, Executive Order 12549.

SOCIAL POLICY:

1. Age Discrimination Act of 1975, Pub. L. 94-135.
2. Title VI of the Civil Rights Act of 1964, Pub. L. 88-352 (The Civil Rights Act and related anti-discrimination statutes apply to all the operations of the SRF program).
3. Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
4. Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250).

5. The Drug-Free Workplace Act of 1988, Pub. L. 100-690 (applies only to the capitalization grant recipient).
6. Equal Employment Opportunity, Executive Order 11246.
7. Women's and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432.
8. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
9. Anti-Lobbying Provisions (40 CFR Part 30) (applies only to capitalization grant recipients).

(q) **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 Lender monies. If a contract is awarded pursuant to this Loan Agreement the local borrower shall be bound to supply the required reports to Lender. 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 Borrower by Lender.

#### **SECTION 11. NEGATIVE COVENANTS.**

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, wether or not any advance is outstanding, Borrower shall not:

(a) **Borrowings.** Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, for the deferred purchase price of property or services, or for the lease of real or personal property which lease is required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to the Borrower but which otherwise would be required to be capitalized under GAAP (a "Capital Lease"), except for (i) accounts payable to trade creditors and current operating liabilities (other than for borrowed money) incurred in the ordinary course of Borrower's business, and (ii) Capital Leases, the aggregate amount of which does not exceed at any one time the amount set forth in **Section 1** hereof.

(b) **Liens.** Create, incur, assume, or allow to exist any mortgage, deed of trust, deed to secure debt, pledge, lien, (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal. The foregoing restrictions shall not apply to (i) liens in favor of Lender; (ii) liens for taxes, assessments, or governmental charges that are not past due; (iii) liens, pledges, and deposits under workers' compensation, unemployment insurance, and social security laws; (iv) liens, deposits, and pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money),

and like obligations arising in the ordinary course of borrower's business as conducted on the date hereof; and (v) liens imposed by law in favor of mechanics, materialmen, warehousemen, and like persons that secure obligations that are not past due.

(c) **Mergers; Acquisitions; Etc.** Merge or consolidate with any other entity, or acquire all or substantially all of the assets of any person or entity, or form or create any new subsidiary or affiliate, or commence operations under any other name, organization, or entity, including any joint venture. Notwithstanding the foregoing, Lender hereby consents to the merger of Borrower with Mohawk Water Company ("Mohawk"), subject to the approval thereof by the Arizona Corporation Commission and subject to Mohawk's continued existence as the surviving corporation, provided, no Event of Default hereunder or under any of the Loan Documents shall have occurred and be continuing and no event shall have occurred and be continuing which, with the giving of notice or the passage of time, or both, would give rise to an Event of Default hereunder or thereunder. Borrower agrees to notify Lender within thirty (30) days of the date the merger becomes effective.

(d) **Transfer of Assets.** Sell, transfer, lease, or otherwise dispose of any of Borrower's assets, except in the ordinary course of its business or to effect any change in ownership.

(e) **Change in Business.** Engage in any business activities or operations substantially different form or unrelated to Borrower's present business activities or operations.

(f) **Leases.** Create, incur, assume, or permit to exist any obligations as lessee for the rental or hire of any real or personal property, except leases which do not in the aggregate require Borrower to make payments (including, without limitation, taxes, insurance maintenance, and other charges) in any fiscal year of Borrower occurring during the term hereof in excess of the amount set forth in Section 1 hereof.

(g) **Reserves.** Apply, or permit the application of, amounts on deposit in, or required by the provisions of this Agreement to be on deposit in, the Debt Service Reserve Fund and/or the Replacement Reserve Fund except in accordance with the provisions of this Agreement.

## **SECTION 12. EVENTS OF DEFAULT.**

Each of the following shall constitute an "Event of Default" hereunder:

(a) **Payment Default.** Failure by Borrower to make any payment or investment required to be made hereunder, under the Note, or under any other Loan Document when due.

(b) **Representations and Warranties.** Any representation or warranty made by Borrower herein or in any other Loan Document shall prove to have been false or misleading in any material respect on or as of the date made, including deemed made in connection with each Advance.

(c) **Certain Affirmative Covenants.** Failure by the Borrower to perform or comply with any covenant set forth in **Section 10** hereof (other than **Subsections (iii), (iv), (v), and (vi)**), and such failure continues for fifteen (15) days after written notice thereof shall have been delivered by Lender to Borrower.

(d) **Other Covenants and Agreements.** Borrower should fail to perform or comply with any other covenant or agreement contained herein, including, without limitation, any covenant excluded under **Subsection (c)** above.

(e) **Cross-Default.** Borrower should, after any applicable grace period, breach or be in default under the terms of any agreement (other than the Loan Documents) between Borrower and Lender, including, without limitation, any other loan agreement, security agreement, mortgage, deed to secure debt, or deed of trust.

(f) **Other Indebtedness.** 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 default or event of default under any agreement, indenture, mortgage, or other instrument by which Borrower or any of its property is bound or affected (other than the Loan Documents) if the effect of such breach, default, event of default or event is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument.

(g) **Judgments.** Judgments, decrees, or orders for the payment of money in the aggregate in excess of the amount set forth in **Section 1** hereof shall be rendered against Borrower and either (i) enforcement proceedings shall have been commenced; or (ii) such judgments, decrees, and orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(h) **Insolvency; Etc.** Borrower: (i) shall become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they come due; or (ii) shall suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) shall apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) shall commence with respect to it or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction.

(i) **Material Adverse Change.** Any material adverse change occurs, as reasonably determined by Lender, in Borrower's condition, financial or otherwise, operations, properties, or business or Borrower's ability to perform its obligations under the Loan Documents.

### **SECTION 13. REMEDIES UPON EVENT OF DEFAULT.**

Upon the occurrence of and during the continuance of each and every Event of Default:

(a) **Termination; Etc.** Lender shall have no obligation to make advances hereunder and, upon notice to Borrower, may terminate the Commitment and declare the entire unpaid principal balance of the Note, all accrued interest thereon and all other amounts payable under this Agreement and all other agreements between Lender and Borrower, to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the Note and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by Borrower.

(b) **Enforcement.** Lender may proceed to protect, exercise, and enforce such rights and remedies as may be provided by agreement or under law including, without limitation, the rights and remedies provided for in the Note. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of Lender to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any rights or remedy preclude any other or future exercise thereof, or the exercise of any other right. In addition, Lender may hold and/or set off and apply against Borrower's indebtedness any and all cash, accounts, securities, or other property in Lender's possession or under its control.

(c) **Application of Payments.** After termination and acceleration of the Loan all amounts received by Lender shall be applied to the amounts owing hereunder and under the Note in whatever order and manner as Lender shall in its sole discretion elect.

**SECTION 14. SURVIVAL.** The representations, warranties, and covenants of Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

**SECTION 15. INTEGRATION, CHANGE, DISCHARGE, TERMINATION, OR WAIVER.** The Loan Documents contain the entire understanding and agreement of Lender and Borrower and supersede all prior representations, warranties, agreements, arrangements, and understandings. No provision of the Loan Documents may be changed, discharged, supplemented, terminated, or waived except in a writing signed by Lender and Borrower. No waiver of any breach or default shall be deemed a waiver of any breach or default occurring thereafter or a waiver of the time of the essence provision.

**SECTION 16. PARTIES AND BINDING EFFECT.** This Agreement is made solely between Lender and Borrower, and no other Person shall have any rights hereunder or be a third-party beneficiary hereof. This Loan Agreement shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned; and to the extent that the Borrower is either a partnership or a corporation, all references herein to the Borrower shall be

deemed to include any successor or successors, whether immediate or remote, to such partnership or corporation. Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents without the prior express written consent of Lender, and any purported assignment by Borrower made in contravention hereof shall be void. Lender may from time to time assign, or sell participation interests in, any part or all of the Obligations and its rights and obligations under the Loan Documents in its absolute and sole discretion.

**SECTION 17. COSTS AND EXPENSES.** Borrower agrees to pay, on demand, all internal and external costs, expenses, and fees of Lender in respect of (i) application fees, (ii) enforcement of the Loan Documents and exercise of the rights and remedies of Lender, (iii) defense of the enforceability of the Loan Documents or of the perfection or priority of any Lien granted in the Loan Documents, (iv) any other matter relating to the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents, and (v) preparation for matters within (ii), (iii), or (iv) whether or not any legal proceeding is brought. Such costs shall include, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level). At the option of Lender such costs, expenses, and fees may be deducted from the proceeds of the Loan.

**SECTION 18. AUTHORITY TO FILE NOTICES.** Borrower irrevocably appoints Lender as its attorney-in-fact, with full power of substitution, to file for record, at the Borrower's cost and expense and in Borrower's name, any notices of completion, notices of cessation of labor, or any other notices that Lender considers necessary or desirable to protect its security.

**SECTION 19. INCONSISTENCIES WITH LOAN DOCUMENTS.** In the event of any inconsistencies between the terms of this Agreement and any terms of any of the Loan Documents or any loan application, the terms of this Agreement shall govern and prevail.

**SECTION 20. NO WAIVER.** No disbursement of proceeds of the Loan shall constitute a waiver of any conditions to Lender's obligation to make further disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding Lender from thereafter declaring such inability a default under this Agreement.

**SECTION 21. LENDER APPROVAL OF INSTRUMENTS AND PARTIES.** All proceedings taken in accordance with transactions provided for herein; all surveys, appraisals and documents required or contemplated by this Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Lender. Lender's counsel shall be provided with copies of all documents which they may reasonably request in connection with the Agreement.

**SECTION 22. LENDER DETERMINATION OF FACTS.** Lender shall at all times be free to establish independently, to its satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

**SECTION 23. INCORPORATION OF PREAMBLE, RECITALS AND STATEMENT OF TERMS.** The preamble, recitals and statement of terms are hereby incorporated into this Agreement.

**SECTION 24. DISCLAIMER BY LENDER.** Borrower is not and shall not be an agent of Lender for any purpose. Lender is not a joint venture partner with Borrower in any manner whatsoever. Approvals granted by Lender for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

**SECTION 25. SEVERABILITY.** If any provision of this Agreement is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

**SECTION 26. CHOICE OF LAW AND JURISDICTION.** THIS AGREEMENT HAS BEEN DELIVERED IN ARIZONA, AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ARIZONA. THE COURTS OF ARIZONA, FEDERAL OR STATE, SHALL HAVE EXCLUSIVE JURISDICTION OF ALL LEGAL ACTIONS ARISING OUT OF THIS AGREEMENT. BY EXECUTING THIS AGREEMENT, THE UNDERSIGNED SUBMITS TO THE JURISDICTION OF THE FEDERAL AND STATE COURTS OF ARIZONA.

**SECTION 27. CAPTIONS.** Section captions used in this Agreement are for convenience only, and shall not affect the construction of this Agreement.

**SECTION 28. WAIVER OF JURY TRIAL.** BORROWER WAIVES, AND, BY ACCEPTING THIS AGREEMENT, THE LENDER SHALL BE DEEMED TO WAIVE, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (A) UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR (B) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND BORROWER AGREES, AND, BY ACCEPTING THIS AGREEMENT, THE LENDER SHALL BE DEEMED TO AGREE, THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

**SECTION 29. TIME OF THE ESSENCE.** Time is of the essence with regard to each provision of this Agreement as to which time is a factor.

**SECTION 30. NOTICES AND DEMANDS.** All written demands and notices by Lender or Borrower relating to the Loan Documents shall be served by certified or registered mail, return receipt requested. Each such demand or notice shall be deposited in the United States Mail postage prepaid and addressed to the addressee's address first above stated. Service of any such demand or

notice shall be deemed complete on the date of actual delivery as shown by the addressee's return receipt or at the expiration of the third Business Day after mailing, whichever is earlier. Rejection or refusal to accept the demand or notice by the addressee or inability to deliver the demand or notice due to a changed address of which no notice was given shall not affect deemed service. Lender or Borrower may from time to time, by written notice served on the other, designate a different address or a different attention person for service of demands and notices.

**SECTION 31. NO CONSTRUCTION AGAINST LENDER OR BORROWER.** The Loan Documents are the result of negotiations between Borrower and Lender. Accordingly, the Loan Documents shall not be construed for or against Borrower or Lender, regardless of which party drafted the Loan Documents or any part thereof.

**SECTION 32. RESCISSION OR RETURN OF PAYMENTS.** If at any time or from time to time, whether before or after payment and performance of the Obligations, all or any part of any amount received by Lender in payment of, or on account of, any Obligation is or must be, or is claimed to be, avoided, rescinded, or returned by Lender to Borrower or any other Person for any reason whatsoever (including, without limitation, bankruptcy, insolvency, or reorganization of Borrower or any other Person), such Obligation and the Liens on property, and rights to property that were the collateral at the time such avoided, rescinded, or returned payment was received by Lender shall be deemed to have continued in existence or shall be reinstated, as the case may be, all as though such payment had not been received.

**SECTION 33. INDEMNIFICATION OF LENDER.** Borrower agrees to indemnify, hold harmless, and on demand defend Lender and its directors, officers, employees, agents, auditors, counsel, investment committee members and representatives for, from, and against any and all damages, losses, liabilities, costs, and expenses (including, without limitation, costs and expenses of litigation and reasonable attorneys' fees) arising from any claim or demand in respect of this Agreement, the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents and arising at any time, whether before or after payment and performance of the Obligations. The obligations of Borrower and the rights of Lender under this Section 33 shall survive payment and performance of the Obligations and shall remain in full force and effect without termination.

**SECTION 34. WAIVER OF STATUTE OF LIMITATIONS.** Borrower waives, to the full extent permitted by law, the right to plead and any statutes of limitations as a defense in any action or proceeding in respect of the Loan Documents.

**SECTION 35. NUMBER AND GENDER.** In this Agreement the singular shall include the plural and the masculine shall include the feminine and neuter genders, and vice versa.

**SECTION 36. HEADINGS AND REFERENCES.** The headings at the beginning of each section of this Agreement are solely for convenience and are not part of this Agreement. Reference

herein to a section, attachment, exhibit, or schedule is to the respective section, attachment, exhibit, or schedule herein or hereto, unless otherwise specified.

**SECTION 37. COUNTERPART EXECUTION.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.

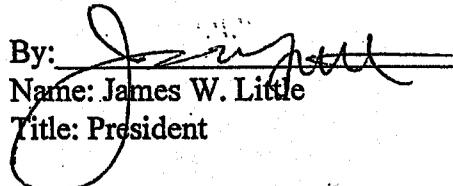
**SECTION 38. ARBITRATION.** The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, as amended.

**SECTION 39. NOTICE REGARDING A.R.S. § 38-511.** To the extent applicable by provision of law, the parties acknowledge that this Agreement is subject to cancellation pursuant to A.R.S. §38-511, the provisions of which are hereby incorporated herein.

**SECTION 40. SIGNS.** Throughout the term of the Loan, Lender shall have the right to erect one or more signs (complying with city/town requirements) on the project indicating its providing of financing for the project, and Lender shall also have the right to publicize its financing of the project as Lender may deem appropriate.

DATED as of the date first above stated.

ANDERSON BROTHERS WATER COMPANY, an  
Arizona corporation

By:   
Name: James W. Little  
Title: President

WATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA

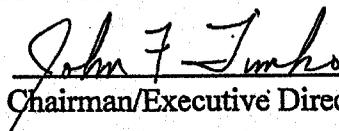
By:   
Chairman/Executive Director

EXHIBIT B  
TO WIFA LOAN AGREEMENT

For Period \_\_\_\_\_

**COMPLIANCE CERTIFICATE**

To induce The Water Infrastructure Finance Authority of Arizona (WIFA) to make and/or continue to make advances to the Borrower and to comply with and demonstrate compliance with the terms, covenants, and conditions of the Loan Agreement and all supplements thereto, this financial statement is furnished to WIFA. The undersigned certify that (i) this statement was prepared from the books and records of the Borrower, is in agreement with them, and is correct to the best of the undersigned's knowledge and belief and (ii) no event has occurred which, with notice or lapse of time, or both, might become an Event of Default under the Loan Agreement.

This certificate is attached to and made a part of this Borrower's report for the above stated period.

	Required	Actual
<b><u>DEBT SERVICE RESERVE</u></b>	\$ _____	_____
<b><u>REPLACEMENT RESERVE</u></b>	\$ _____	_____
<b><u>DEBT SERVICE COVERAGE</u></b>	1.20:1.0.	_____

*Net Income + Interest Expense + Depreciation*

*Annual Principal and Interest Payments*

ANDERSON BROTHERS WATER COMPANY

J. C. [Signature] D.M.S.  
Title

6/18/99  
Date

COPY

EXHIBIT B  
TO WIFA LOAN AGREEMENT

For Period \_\_\_\_\_

COMPLIANCE CERTIFICATE

To induce The Water Infrastructure Finance Authority of Arizona (WIFA) to make and/or continue to make advances to the Borrower and to comply with and demonstrate compliance with the terms, covenants, and conditions of the Loan Agreement and all supplements thereto, this financial statement is furnished to WIFA. The undersigned certify that (i) this statement was prepared from the books and records of the Borrower, is in agreement with them, and is correct to the best of the undersigned's knowledge and belief and (ii) no event has occurred which, with notice or lapse of time, or both, might become an Event of Default under the Loan Agreement.

This certificate is attached to and made a part of this Borrower's report for the above stated period.

	Required	Actual
<b><u>DEBT SERVICE RESERVE</u></b>	\$ _____	_____
<b><u>REPLACEMENT RESERVE</u></b>	\$ _____	_____
<b><u>DEBT SERVICE COVERAGE</u></b>	1.20:1.0.	_____
<i>Net Income + Interest Expense + Depreciation</i>		
_____		
<i>Annual Principal and Interest Payments</i>		
_____		
_____		

ANDERSON BROTHERS WATER COMPANY

J. C. [Signature] P.M.S.  
Title

6/18/99  
Date

**Schedule 1 to Loan Agreement**

**Section 1: Financial Assistance Terms and Conditions  
Anderson Water Company  
22-Apr-99**

**Closing Date**..... 05/01/99  
**First Payment Date** ..... 07/15/99

**Financial Assistance Terms and Conditions**

Loan Amount..... \$92,650.00  
 Combined Interest and Fee Rate..... 5.430%  
 Term..... 20  
 Payments..... Monthly  
 # of Payment Periods..... 240  
 Monthly Debt Service Payments..... \$633.67  
 Annual Payments..... \$7,604.04

**Closing Fee (0.5% of Loan Amount)**..... \$463.25

**Debt Service Reserve Fund Requirements**

Total Reserve Amount..... \$7,604.04  
 Frequency of Reserve Deposits to WIFA..... Monthly  
 Monthly Deposit..... \$126.73  
 Reserve Funded by (Date)..... 15-Jun-2004  
*WIFA will apply earnings on Debt Service Reserve to Principal Repayment.*

**Minimum Monthly Payment**

Prior to Debt Service Reserve Requirement ..... \$760.40 \*  
 Monthly Payment Allocations  
 • Monthly Reserve Fund Contribution..... \$126.73  
 Monthly Combined Interest & Fee Payment..... *See Section 2: Monthly Calculation #1*  
 Monthly Principal Repayment..... *See Section 2: Monthly Calculation #2*  
 \* *WIFA will calculate the first payment due; minimum payment equals amount for Period 1.*  
 Following Debt Service Reserve Requirement..... \$633.67  
 Monthly Payment Allocations  
 Monthly Reserve Fund Contribution..... \$0.00  
 Monthly Combined Interest & Fee Payment..... *See Section 2: Monthly Calculation #1*  
 Monthly Principal Repayment..... *See Section 2: Monthly Calculation #2*

**Repair and Replacement Fund Requirement**

Begin Funding on (Date)..... 01-Jan-2005  
 Annual Amount..... \$1,520.81  
 Frequency of Fund Deposits..... Monthly  
 Monthly Deposit..... \$126.73

Section 2: WIFA Monthly Calculations  
Anderson Water Company  
22-Apr-99

**WIFA Monthly Calculations**

**#1: Monthly Combined Interest & Fee Payment =**

*Combined Interest & Fee Rate \* Principal Outstanding*

**#2: Monthly Principal Repayment =**

*Total Monthly Payment - Monthly Reserve Fund Deposit -  
Month Combined Interest & Fee Payment*

Section 3: Estimated Eligible Project Costs  
Anderson Water Company  
22-Apr-99

**Project Cost Classification**

	Amount <u>Budgeted</u>
a. Administrative, Legal Costs, Financial Advisor.....	0.00
b. Land, Structure, Right-of-Way.....	0.00
c. Design, Architectural, Engineering Fees.....	11,000.00
d. Construction/Improvement Costs.....	81,186.75
e. Equipment/Materials.....	0.00
f. Application Fees, Financing Costs, Capitalized Interest.....	463.25
g. Total Budgeted.....	<u>\$92,650.00</u>

Section 4: Estimated Loan Disbursement Schedule  
Anderson Water Company  
22-Apr-99

<u>Date</u>	<u>Amount</u>	
05/01/99	\$463.25	
06/01/99	\$41,460.88	
07/01/99	\$41,460.88	
08/01/99	\$9,265.00	<i>Required 10% Set-Aside</i>
Total	<u>\$92,650.00</u>	

Section 5: Monthly Payments through Loan Term - Periods 1 through 80

Anderson Water Company

22-Apr-99

Period	Payment Dates	Minimum Monthly Payment *	Period	Payment Dates	Total Monthly Payment
1*	07/15/99	760.40	41	11/15/2002	760.40
2	08/15/99	760.40	42	12/15/2002	760.40
3	09/15/99	760.40	43	01/15/2003	760.40
4	10/15/99	760.40	44	02/15/2003	760.40
5	11/15/99	760.40	45	03/15/2003	760.40
6	12/15/99	760.40	46	04/15/2003	760.40
7	01/15/2000	760.40	47	05/15/2003	760.40
8	02/15/2000	760.40	48	06/15/2003	760.40
9	03/15/2000	760.40	49	07/15/2003	760.40
10	04/15/2000	760.40	50	08/15/2003	760.40
11	05/15/2000	760.40	51	09/15/2003	760.40
12	06/15/2000	760.40	52	10/15/2003	760.40
13	07/15/2000	760.40	53	11/15/2003	760.40
14	08/15/2000	760.40	54	12/15/2003	760.40
15	09/15/2000	760.40	55	01/15/2004	760.40
16	10/15/2000	760.40	56	02/15/2004	760.40
17	11/15/2000	760.40	57	03/15/2004	760.40
18	12/15/2000	760.40	58	04/15/2004	760.40
19	01/15/2001	760.40	59	05/15/2004	760.40
20	02/15/2001	760.40	60	06/15/2004	760.40
21	03/15/2001	760.40	61	07/15/2004	633.67
22	04/15/2001	760.40	62	08/15/2004	633.67
23	05/15/2001	760.40	63	09/15/2004	633.67
24	06/15/2001	760.40	64	10/15/2004	633.67
25	07/15/2001	760.40	65	11/15/2004	633.67
26	08/15/2001	760.40	66	12/15/2004	633.67
27	09/15/2001	760.40	67	01/15/2005	633.67
28	10/15/2001	760.40	68	02/15/2005	633.67
29	11/15/2001	760.40	69	03/15/2005	633.67
30	12/15/2001	760.40	70	04/15/2005	633.67
31	01/15/2002	760.40	71	05/15/2005	633.67
32	02/15/2002	760.40	72	06/15/2005	633.67
33	03/15/2002	760.40	73	07/15/2005	633.67
34	04/15/2002	760.40	74	08/15/2005	633.67
35	05/15/2002	760.40	75	09/15/2005	633.67
36	06/15/2002	760.40	76	10/15/2005	633.67
37	07/15/2002	760.40	77	11/15/2005	633.67
38	08/15/2002	760.40	78	12/15/2005	633.67
39	09/15/2002	760.40	79	01/15/2006	633.67
40	10/15/2002	760.40	80	02/15/2006	633.67

\* WIFA will calculate the first payment due; minimum payment equals amount for Period 1.

Section 5: Monthly Payments through Loan Term - Periods 81 through 160

Anderson Water Company

22-Apr-99

Period	Payment Dates	Minimum Monthly Payment	Period	Payment Dates	Total Monthly Payment
81	03/15/2006	633.67	121	07/15/2009	633.67
82	04/15/2006	633.67	122	08/15/2009	633.67
83	05/15/2006	633.67	123	09/15/2009	633.67
84	06/15/2006	633.67	124	10/15/2009	633.67
85	07/15/2006	633.67	125	11/15/2009	633.67
86	08/15/2006	633.67	126	12/15/2009	633.67
87	09/15/2006	633.67	127	01/15/2010	633.67
88	10/15/2006	633.67	128	02/15/2010	633.67
89	11/15/2006	633.67	129	03/15/2010	633.67
90	12/15/2006	633.67	130	04/15/2010	633.67
91	01/15/2007	633.67	131	05/15/2010	633.67
92	02/15/2007	633.67	132	06/15/2010	633.67
93	03/15/2007	633.67	133	07/15/2010	633.67
94	04/15/2007	633.67	134	08/15/2010	633.67
95	05/15/2007	633.67	135	09/15/2010	633.67
96	06/15/2007	633.67	136	10/15/2010	633.67
97	07/15/2007	633.67	137	11/15/2010	633.67
98	08/15/2007	633.67	138	12/15/2010	633.67
99	09/15/2007	633.67	139	01/15/2011	633.67
100	10/15/2007	633.67	140	02/15/2011	633.67
101	11/15/2007	633.67	141	03/15/2011	633.67
102	12/15/2007	633.67	142	04/15/2011	633.67
103	01/15/2008	633.67	143	05/15/2011	633.67
104	02/15/2008	633.67	144	06/15/2011	633.67
105	03/15/2008	633.67	145	07/15/2011	633.67
106	04/15/2008	633.67	146	08/15/2011	633.67
107	05/15/2008	633.67	147	09/15/2011	633.67
108	06/15/2008	633.67	148	10/15/2011	633.67
109	07/15/2008	633.67	149	11/15/2011	633.67
110	08/15/2008	633.67	150	12/15/2011	633.67
111	09/15/2008	633.67	151	01/15/2012	633.67
112	10/15/2008	633.67	152	02/15/2012	633.67
113	11/15/2008	633.67	153	03/15/2012	633.67
114	12/15/2008	633.67	154	04/15/2012	633.67
115	01/15/2009	633.67	155	05/15/2012	633.67
116	02/15/2009	633.67	156	06/15/2012	633.67
117	03/15/2009	633.67	157	07/15/2012	633.67
118	04/15/2009	633.67	158	08/15/2012	633.67
119	05/15/2009	633.67	159	09/15/2012	633.67
120	06/15/2009	633.67	160	10/15/2012	633.67

## Section 5: Monthly Payments through Loan Term -- Periods 161 through 240

Anderson Water Company

22-Apr-99

Period	Payment Dates	Minimum Monthly Payment	Period	Payment Dates	Total Monthly Payment
161	11/15/2012	633.67	201	03/15/2016	633.67
162	12/15/2012	633.67	202	04/15/2016	633.67
163	01/15/2013	633.67	203	05/15/2016	633.67
164	02/15/2013	633.67	204	06/15/2016	633.67
165	03/15/2013	633.67	205	07/15/2016	633.67
166	04/15/2013	633.67	206	08/15/2016	633.67
167	05/15/2013	633.67	207	09/15/2016	633.67
168	06/15/2013	633.67	208	10/15/2016	633.67
169	07/15/2013	633.67	209	11/15/2016	633.67
170	08/15/2013	633.67	210	12/15/2016	633.67
171	09/15/2013	633.67	211	01/15/2017	633.67
172	10/15/2013	633.67	212	02/15/2017	633.67
173	11/15/2013	633.67	213	03/15/2017	633.67
174	12/15/2013	633.67	214	04/15/2017	633.67
175	01/15/2014	633.67	215	05/15/2017	633.67
176	02/15/2014	633.67	216	06/15/2017	633.67
177	03/15/2014	633.67	217	07/15/2017	633.67
178	04/15/2014	633.67	218	08/15/2017	633.67
179	05/15/2014	633.67	219	09/15/2017	633.67
180	06/15/2014	633.67	220	10/15/2017	633.67
181	07/15/2014	633.67	221	11/15/2017	633.67
182	08/15/2014	633.67	222	12/15/2017	633.67
183	09/15/2014	633.67	223	01/15/2018	633.67
184	10/15/2014	633.67	224	02/15/2018	633.67
185	11/15/2014	633.67	225	03/15/2018	633.67
186	12/15/2014	633.67	226	04/15/2018	633.67
187	01/15/2015	633.67	227	05/15/2018	633.67
188	02/15/2015	633.67	228	06/15/2018	633.67
189	03/15/2015	633.67	229	07/15/2018	633.67
190	04/15/2015	633.67	230	08/15/2018	633.67
191	05/15/2015	633.67	231	09/15/2018	633.67
192	06/15/2015	633.67	232	10/15/2018	633.67
193	07/15/2015	633.67	233	11/15/2018	633.67
194	08/15/2015	633.67	234	12/15/2018	633.67
195	09/15/2015	633.67	235	01/15/2019	633.67
196	10/15/2015	633.67	236	02/15/2019	633.67
197	11/15/2015	633.67	237	03/15/2019	633.67
198	12/15/2015	633.67	238	04/15/2019	633.67
199	01/15/2016	633.67	239	05/15/2019	633.67
200	02/15/2016	633.67	240	06/15/2019	633.67

**SCHEDULE 2**  
**TO WIFA LOAN AGREEMENT**

1. Exception(s) to Subsection 9(e) entitled "Compliance with Laws": (insert exceptions or "None")

None

2. Exception(s) to Subsection 9(f) entitled "Environmental Compliance": (insert exceptions or "None")

None

3. Exception(s) to Subsection 9(g) entitled "Litigation": (insert exceptions or "None")

None

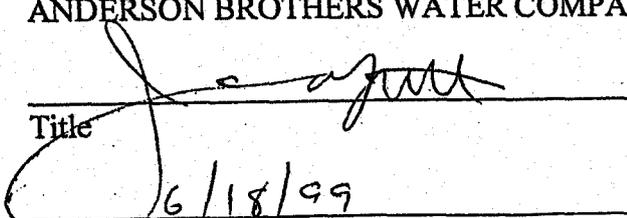
4. Exception(s) to Subsection 9(h) entitled "Title to Property": (insert exceptions or "None")

None

5. Exception(s) to Subsection 9(k) entitled "Subsidiaries": (insert exceptions or "None")

None

ANDERSON BROTHERS WATER COMPANY

  
Title

Date

6/18/99

## PROMISSORY NOTE

\$92,650.00

Phoenix, Arizona  
May 1, 1999

FOR VALUE RECEIVED, ANDERSON BROTHERS WATER COMPANY ("Borrower"), promise to pay to WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") or order the aggregate principal amount outstanding on Borrower's loan as shown on Lender's records which shall at all times be conclusive and govern, with interest thereon at an annual rate equal to five and 43/100ths percent (5.43%). Interest shall be calculated on a 360-day year for all advances, but, in any case, shall be computed for the actual number of days in the period for which interest is charged. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement (as hereinafter defined).

Lender and Borrower have established specific instructions and procedures by which draws against said credit will be presented for disbursement pursuant to the terms and conditions of that certain Loan Agreement of even date herewith (the "Loan Agreement"), but nothing contained herein shall create a duty on the part of Lender to make said disbursement if Borrower is in default. The undersigned shall not be entitled to total disbursements hereunder exceeding Ninety-Two Thousand Six Hundred Fifty and No/100 Dollars (\$92,650.00), such lesser amount determined in accordance with the Loan Agreement with respect to the Loan (as defined in the Loan Agreement).

All amounts payable hereunder shall be paid in lawful money of the United States. Principal and interest shall be payable at 202 East Earll Drive, Suite 480, Phoenix, Arizona 85012, or at such other place as the holder hereof may designate. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty.

Absent a default under this Note or the Loan Agreement, any payments received by the holder hereof shall be applied first to sums, other than principal and interest, due the holder hereof, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by the holder hereof after any Event of Default (as defined in the Loan Agreement) shall be applied to the amounts specified in this paragraph in such order as the holder hereof may, in its sole discretion, elect.

If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at an annual rate equal to the sum of (i) six percent (6%) and (ii) the interest rate specified herein, payable on demand (the "Default Rate").

This Note shall become immediately due and payable at the option of the holder hereof without presentment or demand or any notice to Borrower or any other person obligated hereon, upon default in the payment of any of the principal hereof or any interest thereon when due,

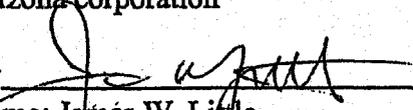
or if any event occurs or condition exists which authorizes the acceleration of the maturity hereof under the Loan Agreement. Time is of the essence with regard to all payment obligations in this Note. Failure to exercise any remedy or right hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

In the event any holder hereof utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to such holder hereof, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statute, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

Borrower and all sureties, endorsers and guarantors of this Note waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

Notwithstanding any provision contained herein to the contrary, the applicable rate of interest agreed to herein shall include the applicable interest rate described herein, in accordance with the terms of this Note, and any additional charges, costs and fees incident to this loan to the extent they are deemed to be interest under applicable Arizona law. Should the applicable rate of interest as calculated under this Note exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest allowed by applicable law.

ANDERSON BROTHERS WATER COMPANY, an  
Arizona corporation

By 

Name: James W. Little

Title: President

"Borrower"

## CASH COLLATERAL AGREEMENT

This CASH COLLATERAL AGREEMENT is made as of May 1, 1999 between ANDERSON BROTHERS WATER COMPANY ("Pledgor"), and WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender").

### RECITALS:

A. Pledgor and Lender have entered into that certain Loan Agreement of even date herewith (the "Loan Agreement"), pursuant to which Lender has made available to Pledgor a loan of up to \$92,650.00 (the "Loan").

B. Pursuant to the Loan Agreement, certain funds are required to be deposited from time to time by Pledgor in a Debt Service Reserve Fund administered by the Lender and in a Replacement Reserve Fund administered by the Borrower, both of which are pledged to Lender to secure repayment with interest of the Loan. Amounts deposited with the Lender in the Debt Service Reserve Fund and in the Replacement Reserve Fund are referred to herein as the "Pledged Funds".

C. Pledgor and Lender desire to enter into this Cash Collateral Agreement to provide for the deposit and holding of the Pledged Funds.

D. The Loan Agreement, this Cash Collateral Agreement and all other documents securing or otherwise relating to the Loan shall be referred to collectively in this Cash Collateral Agreement as the "Loan Documents". All capitalized terms used in this Cash Collateral Agreement and not otherwise defined shall have the meanings given to such terms in the Loan Agreement.

E. It is a condition to the making of the Loan that Pledgor and Lender enter into this Cash Collateral Agreement.

NOW, THEREFORE, in order to induce Lender to make the Loan and in consideration thereof, Pledgor and Lender agree as follows:

1. Definitions. The following terms shall have the following meanings:

"Cash Collateral Agreement" means this Cash Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Debt Service Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

"Obligations" shall mean all the obligations of Pledgor to Lender under the Loan Agreement and the Note and all other obligations and liabilities of Pledgor to Lender,

whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising under, out of, or in connection with, the Loan Agreement, this Cash Collateral Agreement or any of the Loan Documents.

"Pledged Funds" shall mean as defined in the Recitals to this Agreement.

"Replacement Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

2. Establishment of Debt Service Reserve Fund and Replacement Reserve Fund. Pledgor and Lender agree that concurrently with the execution and delivery of this Cash Collateral Agreement there is established and shall be maintained a Debt Service Reserve Fund pursuant to the Loan Agreement. At such time as is required pursuant to the Loan Agreement Borrower shall establish a Replacement Reserve Fund in the name of Borrower in which there shall be deposited by Pledgor all Pledged Funds as required by the provisions of the Loan Agreement.

3. Grant of Security Interest. As collateral security for the prompt and complete payment when due of all the Obligations, Pledgor has granted, bargained, sold, assigned, pledged, and set over and by these presents does hereby grant, bargain, sell, assign, pledge, transfer and set over unto the Lender, and its successors and assigns, all of Pledgor's right, title and interest in and to any Pledged Funds now or hereafter held or deposited in the Debt Service Reserve Fund and the Replacement Reserve Fund.

4. Terms and Conditions.

(a) The Debt Service Reserve Fund and all amounts deposited therein shall be held in the sole dominion and control of Lender and shall be administered by the Lender as a collateral account for the benefit of Lender, and Pledgor shall have no rights or powers with respect to, or control over, the Debt Service Reserve Fund or any part thereof. Pledgor's sole right with respect to the Pledged Funds in the Debt Service Reserve Fund shall be as provided herein and in the Loan Agreement.

(b) If no Event of Default, and no event which with the giving of notice or the passage of time or both could become an Event of Default, has occurred and is continuing, Pledgor from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the Facility provided that the property is depreciable; (ii) for the performance of repairs with respect to the Facility which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the Facility provided that the property is depreciable; and/or (iv) to make payments to Lender on the Loan.

(c) From and after the occurrence and during the continuation of an Event of Default, Lender may, in the sole and absolute discretion of Lender, apply the Pledged Funds in the Debt Service Reserve Fund, and, if there are insufficient Pledged Funds in the Debt Service Reserve Fund, in the Replacement Reserve Fund, to the Obligations in the following order: (i) all outstanding costs, expenses, fees and late charges due to Lender, (ii) interest at the rate or rates specified in the Loan Documents and (iii) the principal amount of the Obligations. All interest and other investment earnings amounts from time to time accrued and paid on the Pledged Funds in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be retained in the Debt Service Reserve Fund and the Replacement Reserve Fund and shall be applied in accordance with the Loan Agreement and this Cash Collateral Agreement.

(d) Lender shall have, with respect to the Pledged Funds, all rights and remedies of a secured party under Article 9 of the Arizona Uniform Commercial Code and other applicable laws.

5. Further Assurances. Pledgor will, at any time and from time to time, execute and deliver such further documents and do such further acts as shall be required by law or be reasonably requested by Lender to confirm or further assure the interest of Lender hereunder.

6. No Liability for Lawful Actions. Neither Lender nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by any of them under or in connection with this Cash Collateral Agreement (except for gross negligence or willful misconduct).

7. Notices. All notices, requests, demands or other communications to or upon the parties hereto shall be deemed to have been given or made when mailed, delivered or transmitted in accordance with the requirements of the Loan Documents.

8. No Failure, etc. No failure to exercise and no delay in exercising on the part of Lender of any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other power or right. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

9. Waiver: Amendments. None of the terms and provisions of this Cash Collateral Agreement may be waived, altered, modified or amended except by an instrument in writing executed by the parties hereto.

10. Representations and Warranties: Covenants.

(a) Pledgor hereby represents and warrants to Lender, effective upon the date hereof and each deposit of Pledged Funds to the Debt Service Reserve Fund and the Replacement Reserve Fund, that:

(i) No filing, recordation, registration or declaration with or notice to any person or entity is required in connection with the execution, delivery and performance of this Cash Collateral Agreement by Pledgor or in order to preserve or perfect the first priority lien and charge intended to be created hereunder in the Pledged Funds.

(ii) Except for the security interest granted to Lender pursuant to this Cash Collateral Agreement, Pledgor is the sole owner of the Pledged Funds, having good and marketable title thereto, free and clear of any and all mortgages, liens, security interests, encumbrances, claims or rights of others.

(iii) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Pledged Funds is on file or of record in any public office, except such as may have been filed by Pledgor in favor of Lender.

(iv) This Cash Collateral Agreement constitutes a valid and continuing first lien on and first security interest in the Pledged Funds in favor of Lender, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such as against creditors of and purchasers from Pledgor.

(b) Without the prior written consent of Lender, Pledgor hereby covenants and agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Funds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Funds, or any interest therein, except for the security interest provided for by this Cash Collateral Agreement.

(c) Pledgor hereby covenants and agrees that it will defend Lender's right, title and security interest in and to the Pledged Funds against the claims and demands of all persons whomsoever except to the extent which arise out of the willful misconduct or gross negligence of Lender.

11. Lender's Expenses and Liabilities. Pledgor shall pay all costs and out-of-pocket reasonable expenses of Lender in connection with the maintenance and operation of this Cash Collateral Agreement made in accordance with the terms hereof. Pledgor also agrees to pay all costs of Lender, including reasonable attorneys' fees, incurred with respect to the enforcement of Lender's rights hereunder.

12. Governing Law. This Cash Collateral Agreement shall be deemed to be a contract under, and for all purposes shall be governed by, and construed and interpreted in accordance with, the law of the State of Arizona.

13. Severability. Any provision of this Cash Collateral Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14. Successors and Assigns. This Cash Collateral Agreement and all obligations of Pledgor hereunder shall be binding upon the successors or assigns of Pledgor, and shall, together with the rights and remedies of Lender hereunder, inure to the benefit of Lender and its successors and assigns.

15. Termination. This Agreement shall terminate and, upon request of Pledgor, all monies (if any) remaining in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be returned to Pledgor at such time as all of the following have occurred: (i) all amounts payable to Lender under the Loan Documents have been paid in full and all other obligations of Pledgor to Lender pursuant to the Loan Agreement have been performed in full, and (ii) Lender has no further obligation to make any loans or advances to Pledgor pursuant to the Loan Agreement or any of the other Loan Documents.

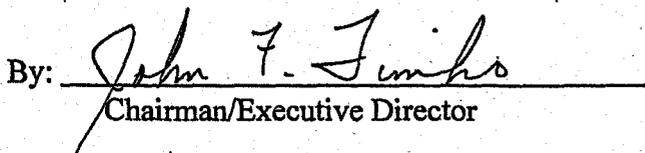
16. Counterparts. This Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be duly executed and delivered as of the date first above written.

Pledgor: ANDERSON BROTHERS WATER COMPANY, an  
Arizona corporation

By:   
Name: James W. Little  
Title: President

Lender: WATER INFRASTRUCTURE FINANCE AUTHORITY  
OF ARIZONA

By:   
Chairman/Executive Director

Return copy or recorded original to:  
**SNELL & WILMER**  
One Arizona Center  
Phoenix, AZ 85004-0001  
Attn: Marilyn L. Benesch, Legal Assistant

**ARIZONA UNIFORM COMMERCIAL CODE  
FINANCING STATEMENT--FORM UCC-1**  
This FINANCING STATEMENT is presented for filing  
(recording) pursuant to the Arizona Uniform Commercial  
Code.

1. Debtor(s) (last name first and address):  
ANDERSON BROTHERS WATER COMPANY  
498 East 4th Street  
Casa Grande, Arizona 85222

2. Secured Party(ies) and address:  
WATER INFRASTRUCTURE FINANCE AUTHORITY OF  
ARIZONA  
202 E. Earll Drive, Suite 480  
Phoenix, AZ 85012

3. Name and Address of Assignee of Secured Party(ies)

4. Proceeds of collateral are also  
covered.

X If checked, products of collateral are also covered.

5. This Financing Statement covers the following types (or items) of property:

**SEE EXHIBIT B ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.**

6. If the collateral is crops, the crops are growing or to be grown on the following described real estate:

7. If the collateral is (a) goods which are or are to become fixtures; (b) timber to be cut; or (c) minerals or the like (including oil and gas), or accounts resulting from the sale thereof at the wellhead or minehead to which the security interest attaches upon extraction, the legal description of the real estate concerned is:

**THE REAL PROPERTY MORE PARTICULARLY DESCRIBED IN EXHIBIT A ATTACHED HERETO AND  
INCORPORATED HEREIN BY REFERENCE (THE "REAL PROPERTY").**

And, this Financing Statement is to be recorded in the office where a mortgage on such real estate would be recorded.  
If the Debtor does not have an interest of record, the name of a recorder owner is:

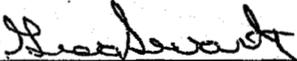
8. This Financing Statement is signed by the Secured Party instead of the debtor to perfect or continue perfection of a security interest in:

- collateral already subject to a security interest in another jurisdiction when it was brought into this state.
- proceeds of collateral because of a change in type or use.
- collateral as to which the filing has lapsed or will lapse.
- collateral acquired after a change of name, identity; or corporate structure of the Debtor.

Dated: May 1, 1999

Signature(s) of Secured Party

WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

By:   
Executive Director

Signature of Debtor

ANDERSON BROTHERS WATER COMPANY, an Arizona corporation

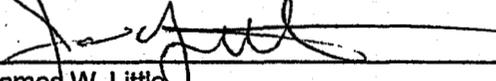
By:   
Name: James W. Little  
Title: President

EXHIBIT A

LEGAL DESCRIPTION

## EXHIBIT B

### COLLATERAL DESCRIPTION

All of Debtor's present and future right, title, and interest in and to any and all of Debtor's Fixtures, Personal Property, General Intangibles, Accounts and Proceeds as defined below, regardless of whether in the possession of Debtor, a bailee, a warehouseman, or any other Person.

(a) the water utility plants and systems of the Debtor, including, but not limited to, all water works, generating stations, substations, pump houses, wells, distribution lines, whether located upon the Real Property or upon public or private easements, leaseholds or the like and which form a part of or are used in connection with the water utility plants or systems of the Debtor (the "Fixtures");

(b) all goods, (whether goods held for sale or returned or whether used in the business of the Debtor or to be installed in or on the Real Property), personal property, equipment, inventory, fixtures, furnishings, devices or tools and all replacements or substitutions of same (the "Personal Property");

(c) all of the franchises, certificates, authorizations by rule, privileges, permits, grants and consents for the construction, operation, and maintenance of water plants or systems in, on, and under streets, alleys, highways, roads, public grounds, easements and rights-of-way and all rights incident thereto which were granted by private persons or entities or the governing bodies of the cities, counties, state, and countries in which the Debtor operates and including, but not limited to, permits and certificates issued pursuant to the applicable provisions of the Arizona Water Code, and all development rights, utility commitments, water and wastewater taps, living unit equivalents, capital improvements project contracts, utility construction agreements with any governmental authority, including municipal utility districts or other constitutional conservation districts created under Article III, Section 52, or Article XVI, Section 59, of the Arizona Constitution, or with any utility companies (and all refunds and reimbursements thereunder) relating to the Real Property or Improvements, as any of the foregoing may be amended, and all plants and specifications for water utility plants or systems and all Debtor's rights (but not Debtor's obligations) under any documents, contract rights, accounts, commitments, construction contracts (and all payment and performance bonds, statutory or otherwise, issued by any surety in connection with any such construction contracts, and the proceeds of such bonds), architectural contracts, engineering contracts, and general intangibles (including without limitation trademarks, trade names, and symbols) arising from or by virtue of any transactions related to the Real Property, the Improvements, or the Personal Property, management contracts and all of the Debtor's rights under any contracts otherwise providing for the purchase, lease, sale or assignment of water or water rights (the "General Intangibles");

(d) all accounts arising from or by virtue of the sale, lease or disposition of any of the Real Property, or from any policy of insurance or the taking of any of the Real Property by right of eminent domain or condemnation or by private or other purchase in lieu thereof, including change of grade of street, curb cuts or other rights of access, for any public or quasi-public use under any law and all amounts due under current and future water supply customer accounts, including but not limited to those future accounts arising from any water utility plants or systems (or for delivery of water by any other means (the "Accounts"));

(e) all deposits, bank accounts, funds, instruments, notes or chattel paper of Borrower, including, without limitation cash or securities deposited pursuant to leases to secure performance by the tenants of their obligations thereunder; and proceeds arising from or by virtue of the sale, lease or other disposition of the Real Property and proceeds (including premium refunds) of each policy of insurance relating to the Real Property (the "Proceeds")

(f) all of the following: (i) any lease or other right to use; (ii) any assignment as security, conditional sale, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; and (iii) any option, right of first refusal, other right to acquire, or other interest or right ("Liens and Encumbrances").

All other capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Uniform Commercial Code in effect in the State of Arizona (A.R.S. §§ 47-1101 through 47-9507).

## SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT ("Subordination Agreement") is made as of May 1, 1999, by ANDERSON BROTHERS WATER COMPANY (hereinafter called "Borrower"), and James W. Little (hereinafter collectively called "Creditor"), in favor of WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (hereinafter called "Lender").

### RECITALS

A. Borrower is or may hereafter become obligated to Lender to the extent permitted pursuant to that certain Loan Agreement of even date herewith (the "Loan Agreement") between Borrower and Lender.

B. It is a condition to the making of the Loan, as defined in the Loan Agreement, that Borrower and Creditor enter into this Subordination Agreement.

C. In order to induce the Lender to enter into the Loan and to from this time, or from time to time, at its option, make loans or extend credit or other accommodations or benefits to or for the account of Borrower, with or without security, or to purchase or extend credit upon any instrument or writing in respect of which the Borrower may be liable in any capacity in such manner and amount and upon terms and conditions as the Lender may deem advisable, and in consideration of any such loan, renewal or extension of credit which the Lender may make, the undersigned Creditor does hereby wholly subordinate, as hereinafter provided, any and all present and future indebtedness or obligations of Borrower to Creditor, absolute or contingent, and any instrument, negotiable or otherwise, evidencing any such indebtedness, and all claims, rights and remedies therefor, (sometimes hereinafter referred to as "Subordinated Indebtedness") to any and all indebtedness of Borrower to Lender, whether now existing or hereafter arising, direct or indirect, absolute or contingent, joint, several, or joint and several, secured or unsecured, due, or not due (including, without limitation, all amounts due under the Loan Agreement and the Loan Documents thereunder), and whether arising directly between Borrower and Lender, or acquired outright, conditionally or as collateral security from another by the Lender, and any renewals, modifications or extensions thereof, and any interest thereon, and all costs of collecting the same, including, but not limited to reasonable attorneys' fees incurred by Lender (sometimes hereinafter referred to as "Superior Indebtedness").

NOW THEREFORE, so long as Borrower is indebted to Lender on account of Superior Indebtedness, the parties hereto undertake and agree as follows:

1. The Subordinated Indebtedness shall, at all times and in all respects, be wholly subordinate and inferior in claim and right to the Superior Indebtedness, and all claims, rights and

remedies and interests in collateral given as security therefor are hereby subordinated and made subsequent and inferior to the Superior Indebtedness and any claims, rights and remedies arising out of, or in connection therewith. Creditor shall not exercise any such claims, rights or remedies until repayment in full of the Superior Indebtedness.

2. So long as no Event of Default (as defined in the Loan Agreement) or event which with notice or lapse of time or both would become an Event of Default has occurred and is continuing, regularly scheduled payments on the Subordinated Indebtedness may be made by Borrower and accepted by Creditor as such payments become due.

3. During any period that an Event of Default, or an event which with notice or lapse of time or both would become an Event of Default, has occurred and is continuing, Borrower shall not make and Creditor shall not accept any payments with respect to the Subordinated Indebtedness.

4. In the event of any distribution, division, or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of Borrower, or the proceeds thereof, to creditors of Borrower, by reason of the liquidation, dissolution, or other winding up of Borrower's business, or in the event of any sale, receivership, insolvency or bankruptcy proceedings by or against Borrower, or assignment for the benefit of creditors, or of any proceedings by or against Borrower for any relief under any bankruptcy or insolvency laws, or relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions, or of any other event whereby it becomes necessary or desirable to file or present claims against Borrower for the purpose of receiving payment thereof, or on account thereof, then and in any such event, any payment or distribution of any kind or character, either in cash or other property, which shall be made or shall be payable with respect to any Subordinated Indebtedness shall be paid over to Lender for application to the payment of the Superior Indebtedness, whether due or not due, and no payments shall be made upon or in respect of Subordinated Indebtedness unless and until the Superior Indebtedness shall have been paid and satisfied in full. In any such event, all claims of the Lender and all claims of the Creditor shall, at the option of the Lender, forthwith become due and payable without demand or notice.

5. Should any payment or distribution or security or proceeds thereof, other than the payments permitted pursuant to paragraphs 2 and 3 hereof, be received by Creditor upon or with respect to the Subordinated Indebtedness prior to the satisfaction of the Superior Indebtedness, Creditor will forthwith deliver the same to Lender in precisely the form as received except for the endorsement or assignment of Creditor where necessary for application on the Superior Indebtedness, whether due or not due, and until so delivered the same shall be held in trust by Creditor as property of the Lender. In the event of the failure of Creditor to make any such endorsement or assignment, the Lender, or any of its officers or employees, on behalf of the Lender, is hereby irrevocably authorized to make the same.

6. No renewal, modification or extension of time of payment of the Superior Indebtedness, and no release or surrender of any security for the Superior Indebtedness, or the obligations of any endorsers, sureties or guarantors thereof, or release from the terms of this or any other subordination agreement of any claims subordinated, and no delay or omission in exercising any right or power on account of or in connection with the Superior Indebtedness, or under this Subordination Agreement, shall, in any manner, impair or affect the rights and duties of Lender, the Creditor and Borrower. Lender, in its uncontrolled discretion, may waive or release any right or option under this Subordination Agreement without the consent of Borrower or Creditor, and without otherwise in any way affecting the obligations of Borrower and Creditor hereunder. Creditor hereby waives notice of the creation, existence, renewal, or modification or extension of the time of payment, of the Superior Indebtedness.

7. This Subordination Agreement shall be a continuing agreement and Lender may continue, without notice to Creditor, to lend monies, extend credit and make other accommodations to or for the account of Borrower on the faith hereof.

8. Creditor agrees that Lender, at any time and from time to time, may enter into such agreement or agreements with Borrower, as Lender may deem proper, extending the time of payment or renewing or otherwise altering the terms of all or any of the obligations of Borrower to Lender, or affecting any security underlying any or all of such obligations, or may exchange, sell or surrender or otherwise deal with any such security, or may release any balance of funds of Borrower with Lender, without notice to Creditor and without in any way impairing or affecting this Subordination Agreement.

9. No waiver shall be deemed to be made by Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of the Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Lender or the obligations of Creditor to Lender in any other respect at any other time.

10. This Subordination Agreement shall inure to the benefit of Lender and the successors and assigns of Lender, and any financing institution joining in making said loan(s) or extending said line(s) of credit, or committing itself to make any advances in connection therewith, or which may now, or hereafter, participate therein. Notice of acceptance of this Subordination Agreement is hereby waived and this Subordination Agreement shall be binding upon the Creditor, its heirs, personal representatives, successors and assigns, as the case may be, it being understood, however, that no assignment of the Subordinated Indebtedness due Creditor from Borrower, or any part thereof, shall be made to one not a party hereto without the written consent of the Lender first had and obtained, as hereinabove provided.

11. Creditor agrees not to commence or join with any other creditor of Borrower in commencing any bankruptcy, reorganization or insolvency proceedings against the Borrower.

12. This Subordination Agreement shall be deemed to have been executed, delivered and performed in Arizona, and construed according to the laws of the State of Arizona. Creditor and Borrower waive notice of acceptance hereof and all other notices or demands whatsoever.

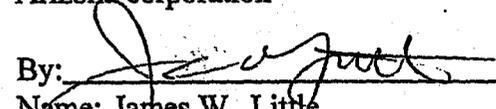
13. In the event of a breach of any covenant or agreement made herein by either Creditor or Borrower, Lender may, at its option, declare all of the Superior Indebtedness and/or Subordinated Indebtedness immediately due and payable.

14. The words "Creditor" and "Borrower" as herein used shall include the plural as well as the singular and, if Creditor or Borrower includes two (2) or more, they shall be jointly and severally bound hereby.

15. This Subordination Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

IN WITNESS WHEREOF, this Subordination Agreement has been duly executed as of the date first written above.

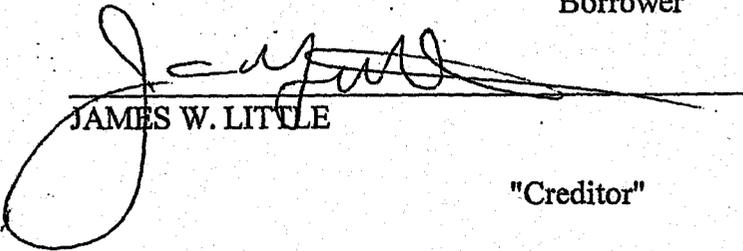
ANDERSON BROTHERS WATER COMPANY, an  
Arizona corporation

By: 

Name: James W. Little

Title: President

"Borrower"

  
JAMES W. LITTLE

"Creditor"

**LOAN AGREEMENT BY AND BETWEEN**

**WATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA**

**AND**

**MOHAWK WATER COMPANY**

**Dated May 1, 1999**

## TABLE OF CONTENTS

SECTION 1.	SUMMARY OF LOAN TERMS .....	1
SECTION 2.	THE LOAN .....	2
SECTION 3.	ADVANCES .....	3
SECTION 4.	PAYMENT OF PRINCIPAL, INTEREST AND FEES .....	3
SECTION 5.	LOAN AND SECURITY DOCUMENTS .....	4
SECTION 6.	DEBT SERVICE RESERVE FUND .....	5
SECTION 7.	REPLACEMENT RESERVE FUND .....	6
SECTION 8.	CONDITIONS PRECEDENT .....	7
SECTION 9.	REPRESENTATIONS AND WARRANTIES .....	8
SECTION 10.	AFFIRMATIVE COVENANTS ..?	11
SECTION 11.	NEGATIVE COVENANTS .....	16
SECTION 12.	EVENTS OF DEFAULT .....	17
SECTION 13.	REMEDIES UPON EVENT OF DEFAULT .....	18
SECTION 14.	SURVIVAL .....	19
SECTION 15.	INTEGRATION, CHANGE, DISCHARGE, TERMINATION, OR WAIVER .....	19
SECTION 16.	PARTIES AND BINDING EFFECT .....	19
SECTION 17.	COSTS AND EXPENSES .....	20
SECTION 18.	AUTHORITY TO FILE NOTICES .....	20
SECTION 19.	INCONSISTENCIES WITH LOAN DOCUMENTS .....	20
SECTION 20.	NO WAIVER .....	20
SECTION 21.	LENDER APPROVAL OF INSTRUMENTS AND PARTIES .....	20

SECTION 22.	LENDER DETERMINATION OF FACTS .....	20
SECTION 23.	INCORPORATION OF PREAMBLE, RECITALS AND STATEMENT OF TERMS .....	20
SECTION 24.	DISCLAIMER BY LENDER .....	20
SECTION 25.	SEVERABILITY .....	21
SECTION 26.	CHOICE OF LAW AND JURISDICTION .....	21
SECTION 27.	CAPTIONS .....	21
SECTION 28.	WAIVER OF JURY TRIAL .....	21
SECTION 29.	TIME OF THE ESSENCE .....	21
SECTION 30.	NOTICES AND DEMANDS .....	21
SECTION 31.	NO CONSTRUCTION AGAINST LENDER OR BORROWER .....	22
SECTION 32.	RESCISSION OR RETURN OF PAYMENTS .....	22
SECTION 33.	INDEMNIFICATION OF LENDER .....	22
SECTION 34.	WAIVER OF STATUTE OF LIMITATIONS .....	22
SECTION 35.	NUMBER AND GENDER .....	22
SECTION 36.	HEADINGS AND REFERENCES .....	22
SECTION 37.	COUNTERPART EXECUTION .....	22
SECTION 38.	ARBITRATION .....	23
SECTION 39.	NOTICE REGARDING A.R.S. § 38-511 .....	23
SECTION 40.	SIGNS.....	23

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**  
**LOAN AGREEMENT**  
(Non-governmental Water System)

**DATE:** May 1, 1999

**PARTIES:** Borrower: MOHAWK WATER COMPANY

Borrower 498 East 4th Street  
Mailing : Casa Grande, Arizona 85222  
Address: Attention: James W. Little

Borrower 498 East 4th Street  
Business Office Casa Grande, Arizona 85222  
Street Address:

Lender: WATER INFRASTRUCTURE FINANCE AUTHORITY OF  
ARIZONA

Lender 202 E. Earll Drive, Suite 480  
Address: Phoenix, Arizona 85012  
Attention: Executive Director

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 above by and between Borrower and Lender set forth above. Borrower and Lender agree as follows:

**SECTION 1. SUMMARY OF LOAN TERMS.** On all of the terms and subject to all of the conditions set forth in this Agreement, Lender agrees to make a loan (the "Loan") to Borrower. The terms and conditions of the Loan include, but are not limited to, the following:

- (a) **Loan Amount:** Up to \$157,350.00
- (b) **Purpose of Loan:** An abandoned agricultural well will be rehabilitated, and the water from that well transported via a six (6) inch transmission main to the existing 265,000 gallon storage tank located at Anderson and Trading Post Roads creating a blend within safe drinking water standards. From the centralized storage facility, water will be delivered to both Mohawk Water Company and with the construction of a 16,000 foot long transmission main to Anderson Brothers Water company customers.
- (c) **Combined Interest and Fee Rate:** 5.43%

4. (d) **Closing Fee:** \$786.75 (0.5% of Loan Amount); see Subsection (b) of Section
- (e) **Principal and Interest Repayment Dates:** Monthly, commencing January 15, 2000, with the final principal repayment on December 15, 2019.
- (f) **Debt Service Reserve Fund:** Required in the total amount of \$12,914.15 by December 15, 2004, by monthly deposits of \$215.24, commencing January 15, 2000, and continuing on the same day of each Payment Date, subject to adjustment; see Section 6.
- (g) **Replacement Reserve Fund:** Required monthly deposits to begin January 15, 2005, in the amount of \$215.24, annual deposits to total \$2,582.83; see Section 7.
- (h) **Quarterly Financial Statements from Borrower:** Quarterly financial statements are due within thirty (30) days after the end of each calendar quarter in a format approved by the Lender. The quarterly financial statements must be submitted by the Borrower with respect to each calendar quarter through and including the calendar quarter ending December 31, 1999. All such statements of Borrower shall be prepared by Borrower and certified by Borrower's chief financial officer or treasurer. See Clause (ii) of Subsection (I) of Section 10.
- (i) **Annual Financial Statements from Borrower:** Annual financial statements are due within one-hundred and eighty (180) days after the end of each fiscal year of Borrower in a format approved by the Lender. All such statements of Borrower shall be prepared by Borrower and certified by Borrower's chief financial officer or treasurer. See Clause (I) of Subsection (I) of Section 10.
- (j) **Fiscal Year of Borrower:** From January 1 to December 31 of each year.
- (k) **Limit on Other Borrowings and Leases Without Lender Consent:** \$50,000.00; see Subsections (a) and (f) of Section 11.
- (l) **Subordinated Creditors:** James W. Little; see Clause (x) of Subsection (a) of Section 8.
- (m) **Borrower Deposit Account:** Demand Deposit Account in the name of Borrower, Account number 600-652-0012 maintained with The Bank of Casa Grande Valley.

**SECTION 2. 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 Statement of Terms. The obligation of Borrower to repay the Loan is evidenced by the Promissory

Note, 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 3 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 action 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 3. PAYMENT OF PRINCIPAL, INTEREST AND FEES.**

(a) **Principal and Interest.** 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.

(i) **Loan Repayment Schedule.** Borrower shall pay to Lender the amounts shown in the Loan repayment schedule in Schedule 1 hereto on or before the dates shown in Schedule 1 as the same may be adjusted as provided below to reflect the revised principal repayment schedule of the Loan. At the expiration of the Commitment, if the total amount of the Advances is less than the maximum Loan Amount, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Schedule 1 shall be adjusted based on (A) the principal balance then outstanding, (B) the amortization schedule as provided in Schedule 1 and © the Combined Interest and Fee Rate. Upon such adjustment, Lender shall compute the adjusted

interest payment amounts for each Payment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to Borrower.

(ii) **Prepayment.** Borrower may prepay the Loan, in whole, or in part in increments of principal of not less than \$5,000.00, at any time without premium or penalty. Prepayment shall not alter the repayment schedule except to the extent that the final principal repayment date and the final interest repayment date shall be affected thereby.

(iii) **Application of Payments.** Absent a default under the Note or this Agreement, any payments received by Lender shall be applied first to sums, other than principal and interest, due Lender, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by Lender after any Event of Default shall be applied to the amounts specified in this paragraph in such order as Lender may, in its sole discretion, elect.

(iv) **Late Payments.** If any payment of interest and/or principal is not received by Lender when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at the an annual rate equal to the sum of (I) six percent (6%) and (ii) the Interest Rate specified in Section 1, payable on demand.

(v) **Calculations of Interest.** Interest shall be calculated on the actual number of days each Advance is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Advance is made shall be included and the date each such Advance is repaid shall be excluded.

(vi) **Payment on Maturity Date.** On the final Principal Repayment Date, Borrower shall make one (1) final payment of principal, accrued and unpaid interest, and all other amounts due and payable hereunder and under all of the Loan Documents.

(b) **Closing Fee.** As additional consideration for the Loan, Borrower agrees to pay to Lender a Closing Fee of one half of one percent (0.5%) of the maximum Loan amount, which shall be non-refundable to Borrower, shall be held and retained by Lender as its sole property, and shall not be applied to any payments due under the Loan Documents.

**SECTION 4. 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 and the Cash Collateral Agreement of even date herewith by and between Borrower and Lender (the "Cash Collateral Agreement") providing for the holding of, and granting Lender a security interest in, the Debt Service Reserve Fund and the Replacement Reserve Fund (as hereinafter described). The Continuing Security Agreement and the Cash Collateral Agreement, 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 are referred to as the "Loan Documents".

#### SECTION 5. DEBT SERVICE RESERVE FUND.

(a) The deposits required pursuant to Subsection (f) of Section 1 of this Agreement shall be automatically debited from the Borrower Deposit Account along with Borrower's regularly scheduled payments of principal and interest. The amount allocated to the Debt Service Reserve Fund shall be administered and invested by the Lender and allocated to the Borrower (the "Debt Service Reserve Fund"). Amounts therein shall secure payment to Lender of Loan repayments payable under the Loan Documents pursuant to the Cash Collateral Agreement. The regularly scheduled deposits into the Debt Service Reserve Fund shall be in an amount, as determined by Lender, so as to accumulate over five (5) years an amount equal to the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule, which Borrower and Lender agree is the initial amount of the debt service reserve requirement (the "Debt Service Reserve Requirement") for the Loan. Initially, the amount of the Debt Service Reserve Requirement and the amount of the required periodic build up are set forth in Section 1. The amount of the Debt Service Reserve Requirement and the amount of the required periodic build up will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if on any Payment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, Borrower hereby consents and directs the Lender to transfer, the amount of the deficiency from the Debt Service Reserve Fund to the payment of any amounts due. Borrower shall then cause to be delivered to Lender for deposit to the Debt Service Reserve Fund after provision is made for payment of amounts which have become due under this Agreement an amount sufficient to cause the amount credited to the Debt Service Reserve Fund to be at least equal to the amount then required to be on deposit therein.

(c) The Lender may commingle funds of Borrower with other funds but shall keep adequate and accurate records of moneys and investment earnings on amounts credited to the Debt Service Reserve Fund. Borrower shall pay the reasonable fees and charges of the Lender for administering the Debt Service Reserve Fund from investment earnings on amounts credited to the Debt Service Reserve Fund in an amount not to exceed 10% of investment earnings. The Lender will not assess any fees and charges in connection with administering the Debt Service Reserve Fund.

(d) Not less than annually, Lender shall deliver to Borrower an accounting of the Debt Service Reserve Fund, indicating the principal amount therein, and net annual investment earnings (investment earnings less administrative costs and fees pursuant to Clause © of Section 6) (the "Net Earnings"). Net Earnings shall be applied not less than quarterly as a prepayment of

principal pursuant to Clause (ii) of Subsection (a) of Section 4 of this Agreement, notwithstanding that the prepayment is less than \$5,000.00.

(e) When all amounts payable by Borrower under this Agreement have become due, and all such amounts have been paid, the Lender may transfer to Borrower all monies and Net Earnings credited to the Debt Service Reserve Fund.

#### **SECTION 6. REPLACEMENT RESERVE FUND.**

(a) Borrower shall establish a separate account to secure payment to Lender of Loan repayments payable under the Loan Documents (the "Replacement Reserve Fund"). The Replacement Reserve Fund shall be held and administered by the Borrower in an account which is acceptable to Lender pursuant to the provisions of the Cash Collateral Agreement. Borrower shall cause to be deposited on or before the first business day of each month commencing with the sixty-first (61st) month following the month in which the first Advance occurs amounts at least equal to one-twelfth (1/12th) of twenty percent (20%) of the highest amount of Loan repayments by Borrower in any fiscal year as shown in the Loan repayment schedule. Initially, the amount of the required monthly deposit and the aggregate annual deposits are set forth in Section 1. The amount of the required monthly deposit will be adjusted to reflect any adjustment of the Loan repayment schedule.

(b) For so long as the Loan is outstanding, if no Event of Default, and no event or occurrence which, with the giving of notice or the passage of time or both, would become and Event of Default (an "Unmatured Event of Default"), has occurred and is continuing, Borrower from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the drinking water system provided that the property is depreciable; (ii) for the performance of repairs with respect to the drinking water system which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the drinking water system provided that the property is depreciable; and/or (iv) to make payments to Lender on the Loan.

(c) For so long as the Loan is outstanding, if on any Payment Date or Principal Repayment Date Borrower has not paid to Lender an amount equal to the amount of principal and interest due on the Loan pursuant to this Agreement, and the Debt Service Reserve Fund does not hold sufficient moneys to cover the deficiency, Lender will direct the Borrower to transfer, and Borrower hereby consents to transfer, the amount of the deficiency from the Replacement Reserve Fund to Lender.

(d) The Lender shall require that the Borrower shall keep adequate and accurate records of moneys, investments and investment earnings on amounts credited to the Replacement

Reserve Fund. Lender shall have the right to audit the records of the Borrower insofar as they pertain to the Replacement Reserve Fund.

## SECTION 7. CONDITIONS PRECEDENT.

(a) **Conditions Precedent to Initial Advance.** This Agreement and Lender's obligation to and make the initial Advance shall become effective only upon satisfaction, at Borrower's sole cost and expense, of the following conditions precedent, as determined by Lender in its absolute and sole discretion on or before the date of such Advance:

(i) **Loan Documents.** That Lender receive duly executed originals of this Agreement, the Note, the Security Agreement, the Cash Collateral Agreement and all other instruments and documents contemplated hereby.

(ii) **Corporate Existence and Authorization.** That Lender receive copies of (A) all corporate resolutions, documents and proceedings of Borrower authorizing the execution, delivery, and performance of the Loan Documents to which it is a party, certified to be true and correct by the Secretary of Borrower; (B) Borrower's Articles of Incorporation, with all amendments certified by the Arizona Corporation Commission; © certificate as to Borrower's good standing from the Arizona Corporation Commission and (D) Borrower's Bylaws with all amendments certified by the Secretary of Borrower.

(iii) **Approvals.** That Lender receive evidence satisfactory to it that all consents and approvals which are necessary for, or required as a condition of, the validity and enforceability of the Loan Documents have been obtained and are in full force and effect.

(iv) **Opinion of Counsel.** That Lender receive an opinion of counsel for Borrower (who shall be acceptable to Lender) in form and content acceptable to Lender in substantially the form attached hereto as Exhibit A.

(v) **Perfection and Priority of Liens.** That Lender receive evidence satisfactory to it that Lender has, as of the date of the initial Advance, a duly perfected security interest on all security provided for herein.

(vi) **Permits.** That Lender receive evidence satisfactory to it that Borrower possesses all necessary operating permits, authorizations, approvals, and the like which are material to the conduct of Borrower's business or which may otherwise be required by law.

(vii) **Fees, Expenses.** That Borrower pay the fee set forth in Subsection (b) of Section 4 hereof, pay the costs and expenses to obtain, perfect and determine the priority of any security hereof. Further, if all costs and expenses of this transaction are not known at the time of the initial advance, Borrower agrees to pay such costs and expenses upon demand.

(viii) **Insurance.** That Lender receive evidence of insurance in such amount and covering such risks as are usually carried by companies engaged in the same or similar business.

(ix) **Debt Service Reserve and Replacement Reserve.** That Lender receive evidence that Borrower has established the Debt Service Reserve Fund and Replacement Reserve Fund as required in Sections 6 and 7 hereof.

(x) **Subordination Agreement.** That Lender receive a Subordination Agreement, in form and substance satisfactory to Lender, fully executed by the Borrower and the Subordinated Creditors referenced in Section 1.

(b) **Advances Generally.** Lender's obligation to make each Advance hereunder, including the initial Advance, is subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance

(i) **Event of Default.** That no Event of Default (as that term is defined in Section 12 hereof) exists, and that there has occurred no event which with the passage of time or the giving of notice, or both, could become an Event of Default (a "Default").

(ii) **Continuing Representations and Warranties.** That the representation and warranties of Borrower contained in this Agreement be true and correct on and as of the date of the initial Advance and each subsequent Advance as though made on and as of such date.

(iii) **Other Items.** That Lender receive such other items or documents as Lender may reasonably require.

#### **SECTION 8. REPRESENTATIONS AND WARRANTIES.**

(a) **Organization; Power; Etc.** Borrower (I) is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents to which it is a party, (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law; (v) is eligible to borrow from Lender.

(b) **Due Authorization; No Violations; Etc.** The execution and delivery by Borrower of, and the performance by Borrower of its obligations under, the Loan Documents have been duly authorized by all requisite corporate action on the part of Borrower and do not and will not (I) violate any provision of any law, rule or regulations, any judgment, order or ruling of any court or governmental agency, the articles of incorporation or bylaws of Borrower, or any agreement,

indenture, mortgage, or other instrument to which Borrower is a party or by which Borrower or any of its properties is bound or (ii) be in conflict with, result in a breach of, or constitute with the giving of notice or lapse of time, or both, a default under any such agreement, indenture, mortgage, or other instrument. No action on the part of any member or shareholder of Borrower is necessary in connection with the execution and delivery by Borrower of and the performance by Borrower of its obligations under the Loan Documents except for actions which have occurred.

(c) **Consents.** No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents to which Borrower is a party, except such as have been obtained and are in full force and effect.

(d) **Binding Agreement.** Each of the Loan Documents to which Borrower is a party is, or when executed and delivered will be, the legal, valid, and binding obligation of Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(e) **Compliance with Laws.** Borrower is in compliance in all material respects with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, except as Borrower has disclosed on Schedule 2 attached hereto.

(f) **Environmental Compliance.** Without limiting the provisions of Subsection (e) above, all property owed or leased by Borrower and all operations conducted by it are in compliance in all material respects with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations, under the Loan Documents, except as Borrower has disclosed on Schedule 2 attached hereto.

(g) **Litigation.** There are no pending legal, arbitration, or governmental actions or proceedings to which Borrower is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, and to the best of Borrower's knowledge, no such actions or proceedings are threatened or contemplated, except as Borrower has disclosed on Schedule 2 attached hereto.

(h) **Title to Property.** Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any lien or encumbrance, except the liens and encumbrances specifically identified on Schedule 2 attached hereto.

(i) **Financial Statements; No Material Adverse Change; Etc.** All financial statements submitted to Lender in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of Borrower and the results of Borrower's operations for the periods covered thereby, and are prepared in accordance with generally accepted accounting principles for regulated utilities ("GAAP") consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of Borrower. All budgets, projections, feasibility studies, and other documentation submitted by Borrower to Lender are based upon assumptions that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(j) **Principal Place of Business; Records.** The principal place of business and chief executive office of Borrower and the place where the records required by **Subsection (g) of Section 10** hereof are kept is at the business office street address of Borrower shown on the first page hereof.

(k) **Subsidiaries.** Borrower has no subsidiary, except as Borrower has disclosed on Schedule 2 attached hereto.

(l) **Water Rights and System Condition.** Borrower has water rights with such amounts, priorities and qualities as are necessary to adequately service Borrower's customers and members. Borrower controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, and has not abandoned such water rights, or any of them, nor has done any act or thing which would impair or cause the loss of any such water rights. Borrower's utility facilities reasonably meet present demand in all material respects, are constructed in a good and workmanlike manner, are in good working order and condition, and comply in all respects with applicable laws.

(m) **Rate Matters.** Borrower's rates for the provision of water services have been approved, if applicable, by the Arizona Corporation Commission and any and all other necessary governmental regulatory authorities, including without limitation, each public service commission or public utilities commission, which may have jurisdiction over the operations and rates of Borrower. Further, there are no pending, nor to Borrower's knowledge any threatened, proceedings before any governmental authority the objective or result of which is or could be to materially reduce or otherwise materially change adversely any of Borrower's rates for the provision of water and/or waste water services.

## SECTION 9. AFFIRMATIVE COVENANTS.

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Advance is outstanding, Borrower agrees to:

(a) **Corporate Existence.** Preserve and keep in full force and effect its corporate existence and good standing in the jurisdiction of its incorporation and its good standing and qualification to transact business in all places required by law.

(b) **Compliance with Laws and Agreements.** Comply in all material respects with (i) all Laws, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents; and (ii) all agreements, indentures, mortgages, and other instruments to which it is a party or by which it or any of its property is bound.

(c) **Compliance with Environmental Laws.** Without limiting the provisions of Subsection (b) above, comply in all material respects with, and cause all persons occupying or present on any properties owned or leased by Borrower to so comply with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents.

(d) **Licenses; Permits; Etc.** Duly and lawfully obtain and maintain in full force and effect all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of Borrower's business or which may be otherwise required by law.

(e) **Insurance.** Maintain insurance with insurance companies or associations acceptable to Lender in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as Lender may request. All such policies insuring any collateral provided for herein, shall provide for loss payable clauses or endorsements in form and content acceptable to Lender. At the request of Lender, all policies (or such other proof of compliance with this Section as may be satisfactory) shall be delivered to Lender.

(f) **Property Maintenance.** Maintain and preserve at all times its property, and each and every part and parcel thereof, in good repair, working order and condition and in compliance with all applicable laws, regulations and orders.

(g) **Books and Records.** Keep adequate records and books of account in accordance with GAAP consistently applied.

(h) **Inspection.** Permit Lender or its agents, during normal business hours or at such other times as the parties may agree, to examine Borrower's properties, books, and records, and to discuss Borrower's affairs, finances, operations, and accounts with its respective officers, directors, employees, and independent certified public accountants.

(i) **Reports and Notices.** Furnish to Lender.

(i) **Annual Financial Statements.** As soon as available, but in no event later than the number of days set forth in **Section 1** after the end of any fiscal year of Borrower occurring during the term hereof, annual financial statements of Borrower prepared in accordance with GAAP consistently applied. Such annual financial statements shall: (I) be prepared in reasonable detail and in comparative form; and (ii) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(ii) **Quarterly Financial Statements.** As soon as available but in no event more than the number of days set forth in **Section 1** after each quarter end for so long as required under **Section 1**, a balance sheet, a statement of income for such quarter and for the period year to date, and such other quarterly statements as Lender may specifically request, which quarterly statements shall include any and all supplements thereto.

(iii) **Notice of Default.** Promptly after becoming aware thereof, a notice of (I) the occurrence of any Default 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 breach, default, or event of default under any agreement, indenture, mortgage, or other instrument (other than the Loan Documents) to which it is a party or by which it or any of its property is bound or affected if the effect of such breach, default, event of default or event 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 Lender to exercise any and all of the remedies specified herein.

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

(v) **Notice of Environmental Litigation.** Without limiting the provisions of **Clause (iv)** above, promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Borrower to undertake or to contribute to a cleanup or other response under Laws relating to environmental protection, or which seeks penalties, damages, injunctive relief, or criminal sanctions related to

alleged violations of such Laws, or which claims personal injury or property damage to any person 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 Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents.

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

**(vii) Material Adverse Change.** Prompt notice of any mater which has resulted or may result in a material adverse change in the condition, financial or otherwise, operations, properties, or business of Borrower, or the ability of Borrower to perform its obligations under the Loan Documents.

**(viii) Compliance Certificates.** Concurrent with each statement required to be furnished pursuant to **Clause (I)** above, a certificate of a responsible officer or employee of the Borrower acceptable to Lender (and attached hereto as Exhibit B), certifying that (i) such financial statements are prepared in accordance with GAAP consistently applied (except as may be noted therein) and fairly present its financial condition during the periods covered thereby and as of the dates thereof (subject to normal year-end adjustment); and (ii) setting forth calculations showing compliance with the financial covenants set forth in **Subsections (j)** and **(k)** below.

**(ix) Other Information.** Such other information regarding the condition, financial or otherwise, or operations of the Borrower as Lender may, from time to time, reasonably request.

**(j) Debt Service Reserve.** Establish upon closing and maintain the Debt Service Reserve Fund and the Replacement Reserve Fund (the "Reserves") in accordance with the provisions hereof.

**(k) DSC.** Achieve, at each fiscal year end a Debt Service Coverage Ratio ("DSC") of 1.20. For the purposes of this Section, DSC shall be computed by adding net income plus interest expense, depreciation and amortization expenses and dividing the total by the sum of principal and interest payments required during the period. In the computation of net income, gains and losses and any taxes or reduction of taxes resulting from the sale or other disposition or abandonment of capital assets, or from increases or decreases in value of capital assets, or from the retirement or reacquisition or resale or reissuance of debt or capital stock, shall be disregarded.

**(l) Use of Dividends and Surplus Revenues.** Retain all existing capital and retained earnings in the business and retain all revenue which may accumulate over and above that

needed to pay operating, maintenance, debt service, and Reserve requirements; or use same to reduce obligations due creditors; or invest same for capital expenditures related directly to Borrower's ability to provide services to users.

(m) **Water Rights.** Maintain or procure water rights with such amounts, priorities and qualities as are necessary to service adequately Borrower's customers and members. Borrower will continue to control, own or have access to all such water rights free and clear of the interest of any third party, will not suffer any transfer or encumbrance of such water rights, will not abandon such water rights, or any of them, nor do any act or thing which would impair or cause the loss of any such water rights.

(n) **Operation and Maintenance of System.** Borrower covenants and agrees that it shall, in accordance with prudent utility practice, (a) at all times operate the properties of the water system and any business in connection therewith in an efficient manner, (b) maintain its drinking water system in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its drinking water system so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(o) **Archaeological Artifacts.** In the event that archaeological artifacts or historical resources are discovered during construction excavation of the project, Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office, and Lender of such discovery.

(p) **Federal Safe Drinking Water Act.** 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 Borrower agrees that the project will comply with applicable provisions of those federal laws and authorities listed below:

ENVIRONMENTAL:

1. Archeological and Historic Preservation Act of 1974, Pub. L. 85-523, as amended.
2. Clean Air Act, Pub. L. 84-159, as amended.
3. Coastal Barrier Resources Act, Pub. L. 97-348.
4. Coastal Zone Management Act, Pub. L. 92-583, as amended.
5. Endangered Species Act, Pub. L. 93-205, as amended.
6. Environmental Justice, Executive Order 12898.

7. Floodplain Management, Executive Order 11988 as amended by Executive Order 12148.
8. Protection of Wetlands, Executive Order 11990.
9. Farmland Protection Policy Act, Pub. L. 97-98.
10. Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended.
11. National Historic Preservation Act of 1966, PL 89-665, as amended.
12. Safe Drinking Water Act, Pub. L. 93-523, as amended.
13. Wild and Scenic Rivers Act, Pub. L. 90-542, as amended.

ECONOMIC AND MISCELLANEOUS:

1. Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372.
2. Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
3. Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended.
4. Debarment and Suspension, Executive Order 12549.

SOCIAL POLICY:

1. Age Discrimination Act of 1975, Pub. L. 94-135.
2. Title VI of the Civil Rights Act of 1964, Pub. L. 88-352 (The Civil Rights Act and related anti-discrimination statutes apply to all the operations of the SRF program).
3. Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
4. Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250).

5. The Drug-Free Workplace Act of 1988, Pub. L. 100-690 (applies only to the capitalization grant recipient).
6. Equal Employment Opportunity, Executive Order 11246.
7. Women's and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432.
8. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
9. Anti-Lobbying Provisions (40 CFR Part 30) (applies only to capitalization grant recipients).

(q) **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 Lender monies. If a contract is awarded pursuant to this Loan Agreement the local borrower shall be bound to supply the required reports to Lender. 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 Borrower by Lender.

#### **SECTION 10. NEGATIVE COVENANTS.**

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, wether or not any advance is outstanding, Borrower shall not:

(a) **Borrowings.** Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, for the deferred purchase price of property or services, or for the lease of real or personal property which lease is required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to the Borrower but which otherwise would be required to be capitalized under GAAP (a "Capital Lease"), except for (i) accounts payable to trade creditors and current operating liabilities (other than for borrowed money) incurred in the ordinary course of Borrower's business, and (ii) Capital Leases, the aggregate amount of which does not exceed at any one time the amount set forth in **Section 1** hereof.

(b) **Liens.** Create, incur, assume, or allow to exist any mortgage, deed of trust, deed to secure debt, pledge, lien, (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal. The foregoing restrictions shall not apply to (i) liens in favor of Lender; (ii) liens for taxes, assessments, or governmental charges that are not past due; (iii) liens, pledges, and deposits under workers' compensation, unemployment insurance, and social security laws; (iv) liens, deposits, and pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money),

and like obligations arising in the ordinary course of borrower's business as conducted on the date hereof; and (v) liens imposed by law in favor of mechanics, materialmen, warehousemen, and like persons that secure obligations that are not past due.

(c) **Mergers; Acquisitions; Etc.** Merge or consolidate with any other entity, or acquire all or substantially all of the assets of any person or entity, or form or create any new subsidiary or affiliate, or commence operations under any other name, organization, or entity, including any joint venture. Notwithstanding the foregoing, Lender hereby consents to the merger of Borrower with Anderson Water Company, Inc., subject to the approval thereof by the Arizona Corporation Commission and subject to Borrower continued existence as the surviving corporation, provided, no Event of Default hereunder or under any of the Loan Documents shall have occurred and be continuing and no event shall have occurred and be continuing which, with the giving of notice or the passage of time, or both, would give rise to an Event of Default hereunder or thereunder. Borrower agrees to notify Lender within thirty (30) days of the date the merger becomes effective.

(d) **Transfer of Assets.** Sell, transfer, lease, or otherwise dispose of any of Borrower's assets, except in the ordinary course of its business or to effect any change in ownership.

(e) **Change in Business.** Engage in any business activities or operations substantially different form or unrelated to Borrower's present business activities or operations.

(f) **Leases.** Create, incur, assume, or permit to exist any obligations as lessee for the rental or hire of any real or personal property, except leases which do not in the aggregate require Borrower to make payments (including, without limitation, taxes, insurance maintenance, and other charges) in any fiscal year of Borrower occurring during the term hereof in excess of the amount set forth in Section 1 hereof.

(g) **Reserves.** Apply, or permit the application of, amounts on deposit in, or required by the provisions of this Agreement to be on deposit in, the Debt Service Reserve Fund and/or the Replacement Reserve Fund except in accordance with the provisions of this Agreement.

## SECTION 11. EVENTS OF DEFAULT.

Each of the following shall constitute an "Event of Default" hereunder:

(a) **Payment Default.** Failure by Borrower to make any payment or investment required to be made hereunder, under the Note, or under any other Loan Document when due.

(b) **Representations and Warranties.** Any representation or warranty made by Borrower herein or in any other Loan Document shall prove to have been false or misleading in any material respect on or as of the date made, including deemed made in connection with each Advance.

(c) **Certain Affirmative Covenants.** Failure by the Borrower to perform or comply with any covenant set forth in **Section 10** hereof (other than **Subsections (iii), (iv), (v), and (vi)**), and such failure continues for fifteen (15) days after written notice thereof shall have been delivered by Lender to Borrower.

(d) **Other Covenants and Agreements.** Borrower should fail to perform or comply with any other covenant or agreement contained herein, including, without limitation, any covenant excluded under **Subsection ©** above.

(e) **Cross-Default.** Borrower should, after any applicable grace period, breach or be in default under the terms of any agreement (other than the Loan Documents) between Borrower and Lender, including, without limitation, any other loan agreement, security agreement, mortgage, deed to secure debt, or deed of trust.

(f) **Other Indebtedness.** 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 default or event of default under any agreement, indenture, mortgage, or other instrument by which Borrower or any of its property is bound or affected (other than the Loan Documents) if the effect of such breach, default, event of default or event is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument.

(g) **Judgments.** Judgments, decrees, or orders for the payment of money in the aggregate in excess of the amount set forth in **Section 1** hereof shall be rendered against Borrower and either (i) enforcement proceedings shall have been commenced; or (ii) such judgments, decrees, and orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(h) **Insolvency; Etc.** Borrower: (i) shall become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they come due; or (ii) shall suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) shall apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) shall commence with respect to it or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction.

(i) **Material Adverse Change.** Any material adverse change occurs, as reasonably determined by Lender, in Borrower's condition, financial or otherwise, operations, properties, or business or Borrower's ability to perform its obligations under the Loan Documents.

## **SECTION 12. REMEDIES UPON EVENT OF DEFAULT.**

Upon the occurrence of and during the continuance of each and every Event of Default:

(a) **Termination; Etc.** Lender shall have no obligation to make advances hereunder and, upon notice to Borrower, may terminate the Commitment and declare the entire unpaid principal balance of the Note, all accrued interest thereon and all other amounts payable under this Agreement and all other agreements between Lender and Borrower, to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the Note and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by Borrower.

(b) **Enforcement.** Lender may proceed to protect, exercise, and enforce such rights and remedies as may be provided by agreement or under law including, without limitation, the rights and remedies provided for in the Note. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of Lender to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any rights or remedy preclude any other or future exercise thereof, or the exercise of any other right. In addition, Lender may hold and/or set off and apply against Borrower's indebtedness any and all cash, accounts, securities, or other property in Lender's possession or under its control.

(c) **Application of Payments.** After termination and acceleration of the Loan all amounts received by Lender shall be applied to the amounts owing hereunder and under the Note in whatever order and manner as Lender shall in its sole discretion elect.

**SECTION 13. SURVIVAL.** The representations, warranties, and covenants of Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

**SECTION 14. INTEGRATION, CHANGE, DISCHARGE, TERMINATION, OR WAIVER.** The Loan Documents contain the entire understanding and agreement of Lender and Borrower and supersede all prior representations, warranties, agreements, arrangements, and understandings. No provision of the Loan Documents may be changed, discharged, supplemented, terminated, or waived except in a writing signed by Lender and Borrower. No waiver of any breach or default shall be deemed a waiver of any breach or default occurring thereafter or a waiver of the time of the essence provision.

**SECTION 15. PARTIES AND BINDING EFFECT.** This Agreement is made solely between Lender and Borrower, and no other Person shall have any rights hereunder or be a third-party beneficiary hereof. This Loan Agreement shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned; and to the extent that the Borrower is either a partnership or a corporation, all references herein to the Borrower shall be

deemed to include any successor or successors, whether immediate or remote, to such partnership or corporation. Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents without the prior express written consent of Lender, and any purported assignment by Borrower made in contravention hereof shall be void. Lender may from time to time assign, or sell participation interests in, any part or all of the Obligations and its rights and obligations under the Loan Documents in its absolute and sole discretion.

**SECTION 16. COSTS AND EXPENSES.** Borrower agrees to pay, on demand, all internal and external costs, expenses, and fees of Lender in respect of (i) application fees, (ii) enforcement of the Loan Documents and exercise of the rights and remedies of Lender, (iii) defense of the enforceability of the Loan Documents or of the perfection or priority of any Lien granted in the Loan Documents, (iv) any other matter relating to the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents, and (v) preparation for matters within (ii), (iii), or (iv) whether or not any legal proceeding is brought. Such costs shall include, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level). At the option of Lender such costs, expenses, and fees may be deducted from the proceeds of the Loan.

**SECTION 17. AUTHORITY TO FILE NOTICES.** Borrower irrevocably appoints Lender as its attorney-in-fact, with full power of substitution, to file for record, at the Borrower's cost and expense and in Borrower's name, any notices of completion, notices of cessation of labor, or any other notices that Lender considers necessary to desirable to protect its security.

**SECTION 18. INCONSISTENCIES WITH LOAN DOCUMENTS.** In the event of any inconsistencies between the terms of this Agreement and any terms of any of the Loan Documents or any loan application, the terms of this Agreement shall govern and prevail.

**SECTION 19. NO WAIVER.** No disbursement of proceeds of the Loan shall constitute a waiver of any conditions to Lender's obligation to make further disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding Lender from thereafter declaring such inability a default under this Agreement.

**SECTION 20. LENDER APPROVAL OF INSTRUMENTS AND PARTIES.** All proceedings taken in accordance with transactions provided for herein; all surveys, appraisals and documents required or contemplated by this Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Lender. Lender's counsel shall be provided with copies of all documents which they may reasonably request in connection with the Agreement.

**SECTION 21. LENDER DETERMINATION OF FACTS.** Lender shall at all times be free to establish independently, to its satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

**SECTION 22. INCORPORATION OF PREAMBLE, RECITALS AND STATEMENT OF TERMS.** The preamble, recitals and statement of terms are hereby incorporated into this Agreement.

**SECTION 23. DISCLAIMER BY LENDER.** Borrower is not and shall not be an agent of Lender for any purpose. Lender is not a joint venture partner with Borrower in any manner whatsoever. Approvals granted by Lender for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

**SECTION 24. SEVERABILITY.** If any provision of this Agreement is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

**SECTION 25. CHOICE OF LAW AND JURISDICTION.** THIS AGREEMENT HAS BEEN DELIVERED IN ARIZONA, AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ARIZONA. THE COURTS OF ARIZONA, FEDERAL OR STATE, SHALL HAVE EXCLUSIVE JURISDICTION OF ALL LEGAL ACTIONS ARISING OUT OF THIS AGREEMENT. BY EXECUTING THIS AGREEMENT, THE UNDERSIGNED SUBMITS TO THE JURISDICTION OF THE FEDERAL AND STATE COURTS OF ARIZONA.

**SECTION 26. CAPTIONS.** Section captions used in this Agreement are for convenience only, and shall not affect the construction of this Agreement.

**SECTION 27. WAIVER OF JURY TRIAL.** BORROWER WAIVES, AND, BY ACCEPTING THIS AGREEMENT, THE LENDER SHALL BE DEEMED TO WAIVE, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (A) UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR (B) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND BORROWER AGREES, AND, BY ACCEPTING THIS AGREEMENT, THE LENDER SHALL BE DEEMED TO AGREE, THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

**SECTION 28. TIME OF THE ESSENCE.** Time is of the essence with regard to each provision of this Agreement as to which time is a factor.

**SECTION 29. NOTICES AND DEMANDS.** All written demands and notices by Lender or Borrower relating to the Loan Documents shall be served by certified or registered mail, return receipt requested. Each such demand or notice shall be deposited in the United States Mail postage prepaid and addressed to the addressee's address first above stated. Service of any such demand or

notice shall be deemed complete on the date of actual delivery as shown by the addressee's return receipt or at the expiration of the third Business Day after mailing, whichever is earlier. Rejection or refusal to accept the demand or notice by the addressee or inability to deliver the demand or notice due to a changed address of which no notice was given shall not affect deemed service. Lender or Borrower may from time to time, by written notice served on the other, designate a different address or a different attention person for service of demands and notices.

**SECTION 30. NO CONSTRUCTION AGAINST LENDER OR BORROWER.** The Loan Documents are the result of negotiations between Borrower and Lender. Accordingly, the Loan Documents shall not be construed for or against Borrower or Lender, regardless of which party drafted the Loan Documents or any part thereof.

**SECTION 31. RESCISSION OR RETURN OF PAYMENTS.** If at any time or from time to time, whether before or after payment and performance of the Obligations, all or any part of any amount received by Lender in payment of, or on account of, any Obligation is or must be, or is claimed to be, avoided, rescinded, or returned by Lender to Borrower or any other Person for any reason whatsoever (including, without limitation, bankruptcy, insolvency, or reorganization of Borrower or any other Person), such Obligation and the Liens on property, and rights to property that were the collateral at the time such avoided, rescinded, or returned payment was received by Lender shall be deemed to have continued in existence or shall be reinstated, as the case may be, all as though such payment had not been received.

**SECTION 32. INDEMNIFICATION OF LENDER.** Borrower agrees to indemnify, hold harmless, and on demand defend Lender and its directors, officers, employees, agents, auditors, counsel, investment committee members and representatives for, from, and against any and all damages, losses, liabilities, costs, and expenses (including, without limitation, costs and expenses of litigation and reasonable attorneys' fees) arising from any claim or demand in respect of this Agreement, the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents and arising at any time, whether before or after payment and performance of the Obligations. The obligations of Borrower and the rights of Lender under this **Section 33** shall survive payment and performance of the Obligations and shall remain in full force and effect without termination.

**SECTION 33. WAIVER OF STATUTE OF LIMITATIONS.** Borrower waives, to the full extent permitted by law, the right to plead and any statutes of limitations as a defense in any action or proceeding in respect of the Loan Documents.

**SECTION 34. NUMBER AND GENDER.** In this Agreement the singular shall include the plural and the masculine shall include the feminine and neuter genders, and vice versa.

**SECTION 35. HEADINGS AND REFERENCES.** The headings at the beginning of each section of this Agreement are solely for convenience and are not part of this Agreement. Reference

herein to a section, attachment, exhibit, or schedule is to the respective section, attachment, exhibit, or schedule herein or hereto, unless otherwise specified.

**SECTION 36. COUNTERPART EXECUTION.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.

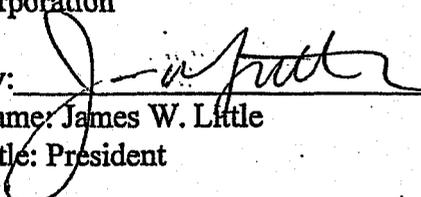
**SECTION 37. ARBITRATION.** The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, as amended.

**SECTION 38. NOTICE REGARDING A.R.S. § 38-511.** To the extent applicable by provision of law, the parties acknowledge that this Agreement is subject to cancellation pursuant to A.R.S. §38-511, the provisions of which are hereby incorporated herein.

**SECTION 40. SIGNS.** Throughout the term of the Loan, Lender shall have the right to erect one or more signs (complying with city/town requirements) on the project indicating its providing of financing for the project, and Lender shall also have the right to publicize its financing of the project as Lender may deem appropriate.

DATED as of the date first above stated.

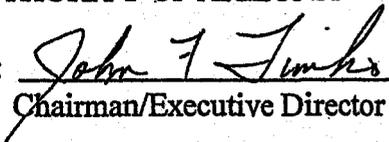
MOHAWK WATER COMPANY, an Arizona corporation

By: 

Name: James W. Little

Title: President

WATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA

By: 

Chairman/Executive Director

COPY

EXHIBIT B  
TO WIFA LOAN AGREEMENT

For Period \_\_\_\_\_

COMPLIANCE CERTIFICATE

To induce The Water Infrastructure Finance Authority of Arizona (WIFA) to make and/or continue to make advances to the Borrower and to comply with and demonstrate compliance with the terms, covenants, and conditions of the Loan Agreement and all supplements thereto, this financial statement is furnished to WIFA. The undersigned certify that (i) this statement was prepared from the books and records of the Borrower, is in agreement with them, and is correct to the best of the undersigned's knowledge and belief and (ii) no event has occurred which, with notice or lapse of time, or both, might become an Event of Default under the Loan Agreement.

This certificate is attached to and made a part of this Borrower's report for the above stated period.

	Required	Actual
<b><u>DEBT SERVICE RESERVE</u></b>	\$ _____	_____
<b><u>REPLACEMENT RESERVE</u></b>	\$ _____	_____
<b><u>DEBT SERVICE COVERAGE</u></b>	1.20:1.0.	_____
<i>Net Income + Interest Expense + Depreciation</i>		
_____		
<i>Annual Principal and Interest Payments</i>		
_____		
_____		

MOHAWK WATER COMPANY

*[Signature]*  
 Title \_\_\_\_\_

6/18/99  
 Date \_\_\_\_\_

Schedule 1 to Loan Agreement

**Section 1: Financial Assistance Terms and Conditions**  
**Mohawk Water Company**  
 22-Apr-99

Closing Date..... 05/01/99  
 First Payment Date ..... 07/15/99

**Financial Assistance Terms and Conditions**

Loan Amount..... \$157,350.00  
 Combined Interest and Fee Rate..... 5.430%  
 Term..... 20  
 Payments..... Monthly  
 # of Payment Periods..... 240  
 Monthly Debt Service Payments..... \$1,076.18  
 Annual Payments..... \$12,914.15

Closing Fee (0.5% of Loan Amount)..... \$786.75

**Debt Service Reserve Fund Requirements**

Total Reserve Amount..... \$12,914.15  
 Frequency of Reserve Deposits to WIFA..... Monthly  
 Monthly Deposit..... \$215.24  
 Reserve Funded by (Date)..... 15-Jun-2004  
*WIFA will apply earnings on Debt Service Reserve to Principal Repayment.*

**Minimum Monthly Payment**

Prior to Debt Service Reserve Requirement ..... \$1,291.41 \*  
 Monthly Payment Allocations  
     Monthly Reserve Fund Contribution..... \$215.24  
     Monthly Combined Interest & Fee Payment..... See Section 2: Monthly Calculation #1  
     Monthly Principal Repayment..... See Section 2: Monthly Calculation #2  
 \* WIFA will calculate the first payment due; minimum payment equals amount for Period 1.  
 Following Debt Service Reserve Requirement..... \$1,076.18  
 Monthly Payment Allocations  
     Monthly Reserve Fund Contribution..... \$0.00  
     Monthly Combined Interest & Fee Payment..... See Section 2: Monthly Calculation #1  
     Monthly Principal Repayment..... See Section 2: Monthly Calculation #2

**Repair and Replacement Fund Requirement**

Begin Funding on (Date)..... 01-Jan-2005  
 Annual Amount..... \$2,582.83  
 Frequency of Fund Deposits..... Monthly  
 Monthly Deposit..... \$215.24

**Section 2: WIFA Monthly Calculations**  
**Mohawk Water Company**  
**22-Apr-99**

**WIFA Monthly Calculations**

**#1: Monthly Combined Interest & Fee Payment =**

*Combined Interest & Fee Rate \* Principal Outstanding*

**#2: Monthly Principal Repayment =**

*Total Monthly Payment - Monthly Reserve Fund Deposit -  
 Month Combined Interest & Fee Payment*

**Section 3: Estimated Eligible Project Costs**  
**Mohawk Water Company**  
**22-Apr-99**

**Project Cost Classification**

	<u>Amount</u> <u>Budgeted</u>
a. Administrative, Legal Costs, Financial Advisor.....	5,000.00
b. Land, Structure, Right-of-Way.....	0.00
c. Design, Architectural, Engineering Fees.....	20,000.00
d. Construction/Improvement Costs.....	131,563.25
e. Equipment/Materials.....	0.00
f. Application Fees, Financing Costs, Capitalized Interest.....	786.75
g. Total Budgeted.....	<u>\$157,350.00</u>

**Section 4: Estimated Loan Disbursement Schedule**  
**Mohawk Water Company**  
**22-Apr-99**

<u>Date</u>	<u>Amount</u>
05/01/99 ,	\$786.75
06/01/99	\$70,414.13
07/01/99	\$70,414.13
08/01/99	\$15,735.00 <i>Required 10% Set-Aside</i>
<b>Total</b>	<u>\$157,350.00</u>

Section 5: Monthly Payments through Loan Term - Periods 1 through 80

Mohawk Water Company

22-Apr-99

Period	Payment Dates	Minimum Monthly Payment *	Period	Payment Dates	Total Monthly Payment
1	07/15/99	1,291.41	41	11/15/2002	1,291.41
2	08/15/99	1,291.41	42	12/15/2002	1,291.41
3	09/15/99	1,291.41	43	01/15/2003	1,291.41
4	10/15/99	1,291.41	44	02/15/2003	1,291.41
5	11/15/99	1,291.41	45	03/15/2003	1,291.41
6	12/15/99	1,291.41	46	04/15/2003	1,291.41
7	01/15/2000	1,291.41	47	05/15/2003	1,291.41
8	02/15/2000	1,291.41	48	06/15/2003	1,291.41
9	03/15/2000	1,291.41	49	07/15/2003	1,291.41
10	04/15/2000	1,291.41	50	08/15/2003	1,291.41
11	05/15/2000	1,291.41	51	09/15/2003	1,291.41
12	06/15/2000	1,291.41	52	10/15/2003	1,291.41
13	07/15/2000	1,291.41	53	11/15/2003	1,291.41
14	08/15/2000	1,291.41	54	12/15/2003	1,291.41
15	09/15/2000	1,291.41	55	01/15/2004	1,291.41
16	10/15/2000	1,291.41	56	02/15/2004	1,291.41
17	11/15/2000	1,291.41	57	03/15/2004	1,291.41
18	12/15/2000	1,291.41	58	04/15/2004	1,291.41
19	01/15/2001	1,291.41	59	05/15/2004	1,291.41
20	02/15/2001	1,291.41	60	06/15/2004	1,291.41
21	03/15/2001	1,291.41	61	07/15/2004	1,076.18
22	04/15/2001	1,291.41	62	08/15/2004	1,076.18
23	05/15/2001	1,291.41	63	09/15/2004	1,076.18
24	06/15/2001	1,291.41	64	10/15/2004	1,076.18
25	07/15/2001	1,291.41	65	11/15/2004	1,076.18
26	08/15/2001	1,291.41	66	12/15/2004	1,076.18
27	09/15/2001	1,291.41	67	01/15/2005	1,076.18
28	10/15/2001	1,291.41	68	02/15/2005	1,076.18
29	11/15/2001	1,291.41	69	03/15/2005	1,076.18
30	12/15/2001	1,291.41	70	04/15/2005	1,076.18
31	01/15/2002	1,291.41	71	05/15/2005	1,076.18
32	02/15/2002	1,291.41	72	06/15/2005	1,076.18
33	03/15/2002	1,291.41	73	07/15/2005	1,076.18
34	04/15/2002	1,291.41	74	08/15/2005	1,076.18
35	05/15/2002	1,291.41	75	09/15/2005	1,076.18
36	06/15/2002	1,291.41	76	10/15/2005	1,076.18
37	07/15/2002	1,291.41	77	11/15/2005	1,076.18
38	08/15/2002	1,291.41	78	12/15/2005	1,076.18
39	09/15/2002	1,291.41	79	01/15/2006	1,076.18
40	10/15/2002	1,291.41	80	02/15/2006	1,076.18

\* WIFA will calculate the first payment due; minimum payment equals amount for Period 1.

## Section 5: Monthly Payments through Loan Term -- Periods 81 through 160

Mohawk Water Company

22-Apr-99

Period	Payment Dates	Minimum Monthly Payment	Period	Payment Dates	Total Monthly Payment
81	03/15/2006	1,076.18	121	07/15/2009	1,076.18
82	04/15/2006	1,076.18	122	08/15/2009	1,076.18
83	05/15/2006	1,076.18	123	09/15/2009	1,076.18
84	06/15/2006	1,076.18	124	10/15/2009	1,076.18
85	07/15/2006	1,076.18	125	11/15/2009	1,076.18
86	08/15/2006	1,076.18	126	12/15/2009	1,076.18
87	09/15/2006	1,076.18	127	01/15/2010	1,076.18
88	10/15/2006	1,076.18	128	02/15/2010	1,076.18
89	11/15/2006	1,076.18	129	03/15/2010	1,076.18
90	12/15/2006	1,076.18	130	04/15/2010	1,076.18
91	01/15/2007	1,076.18	131	05/15/2010	1,076.18
92	02/15/2007	1,076.18	132	06/15/2010	1,076.18
93	03/15/2007	1,076.18	133	07/15/2010	1,076.18
94	04/15/2007	1,076.18	134	08/15/2010	1,076.18
95	05/15/2007	1,076.18	135	09/15/2010	1,076.18
96	06/15/2007	1,076.18	136	10/15/2010	1,076.18
97	07/15/2007	1,076.18	137	11/15/2010	1,076.18
98	08/15/2007	1,076.18	138	12/15/2010	1,076.18
99	09/15/2007	1,076.18	139	01/15/2011	1,076.18
100	10/15/2007	1,076.18	140	02/15/2011	1,076.18
101	11/15/2007	1,076.18	141	03/15/2011	1,076.18
102	12/15/2007	1,076.18	142	04/15/2011	1,076.18
103	01/15/2008	1,076.18	143	05/15/2011	1,076.18
104	02/15/2008	1,076.18	144	06/15/2011	1,076.18
105	03/15/2008	1,076.18	145	07/15/2011	1,076.18
106	04/15/2008	1,076.18	146	08/15/2011	1,076.18
107	05/15/2008	1,076.18	147	09/15/2011	1,076.18
108	06/15/2008	1,076.18	148	10/15/2011	1,076.18
109	07/15/2008	1,076.18	149	11/15/2011	1,076.18
110	08/15/2008	1,076.18	150	12/15/2011	1,076.18
111	09/15/2008	1,076.18	151	01/15/2012	1,076.18
112	10/15/2008	1,076.18	152	02/15/2012	1,076.18
113	11/15/2008	1,076.18	153	03/15/2012	1,076.18
114	12/15/2008	1,076.18	154	04/15/2012	1,076.18
115	01/15/2009	1,076.18	155	05/15/2012	1,076.18
116	02/15/2009	1,076.18	156	06/15/2012	1,076.18
117	03/15/2009	1,076.18	157	07/15/2012	1,076.18
118	04/15/2009	1,076.18	158	08/15/2012	1,076.18
119	05/15/2009	1,076.18	159	09/15/2012	1,076.18
120	06/15/2009	1,076.18	160	10/15/2012	1,076.18

## Section 5: Monthly Payments through Loan Term -- Periods 161 through 240

Mohawk Water Company

22-Apr-99

Period	Payment Dates	Minimum Monthly Payment	Period	Payment Dates	Total Monthly Payment
161	11/15/2012	1,076.18	201	03/15/2016	1,076.18
162	12/15/2012	1,076.18	202	04/15/2016	1,076.18
163	01/15/2013	1,076.18	203	05/15/2016	1,076.18
164	02/15/2013	1,076.18	204	06/15/2016	1,076.18
165	03/15/2013	1,076.18	205	07/15/2016	1,076.18
166	04/15/2013	1,076.18	206	08/15/2016	1,076.18
167	05/15/2013	1,076.18	207	09/15/2016	1,076.18
168	06/15/2013	1,076.18	208	10/15/2016	1,076.18
169	07/15/2013	1,076.18	209	11/15/2016	1,076.18
170	08/15/2013	1,076.18	210	12/15/2016	1,076.18
171	09/15/2013	1,076.18	211	01/15/2017	1,076.18
172	10/15/2013	1,076.18	212	02/15/2017	1,076.18
173	11/15/2013	1,076.18	213	03/15/2017	1,076.18
174	12/15/2013	1,076.18	214	04/15/2017	1,076.18
175	01/15/2014	1,076.18	215	05/15/2017	1,076.18
176	02/15/2014	1,076.18	216	06/15/2017	1,076.18
177	03/15/2014	1,076.18	217	07/15/2017	1,076.18
178	04/15/2014	1,076.18	218	08/15/2017	1,076.18
179	05/15/2014	1,076.18	219	09/15/2017	1,076.18
180	06/15/2014	1,076.18	220	10/15/2017	1,076.18
181	07/15/2014	1,076.18	221	11/15/2017	1,076.18
182	08/15/2014	1,076.18	222	12/15/2017	1,076.18
183	09/15/2014	1,076.18	223	01/15/2018	1,076.18
184	10/15/2014	1,076.18	224	02/15/2018	1,076.18
185	11/15/2014	1,076.18	225	03/15/2018	1,076.18
186	12/15/2014	1,076.18	226	04/15/2018	1,076.18
187	01/15/2015	1,076.18	227	05/15/2018	1,076.18
188	02/15/2015	1,076.18	228	06/15/2018	1,076.18
189	03/15/2015	1,076.18	229	07/15/2018	1,076.18
190	04/15/2015	1,076.18	230	08/15/2018	1,076.18
191	05/15/2015	1,076.18	231	09/15/2018	1,076.18
192	06/15/2015	1,076.18	232	10/15/2018	1,076.18
193	07/15/2015	1,076.18	233	11/15/2018	1,076.18
194	08/15/2015	1,076.18	234	12/15/2018	1,076.18
195	09/15/2015	1,076.18	235	01/15/2019	1,076.18
196	10/15/2015	1,076.18	236	02/15/2019	1,076.18
197	11/15/2015	1,076.18	237	03/15/2019	1,076.18
198	12/15/2015	1,076.18	238	04/15/2019	1,076.18
199	01/15/2016	1,076.18	239	05/15/2019	1,076.18
200	02/15/2016	1,076.18	240	06/15/2019	1,076.18

**SCHEDULE 2  
TO WIFA LOAN AGREEMENT**

1. Exception(s) to Subsection 9(e) entitled "Compliance with Laws": (insert exceptions or "None")

None

2. Exception(s) to Subsection 9(f) entitled "Environmental Compliance": (insert exceptions or "None")

None

3. Exception(s) to Subsection 9(g) entitled "Litigation": (insert exceptions or "None")

None

4. Exception(s) to Subsection 9(h) entitled "Title to Property": (insert exceptions or "None")

None

5. Exception(s) to Subsection 9(k) entitled "Subsidiaries": (insert exceptions or "None")

None

MOHAWK WATER COMPANY

Title

Date

J. [Signature] <sup>PACS</sup> 6/18/99  
6/18/99

**PROMISSORY NOTE**

\$157,350.00

Phoenix, Arizona  
May 1, 1999

FOR VALUE RECEIVED, MOHAWK WATER COMPANY ("Borrower"), promise to pay to WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") or order the aggregate principal amount outstanding on Borrower's loan as shown on Lender's records which shall at all times be conclusive and govern, with interest thereon at an annual rate equal to five and 43/100ths percent (5.43%). Interest shall be calculated on a 360-day year for all advances, but, in any case, shall be computed for the actual number of days in the period for which interest is charged. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement (as hereinafter defined).

Lender and Borrower have established specific instructions and procedures by which draws against said credit will be presented for disbursement pursuant to the terms and conditions of that certain Loan Agreement of even date herewith (the "Loan Agreement"), but nothing contained herein shall create a duty on the part of Lender to make said disbursement if Borrower is in default. The undersigned shall not be entitled to total disbursements hereunder exceeding One Hundred Fifty Seven Thousand Three Hundred Fifty and No/100 Dollars (\$157,350.00), ~~such lesser amount determined in accordance with the Loan Agreement with respect to the Loan (as defined in the Loan Agreement).~~

All amounts payable hereunder shall be paid in lawful money of the United States. Principal and interest shall be payable at 202 East Earll Drive, Suite 480, Phoenix, Arizona 85012, or at such other place as the holder hereof may designate. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty.

Absent a default under this Note or the Loan Agreement, any payments received by the holder hereof shall be applied first to sums, other than principal and interest, due the holder hereof, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by the holder hereof after any Event of Default (as defined in the Loan Agreement) shall be applied to the amounts specified in this paragraph in such order as the holder hereof may, in its sole discretion, elect.

If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at an annual rate equal to the sum of (i) six percent (6%) and (ii) the interest rate specified herein, payable on demand (the "Default Rate").

This Note shall become immediately due and payable at the option of the holder hereof without presentment or demand or any notice to Borrower or any other person obligated hereon, upon default in the payment of any of the principal hereof or any interest thereon when due,

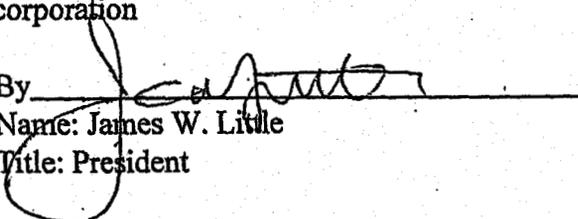
or if any event occurs or condition exists which authorizes the acceleration of the maturity hereof under the Loan Agreement. Time is of the essence with regard to all payment obligations in this Note. Failure to exercise any remedy or right hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

In the event any holder hereof utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to such holder hereof, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statute, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

Borrower and all sureties, endorsers and guarantors of this Note waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

Notwithstanding any provision contained herein to the contrary, the applicable rate of interest agreed to herein shall include the applicable interest rate described herein, in accordance with the terms of this Note, and any additional charges, costs and fees incident to this loan to the extent they are deemed to be interest under applicable Arizona law. Should the applicable rate of interest as calculated under this Note exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest allowed by applicable law.

MOHAWK WATER COMPANY, an Arizona corporation

By   
Name: James W. Little  
Title: President

"Borrower"

## CASH COLLATERAL AGREEMENT

This CASH COLLATERAL AGREEMENT is made as of May 1, 1999 between Mohawk Water Company ("Pledgor"), and WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender").

### RECITALS:

A. Pledgor and Lender have entered into that certain Loan Agreement of even date herewith (the "Loan Agreement"), pursuant to which Lender has made available to Pledgor a loan of up to \$157,350.00 (the "Loan").

B. Pursuant to the Loan Agreement, certain funds are required to be deposited from time to time by Pledgor in a Debt Service Reserve Fund administered by the Lender and in a Replacement Reserve Fund administered by the Borrower, both of which are pledged to Lender to secure repayment with interest of the Loan. Amounts deposited with the Lender in the Debt Service Reserve Fund and in the Replacement Reserve Fund are referred to herein as the "Pledged Funds".

C. Pledgor and Lender desire to enter into this Cash Collateral Agreement to provide for the deposit and holding of the Pledged Funds.

D. The Loan Agreement, this Cash Collateral Agreement and all other documents securing or otherwise relating to the Loan shall be referred to collectively in this Cash Collateral Agreement as the "Loan Documents". All capitalized terms used in this Cash Collateral Agreement and not otherwise defined shall have the meanings given to such terms in the Loan Agreement.

E. It is a condition to the making of the Loan that Pledgor and Lender enter into this Cash Collateral Agreement.

NOW, THEREFORE, in order to induce Lender to make the Loan and in consideration thereof, Pledgor and Lender agree as follows:

1. Definitions. The following terms shall have the following meanings:

"Cash Collateral Agreement" means this Cash Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Debt Service Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

"Obligations" shall mean all the obligations of Pledgor to Lender under the Loan Agreement and the Note and all other obligations and liabilities of Pledgor to Lender,

whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising under, out of, or in connection with, the Loan Agreement, this Cash Collateral Agreement or any of the Loan Documents.

"Pledged Funds" shall mean as defined in the Recitals to this Agreement.

"Replacement Reserve Fund" shall have the meaning ascribed thereto in Section 2 hereof.

2. Establishment of Debt Service Reserve Fund and Replacement Reserve Fund. Pledgor and Lender agree that concurrently with the execution and delivery of this Cash Collateral Agreement there is established and shall be maintained a Debt Service Reserve Fund pursuant to the Loan Agreement. At such time as is required pursuant to the Loan Agreement Borrower shall establish a Replacement Reserve Fund in the name of Borrower in which there shall be deposited by Pledgor all Pledged Funds as required by the provisions of the Loan Agreement.

3. Grant of Security Interest. As collateral security for the prompt and complete payment when due of all the Obligations, Pledgor has granted, bargained, sold, assigned, pledged, and set over and by these presents does hereby grant, bargain, sell, assign, pledge, transfer and set over unto the Lender, and its successors and assigns, all of Pledgor's right, title and interest in and to any Pledged Funds now or hereafter held or deposited in the Debt Service Reserve Fund and the Replacement Reserve Fund.

4. Terms and Conditions.

(a) The Debt Service Reserve Fund and all amounts deposited therein shall be held in the sole dominion and control of Lender and shall be administered by the Lender as a collateral account for the benefit of Lender, and Pledgor shall have no rights or powers with respect to, or control over, the Debt Service Reserve Fund or any part thereof. Pledgor's sole right with respect to the Pledged Funds in the Debt Service Reserve Fund shall be as provided herein and in the Loan Agreement.

(b) If no Event of Default, and no event which with the giving of notice or the passage of time or both could become an Event of Default, has occurred and is continuing, Pledgor from time to time may withdraw moneys from the Replacement Reserve Fund and apply the moneys withdrawn for one or more of the following purposes: (i) for the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the Facility provided that the property is depreciable; (ii) for the performance of repairs with respect to the Facility which are of an extraordinary and non-recurring nature provided that the property is depreciable; (iii) for the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the Facility provided that the property is depreciable; and/or (iv) to make payments to Lender on the Loan.

(c) From and after the occurrence and during the continuation of an Event of Default, Lender may, in the sole and absolute discretion of Lender, apply the Pledged Funds in the Debt Service Reserve Fund, and, if there are insufficient Pledged Funds in the Debt Service Reserve Fund, in the Replacement Reserve Fund, to the Obligations in the following order: (i) all outstanding costs, expenses, fees and late charges due to Lender, (ii) interest at the rate or rates specified in the Loan Documents and (iii) the principal amount of the Obligations. All interest and other investment earnings amounts from time to time accrued and paid on the Pledged Funds in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be retained in the Debt Service Reserve Fund and the Replacement Reserve Fund and shall be applied in accordance with the Loan Agreement and this Cash Collateral Agreement.

(d) Lender shall have, with respect to the Pledged Funds, all rights and remedies of a secured party under Article 9 of the Arizona Uniform Commercial Code and other applicable laws.

5. Further Assurances. Pledgor will, at any time and from time to time, execute and deliver such further documents and do such further acts as shall be required by law or be reasonably requested by Lender to confirm or further assure the interest of Lender hereunder.

6. No Liability for Lawful Actions. Neither Lender nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable for any action lawfully taken or omitted to be taken by any of them under or in connection with this Cash Collateral Agreement (except for gross negligence or willful misconduct).

7. Notices. All notices, requests, demands or other communications to or upon the parties hereto shall be deemed to have been given or made when mailed, delivered or transmitted in accordance with the requirements of the Loan Documents.

8. No Failure, etc. No failure to exercise and no delay in exercising on the part of Lender of any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other power or right. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

9. Waiver; Amendments. None of the terms and provisions of this Cash Collateral Agreement may be waived, altered, modified or amended except by an instrument in writing executed by the parties hereto.

10. Representations and Warranties; Covenants.

(a) Pledgor hereby represents and warrants to Lender, effective upon the date hereof and each deposit of Pledged Funds to the Debt Service Reserve Fund and the Replacement Reserve Fund, that:

(i) No filing, recordation, registration or declaration with or notice to any person or entity is required in connection with the execution, delivery and performance of this Cash Collateral Agreement by Pledgor or in order to preserve or perfect the first priority lien and charge intended to be created hereunder in the Pledged Funds.

(ii) Except for the security interest granted to Lender pursuant to this Cash Collateral Agreement, Pledgor is the sole owner of the Pledged Funds, having good and marketable title thereto, free and clear of any and all mortgages, liens, security interests, encumbrances, claims or rights of others.

(iii) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Pledged Funds is on file or of record in any public office, except such as may have been filed by Pledgor in favor of Lender.

(iv) This Cash Collateral Agreement constitutes a valid and continuing first lien on and first security interest in the Pledged Funds in favor of Lender, prior to all other liens, encumbrances, security interests and rights of others, and is enforceable as such as against creditors of and purchasers from Pledgor.

(b) Without the prior written consent of Lender, Pledgor hereby covenants and agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Funds, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Funds, or any interest therein, except for the security interest provided for by this Cash Collateral Agreement.

(c) Pledgor hereby covenants and agrees that it will defend Lender's right, title and security interest in and to the Pledged Funds against the claims and demands of all persons whomsoever except to the extent which arise out of the willful misconduct or gross negligence of Lender.

11. Lender's Expenses and Liabilities. Pledgor shall pay all costs and out-of-pocket reasonable expenses of Lender in connection with the maintenance and operation of this Cash Collateral Agreement made in accordance with the terms hereof. Pledgor also agrees to pay all costs of Lender, including reasonable attorneys' fees, incurred with respect to the enforcement of Lender's rights hereunder.

12. Governing Law. This Cash Collateral Agreement shall be deemed to be a contract under, and for all purposes shall be governed by, and construed and interpreted in accordance with, the law of the State of Arizona.

13. Severability. Any provision of this Cash Collateral Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

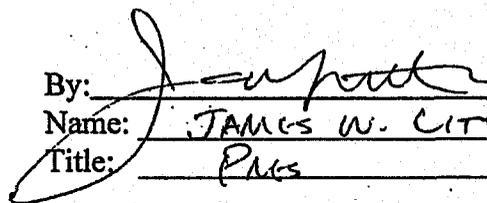
14. Successors and Assigns. This Cash Collateral Agreement and all obligations of Pledgor hereunder shall be binding upon the successors or assigns of Pledgor, and shall, together with the rights and remedies of Lender hereunder, inure to the benefit of Lender and its successors and assigns.

15. Termination. This Agreement shall terminate and, upon request of Pledgor, all monies (if any) remaining in the Debt Service Reserve Fund and the Replacement Reserve Fund shall be returned to Pledgor at such time as all of the following have occurred: (i) all amounts payable to Lender under the Loan Documents have been paid in full and all other obligations of Pledgor to Lender pursuant to the Loan Agreement have been performed in full, and (ii) Lender has no further obligation to make any loans or advances to Pledgor pursuant to the Loan Agreement or any of the other Loan Documents.

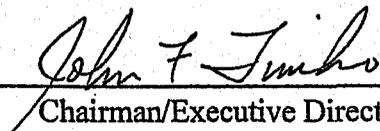
16. Counterparts. This Agreement may be executed in counterparts, all of which executed counterparts shall together constitute a single document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to form physically one document.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be duly executed and delivered as of the date first above written.

Pledgor: MOHAWK WATER CO.

By:   
Name: JAMES W. LITTLE  
Title: Pres

Lender: WATER INFRASTRUCTURE FINANCE AUTHORITY  
OF ARIZONA

By:   
Chairman/Executive Director

---

8. This Financing Statement is signed by the Secured Party instead of the debtor to perfect or continue perfection of a security interest in:

- collateral already subject to a security interest in another jurisdiction when it was brought into this state.
  - proceeds of collateral because of a change in type or use.
  - collateral as to which the filing has lapsed or will lapse.
  - collateral acquired after a change of name, identity, or corporate structure of the Debtor.
- 

Dated: May 1, 1999

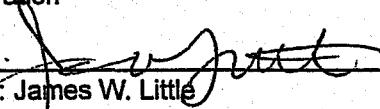
Signature(s) of Secured Party

WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

By: \_\_\_\_\_  
Executive Director

Signature of Debtor

MOHAWK WATER COMPANY, an Arizona corporation

By:  \_\_\_\_\_  
Name: James W. Little  
Title: President

COPY

8. This Financing Statement is signed by the Secured Party instead of the debtor to perfect or continue perfection of a security interest in:

- collateral already subject to a security interest in another jurisdiction when it was brought into this state.
- proceeds of collateral because of a change in type or use.
- collateral as to which the filing has lapsed or will lapse.
- collateral acquired after a change of name, identity, or corporate structure of the Debtor.

Dated: May 1, 1999

Signature(s) of Secured Party

WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

By: \_\_\_\_\_  
Executive Director

Signature of Debtor

MOHAWK WATER COMPANY, an Arizona  
corporation

By: \_\_\_\_\_  
Name: James W. Little  
Title: President

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT B

COLLATERAL DESCRIPTION

All of Debtor's present and future right, title, and interest in and to any and all of Debtor's Fixtures, Personal Property, General Intangibles, Accounts and Proceeds as defined below, regardless of whether in the possession of Debtor, a bailee, a warehouseman, or any other Person.

(a) the water utility plants and systems of the Debtor, including, but not limited to, all water works, generating stations, substations, pump houses, wells, distribution lines, whether located upon the Real Property or upon public or private easements, leaseholds or the like and which form a part of or are used in connection with the water utility plants or systems of the Debtor (the "Fixtures");

(b) all goods, (whether goods held for sale or returned or whether used in the business of the Debtor or to be installed in or on the Real Property), personal property, equipment, inventory, fixtures, furnishings, devices or tools and all replacements or substitutions of same (the "Personal Property");

(c) all of the franchises, certificates, authorizations by rule, privileges, permits, grants and consents for the construction, operation, and maintenance of water plants or systems in, on, and under streets, alleys, highways, roads, public grounds, easements and rights-of-way and all rights incident thereto which were granted by private persons or entities or the governing bodies of the cities, counties, state, and countries in which the Debtor operates and including, but not limited to, permits and certificates issued pursuant to the applicable provisions of the Arizona Water Code, and all development rights, utility commitments, water and wastewater taps, living unit equivalents, capital improvements project contracts, utility construction agreements with any governmental authority, including municipal utility districts or other constitutional conservation districts created under Article III, Section 52, or Article XVI, Section 59, of the Arizona Constitution, or with any utility companies (and all refunds and reimbursements thereunder) relating to the Real Property or Improvements, as any of the foregoing may be amended, and all plants and specifications for water utility plants or systems and all Debtor's rights (but not Debtor's obligations) under any documents, contract rights, accounts, commitments, construction contracts (and all payment and performance bonds, statutory or otherwise, issued by any surety in connection with any such construction contracts, and the proceeds of such bonds), architectural contracts, engineering contracts, and general intangibles (including without limitation trademarks, trade names, and symbols) arising from or by virtue of any transactions related to the Real Property, the Improvements, or the Personal Property, management contracts and all of the Debtor's rights under any contracts otherwise providing for the purchase, lease, sale or assignment of water or water rights (the "General Intangibles");

(d) all accounts arising from or by virtue of the sale, lease or disposition of any of the Real Property, or from any policy of insurance or the taking of any of the Real Property by right of eminent domain or condemnation or by private or other purchase in lieu thereof, including change of grade of street, curb cuts or other rights of access, for any public or quasi-public use under any law and all amounts due under current and future water supply customer accounts, including but not limited to those future accounts arising from any water utility plants or systems (or for delivery of water by any other means (the "Accounts"));

(e) all deposits, bank accounts, funds, instruments, notes or chattel paper of Borrower, including, without limitation cash or securities deposited pursuant to leases to secure performance by the tenants of their obligations thereunder; and proceeds arising from or by virtue of the sale, lease or other disposition of the Real Property and proceeds (including premium refunds) of each policy of insurance relating to the Real Property (the "Proceeds")

(f) all of the following: (i) any lease or other right to use; (ii) any assignment as security, conditional sale, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; and (iii) any option, right of first refusal, other right to acquire, or other interest or right ("Liens and Encumbrances").

All other capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Uniform Commercial Code in effect in the State of Arizona (A.R.S. §§ 47-1101 through 47-9507).

**Exhibit 4 - List of Necessary Consents of Parties**

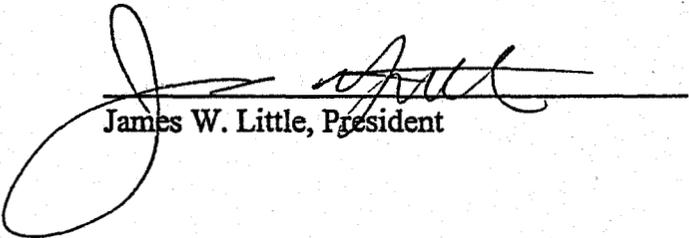
- 1. Resolution(s) of the Copper Mountain Ranch Community Facilities District authorizing acquisition of the Companies pursuant to the Assets Agreement.**
- 2. Resolutions of Mohawk Water company and Anderson Bros. Farms, Inc. authorizing the sale of the assets of the corporations and execution of all documents by James W. Little, President and Secretary.**

## CORPORATE RESOLUTION

WHEREAS, Anderson Bros. Water Company, at a Special Meeting held September 25, 2001, with James W. Little being present representing the ownership of all of the shares, waived notice of said meeting, and the following Resolution was passed:

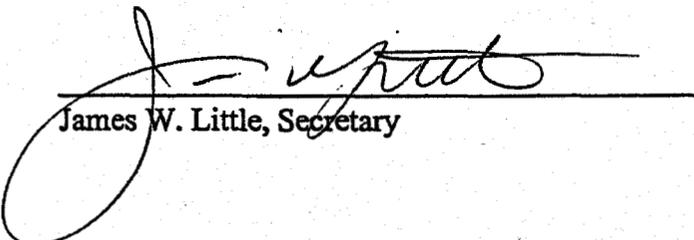
**BE IT RESOLVED**, that James W. Little as President and Secretary of the Anderson Bros. Water Company is hereby authorized and directed to execute any and all documents to affect the sale of this Water Company as evidenced by the Agreement attached hereto and made a part hereof as though set out in full.

DATED this 25<sup>th</sup> day of September, 2001.



James W. Little, President

ATTEST:



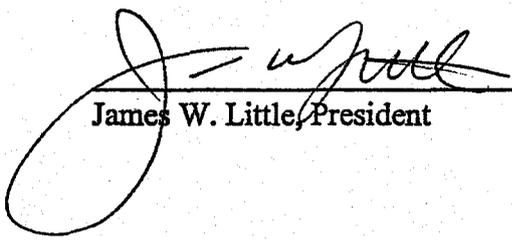
James W. Little, Secretary

## CORPORATE RESOLUTION

WHEREAS, Mohawk Water Company, at a Special Meeting held September 25, 2001, with James W. Little being present representing the ownership of all of the shares, waived notice of said meeting, and the following Resolution was passed:

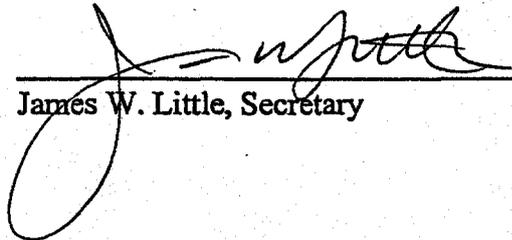
**BE IT RESOLVED**, that James W. Little as President and Secretary of the Mohawk Water Company is hereby authorized and directed to execute any and all documents to affect the sale of this Water Company as evidenced by the Agreement attached hereto and made a part hereof as though set out in full.

DATED this 25<sup>th</sup> day of September, 2001.



James W. Little, President

**ATTEST:**



James W. Little, Secretary

RESOLUTION NO. 10

A RESOLUTION OF THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, APPROVING THE TERMS AND CONDITIONS IN AN AGREEMENT WITH MOHAWK WATER COMPANY AND ANDERSON BROTHERS WATER COMPANY FOR THE ACQUISITION OF THE STOCK OF THE COMPANIES; AND EXPENDITURE OF PUBLIC FUNDS IN AN AMOUNT NOT TO EXCEED \$800,000 INCLUDING REASONABLE CLOSING COSTS; AUTHORIZING EXECUTION OF AN AGREEMENT; AND DECLARING AN EMERGENCY.

BE IT RESOLVED BY THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, THAT the Board authorize the following:

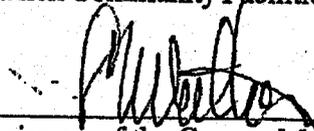
1. the acquisition of the Mohawk and Anderson Brothers water companies for the purchase price of \$987,000 adjusted by the following:
  - i. Less any balance of the loans, outstanding at close of escrow, made to the Companies by the Water Infrastructure Financing Authority ("WIFA") which loans shall be assumed by the Purchaser.
  - ii. Less the payoff of any other liabilities, encumbrances, liens, or customer deposit accounts for the Companies except any liability of the Companies to return ownership of the wells in Section 24, Township 5 South, range 4 East, Gila and Salt River Meridian, Pinal County, Arizona, to 120 Townsend LLC.
  - iii. Less any taxes due at the time the corporate structure of the Companies is disbanded whether before or after COE.
  - iv. Plus any material costs for construction, rehabilitation or installation of equipment for the Mohawk Water Company well between April of 2001 and close of escrow which decreased readings of NO<sub>3</sub> to Safe Water Act standards.
  - v. Plus 20% of the sum of item , for labor of James W. Little.
2. expenditure of public funds in an amount not to exceed \$800,000 for acquisition of the Mohawk and Anderson Brothers water companies and reasonable closing costs;
3. expenditure of public funds in an amount not to exceed \$25,000 annually for two years from the close of escrow for consulting services for James W. (Bill) Little; and
4. execution of the agreement and any documents necessary to carry out this purpose by the City Manager.

Section 2. Emergency Clause

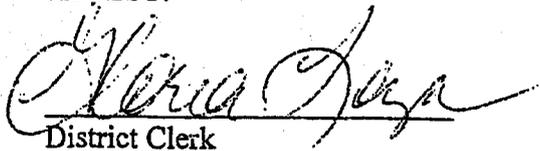
WHEREAS, it is necessary for the preservation of the peace, health and safety of the Copper Mountain Ranch CFD, Casa Grande, Arizona, an emergency is declared to exist, and this Resolution shall be effective immediately upon its passage and adoption

PASSED AND ADOPTED by the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona, this 6th day of August, 2001.

APPROVED this 6th day of August, 2001, by the affirmative vote of three-fourths of the members of the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona.

  
\_\_\_\_\_  
Chairman of the Copper Mountain Ranch CFD

ATTEST:

  
\_\_\_\_\_  
District Clerk

RESOLUTION NO. 10.1

A RESOLUTION OF THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, APPROVING THE TERMS AND CONDITIONS IN AN AGREEMENT WITH MOHAWK WATER COMPANY AND ANDERSON BROTHERS WATER COMPANY FOR THE ACQUISITION OF THE ASSETS OF THE COMPANIES; AND EXPENDITURE OF PUBLIC FUNDS IN AN AMOUNT NOT TO EXCEED \$850,000 INCLUDING REASONABLE CLOSING COSTS; AUTHORIZING EXECUTION OF AN AGREEMENT; AND DECLARING AN EMERGENCY.

WHEREAS, there has been presented before the District board, a form of agreement (the "Asset Purchase Agreement") by and between the District and the Seller (as defined in the Purchase Agreement) and the execution and performance of the such Purchase Agreement will be in furtherance of the purposes of the District and pursuant to the terms of Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act") and the Copper Mountain Ranch Community Facilities District General Plan; and

WHEREAS, it appears to this District that the execution of the Purchase Agreement and the acquisition of the companies (as defined in the Purchase Agreement) is necessary to further the goals and purpose of the District in accordance with the Act and the District's General Plan;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, THAT the Board authorize the following:

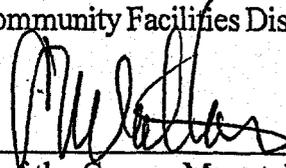
1. The District Administrator is hereby authorized and empower to execute, on behalf of the District, the Purchase Agreement in substantially the form presented at this meeting and attached to the Request for District Board Action, and any other documents necessary to carry out this purpose, with such additions, deletions and modifications as are not inconsistent with this Resolution and the Act and as are approved by the District (which approval shall be conclusively evidenced the execution thereof by the District Administrator).
2. expenditure of public funds in an amount not to exceed \$850,000 for acquisition of the Mohawk and Anderson Brothers water companies and reasonable closing costs;

Section 2. Emergency Clause

WHEREAS, it is necessary for the preservation of the peace, health and safety of the Copper Mountain Ranch CFD, Casa Grande, Arizona, an emergency is declared to exist, and this Resolution shall be effective immediately upon its passage and adoption

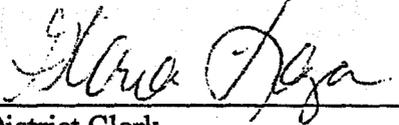
PASSED AND ADOPTED by the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona, this 4th day of September 2001.

APPROVED this 4th day of September, 2001, by the affirmative vote of three-fourths of the members of the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona.



Chairman of the Copper Mountain Ranch CFD

ATTEST:



District Clerk

Exhibit 5 - Registrations

Arizona Department of Environmental Quality Registration Numbers:

Mohawk: PWS 11-328  
Anderson: PWS 11-011

Arizona Department of Water Resources:

Mohawk

Type: Municipal Provider (GW Only)  
#56-001328.0000

Well #1 55-620626  
Well #2 55-620625  
Well #3 55-608903  
Well #4 55-608904

Anderson

Type: Municipal Provider (GW Only)  
#56-001303.0000

Well #1 55-087174

Arizona Department of Revenue

Mohawk I.D. #55-156  
Anderson I.D. #55-265

There are no registrations of the type described in 4:15(e) of the purchase and sale contract.

**Exhibit 6 - Insurance**

December 20, 2000

**THE  
MAHONEY  
GROUP**

*Your  
Insurance and  
Real Estate  
Professionals*

*... an Assurex Partner*

719 E. Cottonwood Lane (85222)  
P.O. Box 15001  
Casa Grande, AZ 85230-5001  
(520) 836-7483  
(520) 836-6681 FAX

Anderson Bros. - Mohawk Water  
Company, Inc.  
498 E. 4th Street  
Casa Grande AZ 85222

RE: American States Insurance  
Policy # 01CE3167244

Dear Bill:

Please find enclosed your copy of the policy noted above. It provides coverage for the period of 01/15/01 to 01/15/02.

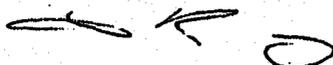
Please review the policy and note specific limits of liability and applicable deductibles. If you have any questions or wish to make any changes, please give us a call.

The policy has been issued at an annual premium of \$965.00. Our invoice is enclosed.

We are a full service agency and can provide you with competitive quotes for auto, home, life and health, and long term convalescent care products.

We appreciate your business

Sincerely,



J.R. McEvoy  
THE MAHONEY GROUP

enclosure

*Thank you*

**THE MAHONEY GROUP-CASA GRANDE**

P. O. Box 15001  
Casa Grande, AZ 85230-5001  
Phone : 520-836-7483 Fax : 520-836-6681

**Anderson Bros. - Mohawk Water**  
Company, Inc.  
498 E. 4th Street  
Casa Grande, AZ 85222

<b>INVOICE # 110752</b>		Page 1
ACCOUNT NO.	OF	DATE
ANDE-18	LI	12/20/00
General Liability		
POLICY #		
01CE3167244		
COMPANY		
American States Insurance		
PRODUCER		
J.R. McEvoy		
EFFECTIVE	EXPIRATION	BALANCE DUE ON
01/15/01	01/15/02	01/15/01

Item #	Eff Date	Trn Type	Description	Amount
778792	01/15/01	REN	GL-S: 01/02 Commercial Liability	\$ 965.00
Invoice Balance:				\$ 965.00

NAMED  
INSURED  
MAILING  
ADDRESS

**MOHAWK WATER COMPANY  
498 E 4TH ST  
CASA GRANDE, AZ 85222**

**RENEWAL DECLARATIONS**

**POLICY NUMBER 01-CE-316724-4  
RENEWAL OF 01-CE-316724-3 01-98**

**SEE NAMED INSURED EXTENSION**

**POLICY PERIOD FROM 01-15-01 TO 01-15-02 12:01 AM  
STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE.**

**AGENT NAME AND ADDRESS THE MAHONEY GROUP  
719 EAST COTTONWOOD LANE  
CASA GRANDE, AZ 85222  
02-95564 (520) 836-7483**

**THIS POLICY IS SUBJECT TO FINAL AUDIT.  
TOTAL ESTIMATED ANNUAL PREMIUM  
DUE ON EFFECTIVE DATE: \$965.00**

**IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU  
TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.**

**COMMERCIAL LIABILITY COVERAGE PART ..... \$ 965.00  
965.00**

1385

**INTERSIGNATURE**

\_\_\_\_\_  
(DATE) BY *[Signature]* 12-20-00  
(AUTHORIZED REPRESENTATIVE)

POLICY NUMBER: 01-CE-316724-4

The following is a complete list of the named insureds:

MOHAWK WATER COMPANY  
ANDERSON BROS WATER COMPANY  
CASA GRANDE WEST WATER COMPANY  
CASA GRANDE SOUTH WATER  
COMPANY

1288

9-CC(0887)

COMPANY USE ONLY

REWER(S)

89 (PROJECT) PREPARED 12-11-00

NAMED INSURED: MOHAWK WATER COMPANY

POLICY NUMBER: 01-CE-316724-4

FORM OF BUSINESS: ORGANIZATION OTHER THAN A PARTNERSHIP OR JOINT VENTURE

LIMITS OF INSURANCE

COMMERCIAL GENERAL LIABILITY	
GENERAL AGGREGATE LIMIT (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	\$ 500,000
PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT	\$ 500,000
PERSONAL AND ADVERTISING INJURY LIMIT	\$ 500,000
EACH OCCURRENCE LIMIT	\$ 500,000
DAMAGE TO PREMISES RENTED TO YOU (ANY ONE PREMISE)	\$ 200,000
MEDICAL EXPENSE LIMIT (ANY ONE PERSON)	\$ 10,000

LOCATION OF ALL PREMISES YOU OWN, RENT, OR OCCUPY:

- 110 E 4TH ST  
CASA GRANDE, AZ 85222
- PETERS RD. S. OF CASA GRANDE  
HWY; N 1 MI E. MONTGOMERY RD  
CASA GRANDE, AZ 85230

CODE	CLASSIFICATION-PREMIUM BASIS	EXPOSURE	RATE	PREMIUM
	COMMERCIAL GENERAL LIABILITY OTHER THAN PRODUCTS-COMPLETED OPERATIONS			
	** LOCATION # 1 **			
99943	WATER COMPANIES PRODUCTS-COMPLETED OPERATIONS ARE SUBJECT TO THE GENERAL AGGREGATE LIMIT PAYROLL (PER \$1000)	24,100	40.0510	\$ 965.00
	COMMERCIAL LIABILITY TOTAL			\$ 965.00

THE FOLLOWING FORMS CURRENTLY APPLY TO THIS COVERAGE PART:

- IL0017(1198) - COMMON POLICY CONDITIONS
- IL0021(1194) - NUCLEAR ENERGY LIABILITY ENDTS
- CG0057(0999) - AMENDMENT OF INS. AGREE.-INJ. OR DAMAGE
- CG0001(0196) - COMMERCIAL GENERAL LIABILITY COVERAGE
- CG7635(0900) - LIABILITY PLUS ENDORSEMNT
- IL0258(0789) - AZ CHANGES-CANCEL & NONRENEWAL
- CG2250(1188) - EXCL-PUBLIC UTILITIES-FAILURE TO SUPPLY
- IL7201(0392) - COMPANY COMMON POL CONDITIONS
- 6-4578(0200) - HOW TO SAVE MONEY AT AUDIT
- CG8613(0598) - ASBESTOS EXCLUSION
- CG2147(1093) - EMPLOYMENT RELATED PRACTICES

THIS IS A NOTICE ONLY. THE FULL EXACT CONTRACT IS CONTAINED ONLY IN THE POLICY.



## POLICYHOLDER NOTICE

6-1690  
(1-94)

RE: Adequately Insured Subcontractors

If you are a contractor and rely on subcontractors to perform all or part of your work, please read this important notice carefully. It could significantly reduce the cost of your liability insurance.

When your liability premium is based on payroll, subcontracted work will also generate a charge. If your subcontractors carry "adequate" insurance, the rate per \$1,000 cost of such work is lower than the rate for inadequately insured subcontractors. If your subcontractors are inadequately insured, or uninsured, we must classify and rate their work as if performed by your own employees. The resultant premiums may be substantially higher.

We will consider any subcontractor you hire to be "adequately insured" if that subcontractor carries a limit of liability which is equal to yours or \$100,000, whichever is lower.

At the time of premium audit, a company representative will request evidence from you that subcontractors performing work on your behalf are adequately insured. This "evidence" is usually in the form of certificates of insurance.

You should require that your subcontractors provide you with a certificate of insurance as evidence of liability insurance. They may obtain these from their insurance agent.

You should monitor these certificates of insurance carefully.

1. Certificates of insurance should be in file for all subcontractors working for you.
2. Verify that each subcontractor's insurance is "adequate."
3. Certificates of insurance should be renewed before they expire.
4. Certificates should be retained for at least two years.

If you have any questions about your policy or this notice, contact your agent.

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words "we", "us" and "our" refer to the company providing this insurance.

The word "insured" means any person or organization qualifying as such under WHO IS AN INSURED (SECTION II).

Other words and phrases that appear in quotation marks have special meaning. Refer to DEFINITIONS (SECTION V).

## SECTION I - COVERAGES

### COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

#### 1. Insuring Agreement.

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III); and
- (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS - COVERAGES A AND B.

- b. This insurance applies to "bodily injury" and "property damage" only if:
- (1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory"; and
  - (2) The "bodily injury" or "property damage" occurs during the policy period.

- c. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

#### 2. Exclusions.

This insurance does not apply to:

##### a. Expected or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

##### b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

- (1) that the insured would have in the absence of the contract or agreement; or
- (2) assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:
  - (a) liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and
  - (b) such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

##### c. Liquor Liability

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

- (1) Causing or contributing to the intoxication of any person;
- (2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

- (3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

**d. Workers Compensation and Similar Laws**

Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

**e. Employer's Liability**

"Bodily injury" to:

- (1) An "employee" of the insured arising out of and in the course of:
- (a) Employment by the insured; or
  - (b) Performing duties related to the conduct of the insured's business; or
- (2) The spouse, child, parent, brother or sister of that "employee" as a consequence of paragraph (1) above.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract".

**f. Pollution**

- (1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:
- (a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured;
  - (b) At or from any premises, site or location which is or was at any time used by or for any insured or others for the handling, storage, disposal, processing or treatment of waste;
  - (c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for any insured or any person or organization for whom you may be legally responsible; or

- (d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations:

- (i) If the pollutants are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor; or
- (ii) If the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.

Subparagraph (d)(i) does not apply to "bodily injury" or "property damage" arising out of the escape of fuels, lubricants or other operating fluids which are needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" or its parts, if such fuels, lubricants or other operating fluids escape from a vehicle part designed to hold, store or receive them. This exception does not apply if the fuels, lubricants or other operating fluids are intentionally discharged, dispersed or released, or if such fuels, lubricants or other operating fluids are brought on or to the premises, site or location with the intent to be discharged, dispersed or released as part of the operations being performed by such insured, contractor or subcontractor.

Subparagraphs (a) and (d)(i) do not apply to "bodily injury" or "property damage" arising out of heat, smoke or fumes from a hostile fire.

As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

- (2) Any loss, cost, or expense arising out of any:
- (a) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effect of pollutants; or

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

- (b) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

**g. Aircraft, Auto or Watercraft**

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading".

This exclusion does not apply to:

- (1) A watercraft while ashore on premises you own or rent;
- (2) A watercraft you do not own that is:
  - (a) Less than 26 feet long; and
  - (b) Not being used to carry persons or property for a charge;
- (3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;
- (4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft; or
- (5) "Bodily injury" or "property damage" arising out of the operation of any of the equipment listed in paragraph f.(2) or f.(3) of the definition of "mobile equipment".

**h. Mobile Equipment**

"Bodily injury" or "property damage" arising out of:

- (1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any insured; or
- (2) The use of "mobile equipment" in, or while in practice for, or while being prepared for, any prearranged racing, speed, demolition, or stunting activity.

**i. War**

"Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition

incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

**j. Damage to Property**

"Property damage" to:

- (1) Property you own, rent, or occupy;
- (2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;
- (3) Property loaned to you;
- (4) Personal property in the care, custody or control of the insured;
- (5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or
- (6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraphs (3), (4), (5) and (6) of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "products-completed operations hazard".

**k. Damage to Your Product**

"Property damage" to "your product" arising out of it or any part of it.

**l. Damage to Your Work**

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard".

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

**m. Damage to Impaired Property or Property Not Physically Injured**

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

- (1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

- (2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

**n. Recall of Products, Work or Impaired Property**

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

- (1) "Your product";
- (2) "Your work"; or
- (3) "Impaired property";

If such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

Exclusions c. through n. do not apply to damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in LIMITS OF INSURANCE (Section III).

**COVERAGE B. PERSONAL AND ADVERTISING INJURY LIABILITY**

**1. Insuring Agreement.**

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal injury" or "advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "personal injury" or "advertising injury" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" or offense and settle any claim or "suit" that may result. But:
- (1) The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III); and
  - (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS - COVERAGES A AND B.

**b. This insurance applies to:**

- (1) "Personal injury" caused by an offense arising out of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you;
- (2) "Advertising injury" caused by an offense committed in the course of advertising your goods, products or services;

but only if the offense was committed in the "coverage territory" during the policy period.

**2. Exclusions.**

This insurance does not apply to:

**a. "Personal injury" or "advertising injury"**

- (1) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity;
- (2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;
- (3) Arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured;
- (4) For which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement; or
- (5) Arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time.

**b. "Advertising injury" arising out of:**

- (1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;
- (2) The failure of goods, products or services to conform with advertised quality or performance;
- (3) The wrong description of the price of goods, products or services; or
- (4) An offense committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

**c. Any loss, cost or expense arising out of any:**

- (1) Request, demand or order that any insured or others test for, monitor, clean up, remove,

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

- (2) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

**COVERAGE C. MEDICAL PAYMENTS****1. Insuring Agreement.**

- a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

- (1) On premises you own or rent;  
(2) On ways next to premises you own or rent; or  
(3) Because of your operations;  
provided that:

- (1) The accident takes place in the "coverage territory" and during the policy period;  
(2) The expenses are incurred and reported to us within one year of the date of the accident; and  
(3) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

- b. We will make these payments regardless of fault. These payments will not exceed the applicable limit of insurance. We will pay reasonable expenses for:

- (1) First aid administered at the time of an accident;  
(2) Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and  
(3) Necessary ambulance, hospital, professional nursing and funeral services.

**2. Exclusions.**

We will not pay expenses for "bodily injury":

- a. To any insured.  
b. To a person hired to do work for or on behalf of any insured or a tenant of any insured.

- c. To a person injured on that part of premises you own or rent that the person normally occupies.  
d. To a person, whether or not an "employee" of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers compensation or disability benefits law or a similar law.  
e. To a person injured while taking part in athletics.  
f. Included within the "products-completed operations hazard".  
g. Excluded under Coverage A.  
h. Due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution.

**SUPPLEMENTARY PAYMENTS - COVERAGES A AND B**

We will pay, with respect to any claim we investigate or settle, or any "suit" against an insured we defend:

- All expenses we incur.
- Up to \$250 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.
- The cost of bonds to release attachments, but only for bond amounts within the applicable limit of insurance. We do not have to furnish these bonds.
- All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to \$250 a day because of time off from work.
- All costs taxed against the insured in the "suit".
- Prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on that period of time after the offer.
- All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.

These payments will not reduce the limits of insurance.

If we defend an insured against a "suit" and an indemnitee of the insured is also named as a party to the "suit", we will defend that indemnitee if all of the following conditions are met:

- a. The "suit" against the indemnitee seeks damages for which the insured has assumed the liability

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

- of the indemnitee in a contract or agreement that is an "insured contract";
- b. This insurance applies to such liability assumed by the insured;
  - c. The obligation to defend, or the cost of the defense of, that indemnitee, has also been assumed by the insured in the same "insured contract";
  - d. The allegations in the "suit" and the information we know about the "occurrence" are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;
  - e. The indemnitee and the insured ask us to conduct and control the defense of that indemnitee against such "suit" and agree that we can assign the same counsel to defend the insured and the indemnitee; and
  - f. The indemnitee:
    - (1) agrees in writing to:
      - (a) cooperate with us in the investigation, settlement or defense of the "suit";
      - (b) immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "suit";
      - (c) notify any other insurer whose coverage is available to the indemnitee; and
      - (d) cooperate with us with respect to coordinating other applicable insurance available to the indemnitee; and
    - (2) provides us with written authorization to:
      - (a) obtain records and other information related to the "suit"; and
      - (b) conduct and control the defense of the indemnitee in such "suit".

So long as the above conditions are met, attorneys fees incurred by us in the defense of that indemnitee, necessary litigation expenses incurred by us and necessary litigation expenses incurred by the indemnitee at our request will be paid as Supplementary Payments. Notwithstanding the provisions of paragraph 2.b.(2) of COVERAGE A - BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I - Coverages), such payments will not be deemed to be damages for "bodily injury" and "property damage" and will not reduce the limits of insurance.

Our obligation to defend an insured's indemnitee and to pay for attorneys fees and necessary litigation expenses as Supplementary Payments ends when:

- a. We have used up the applicable limit of insurance in the payment of judgments or settlements; or
- b. The conditions set forth above, or the terms of the agreement described in paragraph f. above, are no longer met.

## SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:
  - a. An individual, you and your spouse are insureds, but only with respect to the conduct of the business of which you are the sole owner.
  - b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.
  - c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.
  - d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.
2. Each of the following is also an insured:
  - a. Your "employees", other than either your "executive officers" (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these "employees" is an insured for:
    - (1) "Bodily injury" or "personal injury":
      - (a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), or to a co-"employee" while that co-"employee" is either in the course of his or her employment or performing duties related to the conduct of your business;
      - (b) To the spouse, child, parent, brother or sister of that co-"employee" as a

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

- consequence of paragraph (1)(a) above;
- (c) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in paragraphs (1) (a) or (b) above; or
  - (d) Arising out of his or her providing or failing to provide professional health care services.
- (2) "Property damage" to property:
- (a) Owned, occupied or used by,
  - (b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by,
- you, any of your "employees", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).
- b. Any person (other than your "employee"), or any organization while acting as your real estate manager.
  - c. Any person or organization having proper temporary custody of your property if you die, but only:
    - (1) With respect to liability arising out of the maintenance or use of that property; and
    - (2) Until your legal representative has been appointed.
  - d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.
3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:
- a. "Bodily injury" to a co-"employee" of the person driving the equipment; or
  - b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.
4. Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:
- a. Coverage under this provision is afforded only until the 90th day after you acquire or form the organization or the end of the policy period, whichever is earlier;
  - b. Coverage A does not apply to "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and
  - c. Coverage B does not apply to "personal injury" or "advertising injury" arising out of an offense committed before you acquired or formed the organization.
- No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

## SECTION III - LIMITS OF INSURANCE

1. The Limits of insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:
- a. Insureds;
  - b. Claims made or "suits" brought; or
  - c. Persons or organizations making claims or bringing "suits".
2. The General Aggregate Limit is the most we will pay for the sum of:
- a. Medical expenses under Coverage C;
  - b. Damages under Coverage A, except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard"; and
  - c. Damages under Coverage B.
3. The Products-Completed Operations Aggregate Limit is the most we will pay under Coverage A for damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard".
4. Subject to 2. above, the Personal and Advertising Injury Limit is the most we will pay under Coverage B for the sum of all damages because of all "personal injury" and all "advertising injury" sustained by any one person or organization.

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

5. Subject to 2. or 3. above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of:
- Damages under Coverage A; and
  - Medical expenses under Coverage C
- because of all "bodily injury" and "property damage" arising out of any one "occurrence".
6. Subject to 5. above, the Fire Damage Limit is the most we will pay under Coverage A for damages because of "property damage" to premises, while rented to you or temporarily occupied by you with permission of the owner, arising out of any one fire.
7. Subject to 5. above, the Medical Expense Limit is the most we will pay under Coverage C for all medical expenses because of "bodily injury" sustained by any one person.

The Limits of Insurance of this Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, ~~unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.~~

## SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS

- Bankruptcy.**  
Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.
- Duties In The Event of Occurrence, Offense, Claim Or Suit.**
  - You must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:
    - How, when and where the "occurrence" or offense took place;
    - The names and addresses of any injured persons and witnesses; and
    - The nature and location of any injury or damage arising out of the "occurrence" or offense.
  - If a claim is made or "suit" is brought against any insured, you must:
    - Immediately record the specifics of the claim or "suit" and the date received; and
    - Notify us as soon as practicable.

You must see to it that we receive written notice of the claim or "suit" as soon as practicable.

- You and any other involved insured must:
  - Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";
  - Authorize us to obtain records and other information;
  - Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and
  - Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.
- No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

### 3. Legal Action Against Us.

No person or organization has a right under this Coverage Part:

- To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
- To sue us on this Coverage Part unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this Coverage Part or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

### 4. Other Insurance.

If other valid and collectible insurance is available to the insured for a loss we cover under Coverages A or B of this Coverage Part, our obligations are limited as follows:

#### a. Primary Insurance

This insurance is primary except when b. below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in c. below.

#### b. Excess Insurance

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis:

- (1) That is Fire, Extended Coverage, Builder's Risk, Installation Risk or similar coverage for "your work";
- (2) That is Fire insurance for premises rented to you or temporarily occupied by you with permission of the owner; or
- (3) If the loss arises out of the maintenance or use of aircraft, "autos" or watercraft to the extent not subject to Exclusion g. of Coverage A (Section 1).

When this insurance is excess, we will have no duty under Coverages A or B to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit". If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

- (1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and
- (2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

**c. Method of Sharing**

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

**5. Premium Audit.**

- a. We will compute all premiums for this Coverage Part in accordance with our rules and rates.

- b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period. Audit premiums are due and payable on notice to the first Named Insured. If the sum of the advance and audit premiums paid for the policy period is greater than the earned premium, we will return the excess to the first Named Insured.
- c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

**6. Representations.**

By accepting this policy, you agree:

- a. The statements in the Declarations are accurate and complete;
- b. Those statements are based upon representations you made to us; and
- c. We have issued this policy in reliance upon your representations.

**7. Separation Of Insureds.**

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom claim is made or "suit" is brought.

**8. Transfer Of Rights Of Recovery Against Others To Us.**

If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

**9. When We Do Not Renew.**

If we decide not to renew this Coverage Part, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

## SECTION V - DEFINITIONS

1. "Advertising injury" means injury arising out of one or more of the following offenses:

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

- a. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
- b. Oral or written publication of material that violates a person's right of privacy;
- c. Misappropriation of advertising ideas or style of doing business; or
- d. Infringement of copyright, title or slogan.
2. "Auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment".
3. "Bodily Injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.
4. "Coverage territory" means:
- a. The United States of America (including its territories and possessions), Puerto Rico and Canada;
- b. International waters or airspace, provided the injury or damage does not occur in the course of travel or transportation to or from any place not included in a. above; or
- c. All parts of the world if:
- (1) The injury or damage arises out of:
- (a) Goods or products made or sold by you in the territory described in a. above; or
- (b) The activities of a person whose home is in the territory described in a. above, but is away for a short time on your business; and
- (2) The insured's responsibility to pay damages is determined in a "suit" on the merits, in the territory described in a. above or in a settlement we agree to.
5. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".
6. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.
7. "Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:
- a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or
- b. You have failed to fulfill the terms of a contract or agreement;
- If such property can be restored to use by:
- a. The repair, replacement, adjustment or removal of "your product" or "your work"; or
- b. Your fulfilling the terms of the contract or agreement.
8. "Insured contract" means:
- a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract";
- b. A sidetrack agreement;
- c. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
- d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
- e. An elevator maintenance agreement;
- f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.
- Paragraph f. does not include that part of any contract or agreement:
- (1) That indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing;
- (2) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:
- (a) Preparing, approving or failing to prepare or approve maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
- (b) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage; or
- (3) Under which the insured, if an architect, engineer or surveyor, assumes liability for

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

an injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in (2) above and supervisory, inspection, architectural or engineering activities.

9. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".
10. "Loading or unloading" means the handling of property:
- After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "auto";
  - While it is in or on an aircraft, watercraft or "auto"; or
  - While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered;
- but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto".
11. "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:
- Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;
  - Vehicles maintained for use solely on or next to premises you own or rent;
  - Vehicles that travel on crawler treads;
  - Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:
    - Power cranes, shovels, loaders, diggers or drills; or
    - Road construction or resurfacing equipment such as graders, scrapers or rollers;
  - Vehicles not described in a., b., c. or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
    - Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
    - Cherry pickers and similar devices used to raise or lower workers;

- f. Vehicles not described in a., b., c. or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

- Equipment designed primarily for:
    - Snow removal;
    - Road maintenance, but not construction or resurfacing; or
    - Street cleaning.
  - Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and
  - Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.
12. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.
13. "Personal injury" means injury, other than "bodily injury", arising out of one or more of the following offenses:
- False arrest, detention or imprisonment;
  - Malicious prosecution;
  - The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor;
  - Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services; or
  - Oral or written publication of material that violates a person's right of privacy.
14. "Products-completed operations hazard":
- Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:
    - Products that are still in your physical possession; or
    - Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:

COMMERCIAL GENERAL LIABILITY  
COVERAGE FORM

- (a) When all of the work called for in your contract has been completed.
- (b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.
- (c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

- b. Does not include "bodily injury" or "property damage" arising out of:
  - (1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;
  - (2) The existence of tools, uninstalled equipment or abandoned or unused materials; or
  - (3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products-completed operations are subject to the General Aggregate Limit.

## 15. "Property damage" means:

- a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
- b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

## 16. "Suit" means a civil proceeding in which damages because of "bodily injury", "property damage", "personal injury" or "advertising injury" to which this insurance applies are alleged. "Suit" includes:

- a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

## 17. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

## 18. "Your product" means:

- a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:
  - (1) You;
  - (2) Others trading under your name; or
  - (3) A person or organization whose business or assets you have acquired; and
- b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

## "Your product" includes:

- a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and
- b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

## 19. "Your work" means:

- a. Work or operations performed by you or on your behalf; and
- b. Materials, parts or equipment furnished in connection with such work or operations.

## "Your work" includes:

- a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and
- b. The providing of or failure to provide warnings or instructions.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.



SAFECO

AMENDMENT OF INSURING AGREEMENT -  
KNOWN INJURY OR DAMAGE

CG 00 57 09 99

COMMERCIAL GENERAL LIABILITY

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART (OCCURRENCE VERSION)

Paragraph 1. Insuring Agreement of Section I Coverage A - Bodily Injury And Property Damage liability replaced by the following:

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in **Section III - Limits Of Insurance**; and
- (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments - Coverage A and B.

b. This insurance applies to "bodily injury" and "property damage" only if:

- (1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";
- (2) The "bodily injury" or "property damage" occurs during the policy period; and
- (3) Prior to the policy period, no insured listed under Paragraph 1. of **Section II - Who Is An Insured** and no "employee" authorized by you to give or receive notice of an

"occurrence" or claim, knew that the "bodily injury" or "property damage" had occurred, in whole or in part. If such a listed insured or authorized "employee" knew, prior to the policy period, that the "bodily injury" or "property damage" occurred, then any continuation, change or resumption of such "bodily injury" or "property damage" during or after the policy period will be deemed to have been known prior to the policy period.

c. "Bodily injury" or "property damage" which occurs during the policy period and was not, prior to the policy period, known to have occurred by any insured listed under Paragraph 1. of **Section II - Who Is An Insured** or any "employee" authorized by you to give or receive notice of an "occurrence" or claim, includes any continuation, change or resumption of that "bodily injury" or "property damage" after the end of the policy period.

d. "Bodily injury" or "property damage" will be deemed to have been known to have occurred at the earliest time when any insured listed under Paragraph 1. of **Section II - Who Is An Insured** or any "employee" authorized by you to give or receive notice of an "occurrence" or claim:

- (1) Reports all, or any part, of the "bodily injury" or "property damage" to us or any other insurer;
- (2) Receives a written or verbal demand or claim for damages because of the "bodily injury" or "property damage"; or
- (3) Becomes aware by any other means that "bodily injury" or "property damage" has occurred or has begun to occur.

e. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.



**EMPLOYMENT-RELATED PRACTICES  
EXCLUSION**

CG 21 47 10 93

COMMERCIAL GENERAL LIABILITY

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART**

**A. The following exclusion is added to paragraph 2., Exclusions of COVERAGE A - BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I - Coverages):**

This insurance does not apply to:

1. "Bodily injury" to:
  - a. A person arising out of any:
    - (1) Refusal to employ that person;
    - (2) Termination of that person's employment; or
    - (3) Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation or discrimination directed at that person; or
  - b. The spouse, child, parent, brother or sister of that person as a consequence of "bodily injury" to that person at whom any of the employment-related practices described in paragraphs (1), (2) or (3) above is directed.

This exclusion applies:

- a. Whether the insured may be liable as an employer or in any other capacity; and
- b. To any obligation to share damages with or repay someone else who must pay damages because of the injury.

**B. The following exclusion is added to paragraph 2., Exclusions of COVERAGE B - PERSONAL AND ADVERTISING INJURY LIABILITY (Section I - Coverages):**

This insurance does not apply to:

1. "Personal injury" to:
  - a. A person arising out of any:
    - (1) Refusal to employ that person;
    - (2) Termination of that person's employment; or
    - (3) Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation or discrimination directed at that person; or
  - b. The spouse, child, parent, brother or sister of that person as a consequence of "personal injury" to that person at whom any of the employment-related practices described in paragraphs (1), (2) or (3) above is directed.

This exclusion applies:

- a. Whether the insured may be liable as an employer or in any other capacity; and
- b. To any obligation to share damages with or repay someone else who must pay damages because of the injury.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.



**EXCLUSION - FAILURE TO SUPPLY**

CG 22 50 11 88

COMMERCIAL GENERAL LIABILITY

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART**

This insurance does not apply to "bodily injury" or "property damage" arising out of the failure of any insured to adequately supply gas, oil, water, electricity or steam.

This exclusion does not apply if the failure to supply results from the sudden and accidental injury to tangible property owned or used by any insured to procure, produce, process or transmit the gas, oil, water, electricity or steam.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.



**EXCLUSION - ASBESTOS**

CG 86 13 05 98

COMMERCIAL GENERAL LIABILITY

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART**

This insurance does not apply to "bodily injury," "property damage," "personal injury" or "advertising injury" arising out of or resulting from the manufacturing, handling, selling, distribution, disposal, existence, use of or exposure to asbestos, asbestos dust, asbestos fibers or asbestos products.

We will not have the duty to defend any such claim or "suit."

CG 86 13 05 98

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.



## LIABILITY PLUS ENDORSEMENT

CG 76 35 09 00

COMMERCIAL GENERAL LIABILITY

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

### SCHEDULE

Name of Person or Organization:

#### ADDITIONAL INSURED - BY WRITTEN CONTRACT, AGREEMENT OR PERMIT, OR SCHEDULE

The following paragraph is added to WHO IS AN INSURED (Section II):

5. Any person or organization shown in the schedule or for whom you are required by written contract, agreement or permit to provide insurance is an insured, subject to the following additional provisions:
- a. The contract, agreement or permit must be in effect during the policy period shown in the Declarations, and must have been executed prior to the "bodily injury," "property damage," "personal injury," or "advertising injury."
  - b. The person or organization added as an insured by this endorsement is an insured only to the extent you are held liable due to:
    - (1) The ownership, maintenance or use of that part of premises you own, rent, lease or occupy, subject to the following additional provisions:
      - (a) This insurance does not apply to any "occurrence" which takes place after you cease to be a tenant in any premises leased to or rented to you;
      - (b) This insurance does not apply to any structural alterations, new construction or demolition operations performed by or on behalf of the person or organization added as an insured;
    - (2) Your ongoing operations for that insured, whether the work is performed by you or for you;
  - (3) The maintenance, operation or use by you of equipment leased to you by such person or organization, subject to the following additional provisions:
    - (a) This insurance does not apply to any "occurrence" which takes place after the equipment lease expires;
    - (b) This insurance does not apply to "bodily injury" or "property damage" arising out of the sole negligence of such person or organization;
  - (4) Permits issued by any state or political subdivision with respect to operations performed by you or on your behalf, subject to the following additional provision:

This insurance does not apply to "bodily injury," "property damage," "personal injury," or "advertising injury" arising out of operations performed for the state or municipality.
  - c. The insurance with respect to any architect, engineer, or surveyor added as an insured by this endorsement does not apply to "bodily injury," "property damage," "personal injury," or "advertising injury" arising out of the rendering of or the failure to render any professional services by or for you, including:
    - (1) The preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; and
    - (2) Supervisory, inspection or engineering services.

## COMMERCIAL GENERAL LIABILITY

- d. This insurance does not apply to "bodily injury" or "property damage" included within the "products-completed operations hazard."

A person's or organization's status as an insured under this endorsement ends when your operations for that insured are completed.

No coverage will be provided if, in the absence of this endorsement, no liability would be imposed by law on you. Coverage shall be limited to the extent of your negligence or fault according to the applicable principles of comparative fault.

**NON-OWNED WATERCRAFT AND NON-OWNED AIRCRAFT LIABILITY**

Exclusion g. of COVERAGE A (Section I) is replaced by the following:

- g. "Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading."

This exclusion does not apply to:

- (1) A watercraft while ashore on premises you own or rent;
- (2) A watercraft you do not own that is:
  - (a) Less than 52 feet long; and
  - (b) Not being used to carry persons or property for a charge;
- (3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;
- (4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft; or
- (5) "Bodily injury" or "property damage" arising out of the operation of any of the equipment listed in paragraph f.(2) or f.(3) of the definition of "mobile equipment."
- (6) An aircraft you do not own provided it is not operated by any insured.

**TENANTS' PROPERTY DAMAGE LIABILITY**

When a Fire Damage Limit is shown in the Declarations the following changes are made:

1. The last paragraph of COVERAGE A (Section I) is replaced by the following:  
Exclusions c. through e. and exclusions g. through n. do not apply to your liability for "property damage" to

premises while rented to you or temporarily occupied by you with permission of the owner. The following additional exclusions apply only to such "property damage:"

This insurance does not apply to liability arising out of:

- o. Mechanical breakdown, or by rupture of or bursting caused by centrifugal force.
- p. Explosion of steam boilers, steam pipes, steam turbines or steam engines.
- q. Activities of any insured which are not connected with the business of any insured.

A separate limit of insurance applies to this coverage, and is described as the Fire Damage Limit in LIMITS OF INSURANCE (Section III).

2. Paragraph 6. of LIMITS OF INSURANCE (Section III) is replaced by the following:

6. Subject to 5. above, the Fire Damage Limit is the most we will pay under Coverage A for damages because of "property damage" to premises, while rented to you, or temporarily occupied by you with permission of the owner, arising out of any one "occurrence."

The Fire Damage Limit is the higher of \$200,000 or the amount shown in the Declarations as Fire Damage Limit.

3. Paragraph 4.b.(2) of COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV) is replaced by the following:

- (2) That is Fire, Explosion or "property damage" insurance for premises rented to you or temporarily occupied by you with permission of the owner; or

4. Paragraph 8.a. of DEFINITIONS (Section V) is replaced by the following:

- a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damages to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract;"

**WHO IS AN INSURED - MANAGERS**

The following is added to Paragraph 2.a. of WHO IS AN INSURED (Section II):

Paragraph (1) does not apply to executive officers, or to managers at the supervisory level or above.

**SUPPLEMENTARY PAYMENTS - COVERAGES A AND B - BAIL BONDS**

## COMMERCIAL GENERAL LIABILITY

a. Paragraph 2. of SUPPLEMENTARY PAYMENTS - COVERAGES A AND B is replaced by the following:

2. Up to \$2,000 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.

**EMPLOYEES AS INSURED - HEALTH CARE SERVICES**

Provision 2.a.(1) d. of WHO IS AN INSURED (Section II) is deleted, unless excluded by separate endorsement.

**EXTENDED COVERAGE FOR NEWLY ACQUIRED ORGANIZATIONS**

Provision 4.a. of WHO IS AN INSURED (Section II) is replaced by the following:

- a. Coverage under this provision is afforded only until the end of the policy period.

**EXTENDED "PROPERTY DAMAGE"**

Exclusion a. of COVERAGE A. (Section I) is amended to read:

- a. "Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

**ADDITIONAL INSURED - VOLUNTEERS**

1. WHO IS AN INSURED (Section II) is amended to include as insureds any persons who are volunteer workers for you, but only while acting at the direction of, and within the scope of their duties for you. However, no volunteers are insureds for:

- a. "Bodily injury" to:
  - (1) Co-volunteers or your employees arising out of and in the course of their duties for you, or
  - (2) You, any of your "employees," any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).
- b. "Property damage" to property owned, occupied or used by, rented to, in the care, custody, or

control of, or over which physical control is being exercised for any purpose by:

- (1) A co-volunteer or your employee; or
- (2) You, any of your "employees", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

2. Exclusion 2.a. of COVERAGE C (Section I) is replaced by the following:

- a. To any insured, except volunteer workers who are not paid a fee, salary or other compensation;

**INCREASED MEDICAL EXPENSE LIMIT**

The medical expense limit is amended to \$10,000.

**KNOWLEDGE OF OCCURRENCE**

The following is added to Paragraph 2. Duties In The Event Of Occurrence, Offense, Claim Or Suit of COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):

Knowledge of an "occurrence," claim or "suit" by your agent, servant or employee shall not in itself constitute knowledge of the named insured unless an officer of the named insured has received such notice from the agent, servant or employee.

**UNINTENTIONAL FAILURE TO DISCLOSE ALL HAZARDS**

The following is added to Paragraph 6. Representations of COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):

If you unintentionally fail to disclose any hazards existing at the inception date of your policy, we will not deny coverage under this Coverage Form because of such failure. However, this provision does not affect our right to collect additional premium or exercise our right of cancellation or non-renewal.

**LIBERALIZATION CLAUSE**

The following paragraph is added to COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):

10. If a revision to this Coverage Part, which would provide more coverage with no additional premium, becomes effective during the policy period in the state shown in the Declarations, your policy will automatically provide this additional coverage on the effective date of the revision.

All coverage Parts included in this policy are subject to the following conditions.

**A. Cancellation**

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

**B. Changes**

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

**C. Examination Of Your Books And Records**

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

**D. Inspections And Surveys**

1. We have the right to:
  - a. Make inspections and surveys at any time;
  - b. Give you reports on the conditions we find; and

**c. Recommend changes.**

2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
  - a. Are safe or healthful; or
  - b. Comply with laws, regulations, codes or standards.
3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.
4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

**E. Premiums**

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

**F. Transfer Of Your Rights And Duties Under This Policy**

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY



**NUCLEAR ENERGY LIABILITY  
EXCLUSION ENDORSEMENT  
(Broad Form)**

IL 00 21 11 94

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS POLICY  
COMMERCIAL AUTO COVERAGE PART  
COMMERCIAL GENERAL LIABILITY COVERAGE PART  
FARM COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART  
RAILROAD PROTECTIVE LIABILITY COVERAGE PART  
SPECIAL PROTECTIVE AND HIGHWAY LIABILITY POLICY NEW YORK DEPARTMENT OF TRANSPORTATION  
UNDERGROUND STORAGE TANK POLICY

1. The insurance does not apply:

A. Under any Liability Coverage, to "bodily injury" or "property damage:"

- (1) With respect to which an "insured" under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
- (2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the "insured" is, or had this policy not been issued would be entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

B. Under any Medical Payments coverage, to expenses incurred with respect to "bodily injury" resulting from the "hazardous properties" of "nuclear material" and arising out of the operation of a "nuclear facility" by any person or organization.

C. Under any Liability Coverage, to "bodily injury" or "property damage" resulting from "hazardous properties" of "nuclear material," if:

- (1) The "nuclear material" (a) is at any "nuclear facility" owned by, or operated by or on behalf of, an "insured" or (b) has been discharged or dispersed therefrom;
- (2) The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of, by or on behalf of an "insured;" or
- (3) The "bodily injury" or "property damage" arises out of the furnishing by an "insured" of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility," but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (3) applies only to "property damage" to such "nuclear facility" and any property thereat.

2. As used in this endorsement:

"Hazardous properties" includes radioactive, toxic or explosive properties.

"Nuclear material" means "source material," "Special nuclear material" or "by-product material."

"Source material," "special nuclear material," and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof.

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor."

"Waste" means any waste material (s) containing "by-product material" other than the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content, and (b) resulting from the operation by any person or organization of any "nuclear facility" included under the first two paragraphs of the definition of "nuclear facility."

"Nuclear facility" means:

- (a) Any "nuclear reactor;"
- (b) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing "spent fuel," or (3) handling, processing or packaging "waste;"
- (c) Any equipment or device used for the processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the "insured" at the

premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

- (d) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste;"

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

"Property damage" includes all forms of radioactive contamination of property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.



## ARIZONA CHANGES - CANCELLATION AND NONRENEWAL

IL 02 58 07 89

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
BUSINESSOWNERS POLICY  
COMMERCIAL CRIME COVERAGE PART\*  
COMMERCIAL GENERAL LIABILITY COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
FARM COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

\*This endorsement does not apply to coverage provided for employee dishonesty (Coverage Form A) or public employee dishonesty (Coverage Forms O and P).

A. The following is added to the CANCELLATION Common Policy Condition (and applies except in situations where B., below, applies):

7. Cancellation Of Policies In Effect For 60 Days Or More

If this policy has been in effect for 60 days or more, or if this policy is a renewal of a policy we issued, we may cancel this policy only for one or more of the following reasons:

- a. Nonpayment of premium;
- b. Your conviction of a crime arising out of acts increasing the hazard insured against;
- c. Acts or omissions by you or your representative constituting fraud or material misrepresentation in the procurement of this policy, in continuing this policy or in presenting a claim under this policy;
- d. Substantial change in the risk assumed, except to the extent that we should have reasonably foreseen the change or contemplated the risk in writing the contract;
- e. Substantial breach of contractual duties or conditions;
- f. Loss of reinsurance applicable to the risk insured against resulting from termination of treaty or facultative reinsurance initiated by our reinsurer or reinsurers;
- g. Determination by the Director of Insurance that the continuation of the policy would place us in violation of the insurance laws of this state or would jeopardize our solvency; or
- h. Acts or omissions by you or your representative which materially increase the hazard insured against.

If we cancel this policy based on one or more of the above reasons, we will mail by certified mail to the first Named Insured, and mail to the agent, if any, written notice of cancellation stating the reasons for cancellation. We will mail this notice to the last mailing addresses known to us, at least:

- a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium.
  - b. 60 days before the effective date of cancellation if we cancel for any of the other reasons.
- B. If the Commercial Property Coverage Part or the Farm Property Coverage Form provides coverage for:
1. real property which is used predominantly for residential purposes and consist of one through four dwelling units; and/or
  2. personal property (except business or farm personal property) of a person residing in such real property;

the following provisions apply (instead of those provided in item A. above) with respect to cancellation of such coverage:

If this policy has been in effect for 60 days or more, or is a renewal of a policy we issued, we may cancel only for one or more of the following reasons:

- a. Nonpayment of premium;
- b. Your conviction of a crime arising out of acts increasing the hazard insured against;
- c. Acts or omissions by you or your representative constituting fraud or material misrepresentation in obtaining the policy, continuing the policy, or presenting a claim under the policy;

- d. Discovery of grossly negligent acts or omissions by you substantially increasing any of the hazards insured against;
- e. Substantial change in the risk assumed by us, since the policy was issued, except to the extent that we should reasonably have foreseen the change or contemplated the risk in writing the contract;
- f. A determination by the Director of Insurance that the continuation of the policy would place us in violation of the insurance laws of this state; or
- g. Your failure to take reasonable steps to eliminate or reduce any conditions in or on the insured premises which contributed to a loss in the past or will increase the probability of future losses.

If we cancel this policy based on one or more of these reasons, we will mail written notice of cancellation, stating the reason(s) for cancellation, to the first Named Insured. We will mail this notice to the last mailing address known to us, at least:

- (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium.
- (2) 30 days before the effective date of cancellation, if we cancel for any of the other reasons.

- C. The following is added and supersedes any provision to the contrary (and applies except in situations where D., below, applies):

#### **NONRENEWAL**

- 1. If we elect not to renew this policy, we will mail by certified mail to the first Named Insured, and mail to the agent, if any, written notice of nonrenewal. We will mail this notice to the last mailing addresses known to us at least **60 days** prior to the expiration of this policy.

- 2. If notice is mailed, proof of mailing will be sufficient proof of notice.
- 3. If either one of the following occurs, we are not required to provide written notice of nonrenewal:
  - a. We or a company within the same insurance group has offered to issue a renewal policy; or
  - b. You have obtained replacement coverage or agreed in writing to do so.
- D. If the Commercial Property Coverage Part or the Farm Property Coverage Form provides coverage for:
  - 1. real property which is used predominately for residential purposes and consists of one through four dwelling units; and/or
  - 2. personal property (except business or farm personal property) of a person residing in such real property;

the following provisions apply (instead of those provided in item C. above) with respect to nonrenewal of such coverage:

- 1. If we elect not to renew, we will mail written notice of nonrenewal, to the first Named Insured. We will mail this notice to the last mailing address known to us, at least 30 days before the end of the policy period. Proof of mailing will be sufficient proof of notice.
- 2. If either one of the following occurs, we are not required to provide notice of nonrenewal:
  - a. you have agreed to nonrenewal; or
  - b. you have accepted replacement coverage.
- 3. If our nonrenewal is based on the condition of the premises, you will be given 30 days' notice to remedy the identified conditions. If the identified conditions are remedied, coverage will be renewed. If the identified conditions are not remedied to our satisfaction, you will be given an additional 30 days, upon payment of premium, to correct the defective condition.



This policy consists of:

**Common Policy Declarations** which include your name and mailing address, the policy period, premium information and coverage part(s) included.

**Common Policy Conditions.**

Coverage parts consist of one or more of the following:

- Commercial Property
- Commercial Liability
- Commercial Inland Marine
- Commercial Crime/Bonds
- Commercial Automobile
- Businessowners
- Boiler and Machinery
- Workers' Compensation.

Each of the coverage parts consist of:

- One or more coverage forms
- One or more coverage part conditions
- Applicable endorsements.

If you have any questions, please contact your agent listed on the Common Policy Declarations.

In Witness Whereof, the company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the company.

*Rodney A. Pierson*

Secretary

*Shirley*

President

AMERICAN STATES INSURANCE COMPANIES  
500 North Meridian Street  
Indianapolis, Indiana 46204-1275



## NOTICE TO POLICYHOLDERS BROADENINGS, RESTRICTIONS AND CLARIFICATIONS OF COVERAGE

6-2978  
(12-93)

This notice has been prepared in conjunction with the implementation of changes to your policy. It contains a brief synopsis of the significant broadenings, restrictions and clarifications of coverage that were made in each policy form and endorsement. This notice does not reference every editorial change made in these forms and endorsements.

Please read your policy, and the endorsements attached to your policy, carefully.

### BROADENINGS OF COVERAGE

- CG 00 01 -- Commercial General Liability Coverage Form (Occurrence Version)**
- CG 00 02 -- Commercial General Liability Coverage Form (Claims-Made Version)**
- CG 00 09 -- Owners and Contractors Protective Liability Coverage Form**
- CG 00 33 -- Liquor Liability Coverage Form (Occurrence Version)**
- CG 00 34 -- Liquor Liability Coverage Form (Claims-Made Version)**
- CG 00 37 -- Products/Completed Operations Liability Coverage Form (Occurrence Version)**
- CG 00 38 -- Products/Completed Operations Liability Coverage Form (Claims-Made Version)**
- CG 00 39 -- Pollution Liability Coverage Form (Designated Sites)**
- CG 00 40 -- Pollution Liability Limited Coverage Form (Designated Sites)**
- CG 04 24 -- Coverage for Injury to Leased Workers**
- CG 28 07 -- Principals Protective Liability Coverage**

These coverage forms and endorsement CG 28 07 are revised to broaden coverage with respect to liability of leased workers. Two new definitions ("employee" and "leased worker") have been added to give leased workers the same status (both coverage and exclusions) under the CGL program as the traditional employee. Endorsement CG 04 24 provides an optional coverage for the insured's liability for injuries sustained by leased workers while performing duties related to the conduct of the insured's business. A leased worker is defined as "a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. 'Leased worker' does not include a 'temporary worker'."

- CG 00 01 -- Commercial General Liability Coverage Form (Occurrence Version)**
- CG 00-02 -- Commercial General Liability Coverage Form (Claims-Made Version)**
- CG 00 37 -- Products/Completed Operations Liability Coverage Form (Occurrence Version)**
- CG 00 38 -- Products/Completed Operations Liability Coverage Form (Claims-Made Version)**

These coverage forms have been revised to broaden coverage with respect to the "insured contract" definition. Previously, the exception to paragraph f. applied to any person or organization. There is now coverage for liability assumed in contracts or agreements that indemnify persons or organizations other than a railroad for injury or damage arising out of construction or demolition operations within 50 feet of railroad property and affecting such property.

- CG 00 39 -- Pollution Liability Coverage Form (Designated Sites)**
- CG 00 40 -- Pollution Liability Limited Coverage Form (Designated Sites)**
- CG 03 00 -- Deductible Liability Insurance**
- CG 03 05 -- Deductible Liability Insurance**
- CG 28 33 -- Voluntary Clean-Up Costs Reimbursement**

There is a broadening in coverage in these coverage forms and endorsements when a loss exceeds the occurrence limit. Previously, deductibles reduced both damages and limits. Under the revised endorsement only damages will be reduced by the deductible.

### **CG 20 23 -- Additional Insured -- Executors, Administrators, Trustees or Beneficiaries**

This endorsement now provides coverage to executors, administrators, trustees or beneficiaries of an insured's living trust while acting within the scope of their duties as such. Previously, coverage applied only to the estate.

**CG 22 65 -- Optical and Hearing Aid Establishments**

Coverage in this endorsement is broadened to provide that employees of optical and hearing aid establishments will be covered for their liability arising out of rendering or failure to render professional health care services with respect to optometry or optical or hearing aid services.

**CG 22 69 -- Druggists**

Coverage in this endorsement is broadened to provide that employees of druggists will be covered for their liability arising out of rendering or failure to render professional health care services as pharmacists.

**CG 24 17 Contractual Liability - Railroads**

This new endorsement is optional. It amends paragraph c. of the definition of "insured contract" and deletes the exception for construction or demolition operations within 50 feet of a railroad to provide contractual liability coverage under the contractor's CGL policy.

**RESTRICTIONS IN COVERAGE**

**CG 20 21 -- Additional Insured -- Volunteers**

**CG 20 22 -- Additional Insured -- Church Members, Officers and Volunteer Workers**

These endorsements are revised to include the consequential injury, third-party action-over and professional health care exclusions to provide for consistency with the CGL policy. In addition, there is no coverage for volunteer workers with respect to "personal injury" to other volunteer workers, the Named Insured, the Named Insured's employees and the Named Insured's partners and members.

**CG 21 47 -- Employment-Related Practices Exclusion**

The personal injury exclusion in this endorsement will now apply 1) when the insured may be liable as an employer or in any other capacity; and 2) when the obligation to share or repay damages arising from employment-related practices exists. Also, there is no coverage for consequential injury to a spouse, child, parent, brother or sister at whom the employment-related practice is directed because of "bodily injury" and "personal injury".

**CG 22 73 -- Exclusion -- Oil or Gas Producing Operations**

This revised exclusion endorsement now applies to locations on which any Insured, rather than any Named Insured, is performing operations. This tracks with current wording in the CGL.

**CG 28 07 Principals Protective Liability Coverage**

The pollution exclusion is revised in several respects, particularly with regard to property owned or occupied by or rented or loaned to any insured. Therefore, this revision to the pollution exclusion in this endorsement may broaden its application under certain circumstances. This tracks with current wording in the OCP coverage form.

**CLARIFICATIONS IN COVERAGE AND OTHER EDITORIAL REVISIONS -- COVERAGE FORMS**

All General Liability coverage forms contain minor editorial revisions to provide for consistency among policies. In addition, these coverage forms have been revised to incorporate other various revisions in order to clarify coverage. Those changes to each individual coverage form are described below:

**CG 00 01 -- Commercial General Liability Coverage Form (Occurrence Version)**

**CG 00 02 -- Commercial General Liability Coverage Form (Claims-Made Version)**

The Coverage A - Bodily Injury and Property Damage Liability exclusions under Section I now contain titles to provide for easier reading.

The mobile equipment exclusion is revised to clarify that liability arising from mobile equipment, which is not being raced, but being used to prepare for prearranged racing events is covered. Coverage is still excluded for mobile equipment engaging or preparing to engage in these events.

The Fire Damage Legal Liability exception and the LIMITS OF INSURANCE section in the CGL coverage forms are revised to clarify that coverage exists for situations where an insured is given permission to occupy a portion of a building without the transfer of rent in the form of money.

Paragraph 1.b. under Coverage C (MEDICAL PAYMENTS) has been editorially revised to add the word "administered." The WHO IS AN INSURED provision is revised to clarify that if the Named Insured is a partnership or joint venture, employees are not insureds for "bodily injury" or "personal injury" to partners or members. This provision is also revised to clarify that there is no coverage for property in the care, custody or control of the Named Insured. In addition, this provision is reformatted to provide for easier reading.

The title in the DUTIES IN THE EVENT OF OCCURRENCE, CLAIM OR SUIT will now include the term "OFFENSE" to reflect that Coverage B - Personal and Advertising Injury Liability is triggered by an offense.

The EXTENDED REPORTING PERIOD provision in the claims-made version of this coverage form is editorially revised to clarify the language.

The exceptions in the "insured contract" definition are reformatted and numbered in order to provide for easier reading. The DEFINITIONS Section has been revised to add "executive officer" and "temporary worker" definitions.

#### **CG 00 09 -- Owners And Contractors Protective Liability Coverage Form -- Coverage For Operations Of Designated Contractor**

The exclusions under Section I now contain titles to provide for easier reading.

The Work Completed or Put to Intended Use exclusion is revised to clarify that the exclusion does not apply to another contractor or subcontractor working for the "contractor".

The mobile equipment exclusion is revised to clarify that liability arising from mobile equipment used to prepare for prearranged racing events is covered. Coverage is still excluded for mobile equipment engaging or preparing to engage in these events.

The WHO IS AN INSURED provision is revised to clarify that if the Named Insured is a partnership or joint venture, employees are not insureds for "bodily injury" to partners or members. This provision is also revised to clarify that there is no coverage for property in the care, custody or control of the Named Insured. In addition, this provision is reformatted to provide for easier reading.

The DEFINITIONS Section has been revised to add "executive officer" and "temporary worker" definitions.

#### **CG 00 33 -- Liquor Liability Coverage Form (Occurrence Version)**

#### **CG 00 34 -- Liquor Liability Coverage Form (Claims-Made Version)**

The exclusions under Section I now contain titles to provide for easier reading.

The WHO IS AN INSURED provision is revised to clarify that if the Named Insured is a partnership or joint venture, employees are not insureds for "injury" to partners or members. This provision is also revised to clarify that there is no coverage for property in the care, custody or control of the Named Insured. In addition, this provision is reformatted to provide for easier reading.

The EXTENDED REPORTING PERIOD provision in the claims-made version of this coverage form is editorially revised to clarify the language.

The DEFINITIONS Section has been revised to add "executive officer" and "temporary worker" definitions.

#### **CG 00 35 -- Railroad Protective Liability Coverage Form**

The exclusions under Section I now contain titles to provide for easier reading.

The DEFINITIONS Section has been revised to add an "executive officer" definition.

#### **CG 00 37 -- Products/Completed Operations Liability Coverage Form (Occurrence Version)**

#### **CG 00 38 -- Products/Completed Operations Liability Coverage Form (Claims-Made Version)**

The exclusions under Section I now contain titles to provide for easier reading.

The WHO IS AN INSURED provision is revised to clarify that if the Named Insured is a partnership or joint venture, employees are not insureds for "bodily injury" to partners or members. This provision is also revised to clarify that there is no coverage for property in the care, custody or control of the Named Insured. In addition, this provision is reformatted to provide for easier reading.

The EXTENDED REPORTING PERIOD provision in the claims-made version of this coverage form is editorially revised to clarify the language.

The exceptions in the "insured contract" definition are reformatted and numbered in order to provide for easier reading. The DEFINITIONS Section has been revised to add "executive officer" and "temporary worker" definitions.

- CG 00 39 -- Pollution Liability Coverage Form (Designated Sites)**
- CG 00 40 -- Pollution Liability Limited Coverage Form (Designated Sites)**

The exclusions under Section I now contain titles to provide for easier reading.

The WHO IS AN INSURED provision is revised to clarify that if the Named Insured is a partnership or joint venture, employees are not insureds for "bodily injury" to partners or members. This provision is also revised to clarify that there is no coverage for property in the care, custody or control of the Named Insured. In addition, this provision is reformatted to provide for easier reading.

Under the DUTIES IN THE EVENT OF AN POLLUTION INCIDENT, CLAIM OR SUIT Condition, we have added language providing that an insured must notify the insurer of the nature and location of any injury or damage arising out of a "pollution incident".

The DEFINITIONS Section has been revised to add "executive officer" and "temporary worker" definitions.

### **CLARIFICATIONS IN COVERAGE AND OTHER EDITORIAL REVISIONS -- ENDORSEMENTS**

- CG 02 24 -- Earlier Notice of Cancellation Provided By Us (CGL)**
- CG 28 04 -- Earlier Notice of Cancellation Provided By Us (OCP)**

These new endorsements replace withdrawn endorsements CG 02 12 and CG 28 28 and provide a mechanism for an earlier notice of cancellation.

- CG 20 07 -- Additional Insured -- Engineers, Architects or Surveyors (CGL)**
- CG 20 09 -- Additional Insured -- Owners, Lessees or Contractors (Form A)**
- CG 20 10 -- Additional Insured -- Owners, Lessees or Contractors (Form B)**
- CG 20 31 -- Additional Insured -- Engineers, Architects or Surveyors (OCP)**

These endorsements are revised to clarify that only ongoing operations performed by the insured or on the insured's behalf are intended to be covered. Since CG 20 07 is limited to apply to the CGL policy, new endorsement CG 20 31 has been created to apply to the OCP policy.

- CG 20 17 -- Additional Insured -- Townhouse Associations**

This endorsement is revised to clarify that the "property to which the townhouse owner has title" is real property.

- CG 22 36 -- Exclusion - Products and Professional Services - Druggists**
- CG 22 37 -- Exclusion - Products and Professional Services - Optical and Hearing Aid Establishments**
- CG 22 39 -- Exclusion - Camps or Campgrounds**
- CG 22 44 -- Exclusion - Services Furnished By Health Care Providers**
- CG 22 45 -- Exclusion - Specified Therapeutic or Cosmetic Services**
- CG 22 65 -- Optical and Hearing Aid Establishments**
- CG 22 69 -- Druggists**
- CG 22 71 -- Colleges or Schools (Limited Form)**
- CG 22 72 -- Colleges or Schools**

These endorsements are revised to clarify that the services excluded are "professional health care services." Also, to modernize some of these endorsements and to better define the types of services intended to be excluded, new generic terms and phrases have been added.

- CG 22 41 -- Exclusion - Housing Projects Sites**

This endorsement is amended to clarify that coverage is excluded only for buildings which are to be demolished. This exclusion will apply only during the period of vacancy preceding demolition operations, and while the building is actually in the process of being demolished. Further, the language is revised to clarify that the exclusion only applies to bodily injury and property damage liability.

**CG 22 51 -- Exclusion - Law Enforcement Agencies**

This endorsement is revised to clarify that the exclusion applies to acts or omissions arising out of law enforcement activities performed by the named insured's police department or law enforcement agency.

**CG 24 04 -- Waiver Of Transfer Of Rights Of Recovery Against Others To Us (CGL)**

This endorsement is amended to make it applicable to only the CGL Coverage Form. In addition, it is revised to clarify that the endorsement applies to both ongoing and completed operations. This endorsement also contains various minor editorial changes.

**CG 29 51 -- Employment-Related Practices Exclusion**

This endorsement is revised to clarify that the injury must be to the person at whom the employment-related practices is directed, or to that person's spouse, child, parent, brother or sister. In addition, this endorsement is no longer for use with the Liquor Liability policy.

**IL 09 18 -- Retrospective Premium Endorsement -- One year plan -- Multiple Lines**

**IL 09 19 -- Retrospective Premium Endorsement -- Three Year Plan -- Multiple Lines**

**IL 09 20 -- Retrospective Premium Endorsement -- Five Year Plan -- Multiple Lines**

In order to provide consistency with a change that the National Council on Compensation Insurance (NCCI) has made to their companion versions of these forms, the Retrospective Premium Endorsements are revised to eliminate the reference to "under Rating Option V."

**CG 21 35 -- Exclusion -- Coverage C -- Medical Payments**

**CG 21 39 -- Contractual Liability Limitation**

**CG 21 46 -- Abuse or Molestation Exclusion**

**CG 21 49 -- Total Pollution Exclusion Endorsement**

**CG 22 30 -- Exclusion -- Corporal Punishment**

**CG 22 34 -- Exclusion - Construction Management Errors and Omissions**

**CG 22 52 -- Exclusion - Medical Payments Coverage (Inmates, Patients or Prisoners)**

**CG 22 67 -- Corporal Punishment**

**CG 22 68 -- Operation of Customers' Autos on Particular Premises**

**CG 22 76 -- Professional Liability Exclusion -- Computer Software**

**CG 24 08 -- Liquor Liability**

**CG 24 09 -- Governmental Subdivisions**

**CG 24 10 -- Excess Provision -- Vendors**

**CG 24 11 -- Fiduciaries - Fiduciary Interest**

**CG 27 01 -- Supplemental Extended Reporting Period Endorsement (GGL)**

**CG 27 02 -- Exclusion of Specific Accidents, Products, Work or Locations (CGL)**

**CG 27 03 -- Amendment of Section V -- Extended Reporting Period for Specific Accidents, Products, Work or Locations**

**CG 27 04 -- Supplemental Extended Reporting Period for Specific Accidents, Products, Work or Locations (CGL)**

**CG 27 05 -- Exclusion of Specific Accidents, Products, Work or Locations (Products)**

**CG 28 02 -- Insured Site Definition (Contractors)**

**CG 28 03 -- Supplemental Extended Reporting Period Endorsement**

**CG 28 31 -- Pollution Exclusion Amendment**

**CG 28 34 -- Supplemental Extended Reporting Period Endorsement**

**CG 28 35 -- Supplemental Extended Reporting Period for Specific Accidents, Products, Work or Locations**

**CG 29 88 -- Waiver of Transfer of Rights of Recovery Against Others To Us (OCP)**

These endorsements are revised to incorporate various editorial, reformatting and other changes in order provide for consistency with other forms in the CGL portfolio. Since CG 27 02 and CG 24 04 are being limited for use with only the CGL policy, CG 27 05 has been introduced for use with Products policy, and CG 29 88 has been introduced for use with the OCP policy.



# NOTICE TO POLICYHOLDERS BROADENINGS, RESTRICTIONS AND CLARIFICATIONS OF COVERAGE

6-3342  
(3-96)

This notice has been prepared in conjunction with the implementation of changes to your policy. It contains a brief synopsis of the significant broadenings, restrictions and clarifications of coverage that were made in each policy form and endorsement. This notice does not reference every editorial change made in these forms and endorsements.

Please read your policy, and the endorsements attached to your policy, carefully.

## BROADENINGS OF COVERAGE - COVERAGE FORMS

- CG 00 01 - Commercial General Liability Coverage Form (Occurrence Version)**
- CG 00 09 - Owners and Contractors Protective Liability Coverage Form**
- CG 00 33 - Liquor Liability Coverage Form (Occurrence Version)**
- CG 00 35 - Railroad Protective Liability Coverage Form**
- CG 00 37 - Products/Completed Operations Liability Coverage Form (Occurrence Version)**
- CG 00 39 - Pollution Liability Coverage Form**
- CG 00 40 - Pollution Liability Limited Coverage Form**

The Supplementary Payments provision in these policies has been revised to increase the maximum daily payment for loss of earnings from \$100 per day to \$250 per day to more adequately address the earnings of many professions. In these policies, the definition of "suit" has been broadened to allow any insured the ability to choose or participate (with the insurer's consent) in certain alternative dispute resolution mechanisms.

- CG 00 01 - Commercial General Liability Coverage Form (Occurrence Version)**
- CG 00 09 - Owners and Contractors Protective Liability Coverage Form**
- CG 00 33 - Liquor Liability Coverage Form (Occurrence Version)**
- CG 00 37 - Products/Completed Operations Liability Coverage Form (Occurrence Version)**
- CG 00 39 - Pollution Liability Coverage Form**
- CG 00 40 - Pollution Liability Limited Coverage Form**

Several revisions have been made to Section II - Who Is An Insured in these policies to acknowledge the existence of a new form of business entity known as the limited liability company and by specifying members and managers of limited liability companies as insureds.

- CG 00 01 - Commercial General Liability Coverage Form (Occurrence Version)**
- CG 00 09 - Owners and Contractors Protective Liability Coverage Form**
- CG 00 37 - Products/Completed Operations Liability Coverage Form (Occurrence Version)**

The Contractual Liability exclusion in these coverage forms is amended to provide for the payment of defense expenses, on behalf of an insured, as damages under bodily injury and property damage liability coverage, when the insured has assumed such a liability in an "insured contract."

An amendment has been made to the Supplementary Payments provision in these policies to provide for the defense of an indemnitee and the payment of an indemnitee's defense expenses as Supplementary Payments if certain specific conditions are met.

- CG 00 01 - Commercial General Liability Coverage Form (Occurrence Version)**
- CG 00 09 - Owners and Contractors Protective Liability Coverage Form**
- CG 00 35 - Railroad Protective Liability Coverage Form**

A limited exception has been added to the Pollution Exclusion in these coverage forms so that the exclusion does not apply to claims for property damage or bodily injury arising only out of the escape of fuels, lubricants or other operating fluids resulting from the normal functioning of mobile equipment at or from locations where the insured is performing operations, provided the pollutants escape from the mobile equipment part designed by its manufacturer to hold such pollutants.

**BROADENINGS OF COVERAGE - MULTISTATE ENDORSEMENTS**

**CG 20 21 - Additional Insured - Volunteer Workers**

**CG 20 22 - Additional Insured - Church Members, Officers and Volunteer Workers**

**CG 20 30 - Oil or Gas Operations - Nonoperating, Working Interests**

These endorsements are revised to acknowledge the existence of a new form of business entity known as the limited liability company and by specifying members and managers of limited liability companies as insureds.

**CG 20 32 - Additional Insured - Engineers, Architects or Surveyors Not Engaged by the Named Insured**

This new endorsement can be used by contractors to provide coverage for an architect, engineer or surveyor (as an additional insured) that they did not engage directly, but that they are, by their contract with the project owner, required to add as an additional insured to their policy.

**CG 22 74 - Amendment of Contractual Liability Exclusion for Personal Injury Limited to False Arrest, Detention or Imprisonment for Designated Contracts or Agreements**

The Contractual Liability exclusion contained in this endorsement is amended to provide for the payment of defense expenses, on behalf of an insured, as damages under personal injury coverage, when the insured has assumed such liability in a designated contract or agreement. Also, an amendment has been made to the Supplementary Payments provision in the underlying policy to provide for the defense of an indemnitee and the payment of an indemnitee's defense expenses as Supplementary Payments if certain specific conditions are met.

**CG 22 80 - Limited Exclusion - Contractors - Professional Liability**

This endorsement is introduced to limit the application of the exclusion of professional services available in endorsement CG 22 43. For policies to which CG 22 43 had previously been attached, the attachment of CG 22 80 in its place will broaden coverage by not excluding coverage for the liability of a contractor who both design and builds the same project for others, regardless of whether or not the design portion of the project is subcontracted.

**CG 24 15 - Limited Pollution Liability Extension Endorsement**

With this language change, coverage for pollution incidents is broadened by adding a hostile fire exception to the existing pollution exclusion.

**RESTRICTIONS IN COVERAGE - MULTISTATE ENDORSEMENTS**

**CG 21 52 - Exclusion - Financial Services**

This new endorsement excludes, from the CGL policy, coverage for certain liability exposures arising out of the rendering of financial services, without infringing upon coverage for a financial institution's conventional CGL exposure.

**CG 21 53 - Exclusion - Designated Ongoing Operations**

**CG 21 54 - Exclusion - Designated Operations Covered by A Consolidated (Wrap-Up) Insurance Program**

These new endorsements exclude coverage for a designated operation, when the designated operation is insured elsewhere or when the insured chooses not to insure a certain operation.

**CLARIFICATIONS IN COVERAGE AND OTHER EDITORIAL REVISIONS - COVERAGE FORMS**

All General Liability coverage forms contain minor editorial revisions to provide for consistency among policies. In addition, these coverage forms have been revised to incorporate other various revisions in order to clarify coverage. Those changes to each individual coverage form are described below:

**CG 00 01 - Commercial General Liability Coverage Form (Occurrence Version)**

**CG 00 09 - Owners and Contractors Protective Liability Coverage Form**

**CG 00 33 - Liquor Liability Coverage Form (Occurrence Version)**

**CG 00 35 - Railroad Protective Liability Coverage Form**

**CG 00 37 - Products/Completed Operations Liability Coverage Form (Occurrence Version)**

**CG 00 39 - Pollution Liability Coverage Form**

**CG 00 40 - Pollution Liability Limited Coverage Form**

These policies have been amended to clarify that an insurer **investigates and settles** claims, and defends insureds against suits.

**CG 00 01 - Commercial General Liability Coverage Form (Occurrence Version)**

Paragraph 1.a. of the Insuring Agreement for both Coverage A - Bodily Injury and Property Damage Liability and Coverage B - Personal and Advertising Injury Liability is revised to clarify the intent under the Coverage Form **not** to defend insureds when no coverage exists under the policy.

A Pollution exclusion is added to Coverage B - Personal and Advertising Injury Liability to clarify the intent that damages resulting from pollution incidents are not and were never intended to be covered under personal injury or advertising injury coverages under the CGL.

In addition to minor editorial changes, the Other Insurance Condition in these policies is amended to specify that coverage is excess in situations in which an insured is given permission to occupy a portion of a building without the transfer of rent in the form of money if the insured has fire insurance available to cover such loss.

Paragraphs f.(2) and (3) of the "insured contract" definition in the Definitions Section have been revised to update the list of professional services (for architects, engineers or surveyors) to conform to standard industry terms.

The Definitions section has also been amended in these policies to clarify that the "products-completed operations hazard" definition only includes coverage for damages arising out of a condition in a vehicle not owned or operated by the named insured and to more clearly state that products or operations that are subject to the General Aggregate Limit are excluded from products-completed operations coverage.

**CG 00 09 - Owners and Contractors Protective Liability Coverage Form**

Paragraph 1.a of the Insuring Agreement is revised to clarify the intent under the Coverage Form **not** to defend insureds when no coverage exists under the policy.

**CG 00 33 - Liquor Liability Coverage Form (Occurrence Version)**

Paragraph 1.a. of the Insuring Agreement is revised to clarify the intent under the Coverage Form **not** to defend insureds when no coverage exists under the policy.

**CG 00 35 - Railroad Protective Liability Coverage Form**

Paragraph 1.a. of the Insuring Agreement is revised to clarify the intent under the Coverage Form **not** to defend insureds when no coverage exists under the policy.

**CG 00 37 - Products/Completed Operations Liability Coverage Form (Occurrence Version)**

Paragraph 1.a. of the Insuring Agreement is revised to clarify the intent under the Coverage Form **not** to defend insureds when no coverage exists under the policy.

Paragraphs f.(2) and (3) of the "insured contract" definition in the Definitions Section have been revised to update the list of professional services (for architects, engineers or surveyors) to conform to standard industry terms.

The Definitions Section has also been amended in these policies to clarify that the "products-completed operations hazard definition" only includes coverage for damages arising out of a condition in a vehicle not owned or operated by the named insured and to more clearly state that products or operations that are subject to the Aggregate Limit are excluded from products-completed operations coverage.

**CG 00 39 - Pollution Liability Coverage Form**

**CG 00 40 - Pollution Liability Limited Coverage Form**

Paragraph 1.a. of the Insuring Agreement is revised to clarify the intent under the Coverage Form **not** to defend insureds when no coverage exists under the policy.

Paragraph 3 in Section II - Limits of Insurance has been amended to clarify that the policy is intended to pay damages and clean-up costs (CG 00 39) and damages (CG 00 40) **in excess** of the deductible amount shown in the Declarations.

#### **CLARIFICATIONS IN COVERAGE AND OTHER EDITORIAL REVISIONS - ENDORSEMENTS**

**CG 03 00 - Deductible Liability Insurance (CGL and Products)**

**CG 03 05 - Deductible Liability Insurance (Liquor)**

These endorsements are revised to clarify that it is the **Insured** that is being defended against a suit.

**CG 20 07 - Additional Insured - Engineers, Architects or Surveyors (CGL)**

**CG 20 31 - Additional Insured - Engineers, Architects or Surveyors (OCP)**

**CG 22 34 - Exclusion - Construction Management Errors and Omissions**

These endorsements have been revised to update the list of professional services contained in the forms to conform to standard industry terms.

**CG 20 11 - Additional Insured - Managers or Lessors of Premises**

**CG 21 36 - Exclusion - New Entities**

**CG 21 37 - Exclusion - Employees as Insureds**

**CG 21 42 - Exclusion - Explosion, Collapse and Underground Property Damage Hazard (Specified Operations)**

**CG 21 43 - Exclusion - Explosion, Collapse and Underground Property Damage Hazard (Specified Operations Excepted)**

**CG 21 49 - Total Pollution Exclusion Endorsement**

**CG 22 38 - Exclusion - Fiduciary or Representative Liability of Financial Institutions**

**CG 22 40 - Exclusion - Medical Payments to Children (Day Care Centers)**

**CG 22 56 - Exclusion - Injury to Volunteer Firefighters**

**CG 22 57 - Exclusion - Underground Resources and Equipment**

**CG 22 63 - Stevedoring Operations Limited Completed Operations Coverage**

**CG 24 05 - Financial Institutions (Reporting Provision and Limitation to Fiduciary Interest or Representative Interest)**

**CG 24 07 - Products/Completed Operations Hazard Redefined**

**CG 24 09 - Governmental Subdivisions**

**CG 24 11 - Fiduciaries - Fiduciary Interest**

**CG 28 06 - Limitation of Coverage to Insured Premises**

**CG 28 33 - Voluntary Clean-Up Costs Reimbursement**

**CG 29 51 - Employment-Related Practices Exclusion**

Various editorial changes have been made to these endorsements to make the language consistent with those of other forms and endorsements in the CGL program and to reformat for improved readability.

**CG 21 40 - Coverage B - Personal Injury Liability Only (Advertising Injury Liability Not Included) (Occurrence Version)**

In addition to other editorial changes, a pollution exclusion has been added to these endorsements for personal injury liability to clarify that damages resulting from pollution incidents are not and were never intended to be covered under personal injury coverage. Also, these endorsements have been amended to clarify the intent under the underlying policy **not** to defend insureds when no coverage exists under the policy.

**CG 22 43 - Exclusion - Engineers, Architects or Surveyors - Professional Liability**

Revisions have been made to this endorsement to clarify that it applies only to those Named Insureds who are in the business of providing professional services to others as an architect, engineer or surveyor only, as well as to update the list of professional services contained in the form to conform to standard industry terms.

**CG 22 81 - Exclusion - Erroneous Delivery or Mixture and Resulting Failure of Seed to Germinate - Seed Merchants (CGL and Products)**

**CG 24 18 - Seed Merchants - Coverage for Erroneous Delivery or Mixture and Resulting Failure of Seed to Germinate (CGL)**

**CG 24 19 - Seed Merchants - Coverage for Erroneous Delivery or Mixture (Resulting Failure of Seed to Germinate Not Included) (CGL)**

**CG 24 20 - Seed Merchants - Coverage for Erroneous Delivery or Mixture and Resulting Failure of Seed to Germinate (Products)**

**CG 24 21 - Seed Merchants - Coverage for Erroneous Delivery or Mixture (Resulting Failure of Seed to Germinate Not Included) (Products)**

The above new endorsements have been created to clarify the intent of the coverage provided under the Seed Merchants classifications.

**CG 22 48 - Exclusion - Insurance and Related Operations**

This endorsement has been modified to add additional activities that may be performed by today's insurance operations. Additionally, editorial revisions have been made for clarification and to improve readability.

**CG 22 79 - Exclusion - Contractors - Professional Liability**

This new endorsement is introduced to clarify the policy's coverage intent to exclude coverage for the professional liability of a construction contractor who is acting in the capacity of an architect, engineer or surveyor or who has provided an architect, engineer or surveyor with professional services in connection with work performed.

**CG 28 05 - Personal Injury Liability**

In addition to other editorial changes, a pollution exclusion has been added to this endorsement to clarify that damages resulting from pollution incidents are not and were never intended to be covered under personal injury coverage.

**CG 28 07 - Principals Protective Liability Coverage**

This endorsement is revised in order to clarify the intent under this endorsement **not** to defend insureds when no coverage exists under the policy.

*Providing You Peace of Mind*

## **A SAFECO INSURANCE POLICY**

***Thank you for allowing SAFECO's American States Business Insurance to fulfill your insurance needs. If you have any questions regarding your policy, please contact your independent insurance agent.***



**SAFECO**

SAFECO Insurance Company of America  
SAFECO Plaza, Seattle, WA 98185-0001

Exhibit 7  
List of bank accounts

Bank Accounts:

Sunstate Bank/Checking Account No. 6093201019

Sunstate Bank/Anderson Bros./Savings Account No. 6006420011

Sunstate Bank/Mohawk/Savings Account No. 6006520012

Exhibit 8 - Legal Description for Notice of Intent to Serve

(2)

Best Estimate

**OFFICIAL RECORDS OF  
PINAL COUNTY RECORDER**  
KATHLEEN C. FELIX

DATE: 08/17/98      TIME: 1454  
 FEE :            12.00  
 PAGES:           2  
 FEE NO: 1998-032741

Recorded at the request of:

**CHICAGO TITLE INSURANCE**

When recorded mail to:

**LARJ INVESTMENT & DEVELOPMENT**

117 East Second Street

Casa Grande, AZ 85222

93079

**WARRANTY DEED**

**Escrow No.9804758-44**

For the consideration of Ten Dollars, and other valuable considerations, I or we,

**RMR PROPERTIES, L.L.P., an Arizona limited liability partnership and Gregg Rahn, as Trustee of the ADVISOR MORTGAGE of ILLINOIS L.L.C., 401 K Profit Sharing Plan and Trust dated January 1, 1995.**

the GRANTORS do hereby convey to

**GRAND VALLEY DEVELOPMENT PARTNERS #1 Limited Partnership, an Arizona limited partnership**

the GRANTEES the following described property situated in Pinal County, Arizona:

The West half of the West half of Section 24, Township 5 South, Range 4 East, Gila and Salt River Base and Meridian, Pinal County, Arizona;

**EXCEPT** all that part lying South of the North right of way of the Southern Pacific Railroad. **EXCEPT** any portion lying within Highway right of way.

The name and address of the Trust Beneficiaries of the Advisor Mortgage of Illinois, L.L.C., 401(K) Profit Sharing Plan and Trust can be obtained from the employer at:

1450 E American Lane, Suite 1400  
Schaumburg, IL 60173

**SUBJECT TO:** Current taxes, assessments, reservations in patents and all easements, rights of way, encumbrances, liens, covenants, conditions and restrictions as may appear of record.

And I or we do warrant the title against all persons whomsoever, subject to the matters above set forth.

Dated: 8/17/98

RMR Properties, L.L.P., an Arizona limited liability partnership

Advisor Mortgage of Illinois, L.L.C., 401(K) Profit Sharing Plan and Trust dated January 1, 1998.

By: The Townsend Family Trust dated July 3, 1990, Partner

By: [Signature]  
Gregg Rahn, Trustee

By: [Signature]  
Myrta Townsend, Trustee

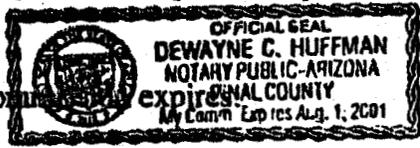
By: [Signature]  
Robert Townsend, Trustee

By: [Signature]  
Myrta Townsend, Partner

By: [Signature]  
Robert Townsend, Partner

STATE OF ARIZONA )  
County of Maricopa )ss.

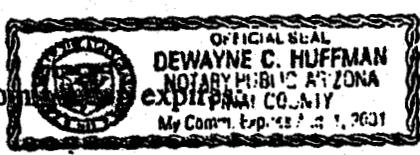
This instrument was acknowledged before me this 13<sup>th</sup> day of August, 1998 by Myrta Townsend and Robert Townsend, individually and as Trustees of The Townsend Family Trust, dated July 3, 1990 the Partners of RMR, Properties, L.L.P., an Arizona limited liability partnership, and that as such partners, being authorized so to do, signed the name of the Limited Liability Partnership as such partner.

My commission expires Aug 1, 2001  


[Signature]  
Notary Public

STATE OF ARIZONA )  
County of Maricopa )

This instrument was acknowledged and executed before me this 13<sup>th</sup> day of August, 1998 by Gregg Rahn, as Trustee of ADVISOR MORTGAGE OF ILLINOIS, L.L.C., 401K Profit Sharing Plan and Trust dated January 1, 1995.

My commission expires Aug 1, 2001  


[Signature]  
Notary Public

Exhibit 9 - Employees, Agents and Independent Contractors, etc

There are no employees of the Companies

Independent Contractors of the Companies

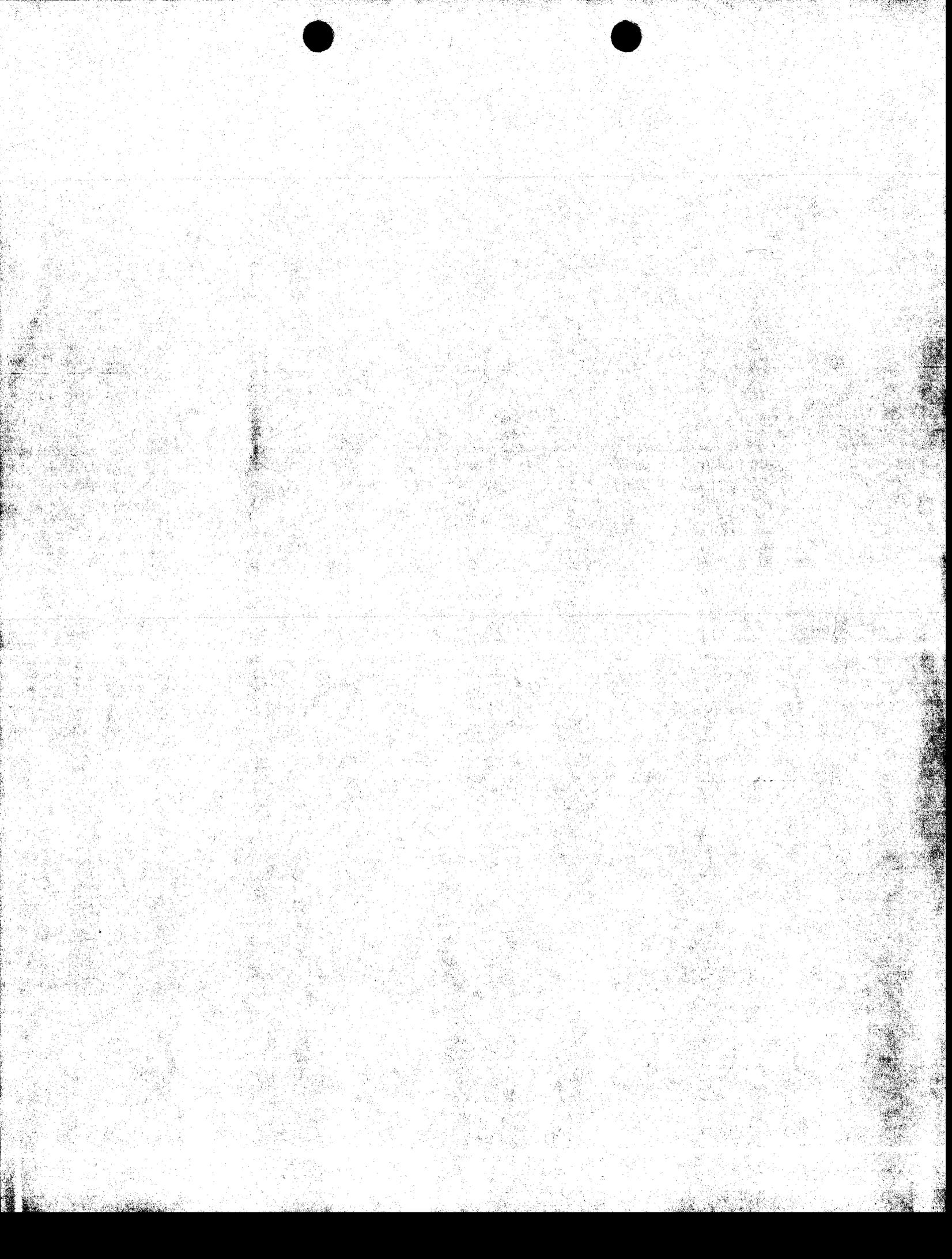
Robert Gordon  
420 4<sup>th</sup> Street  
Casa Grande, Arizona 85222  
Social Security No. 518-11-5607

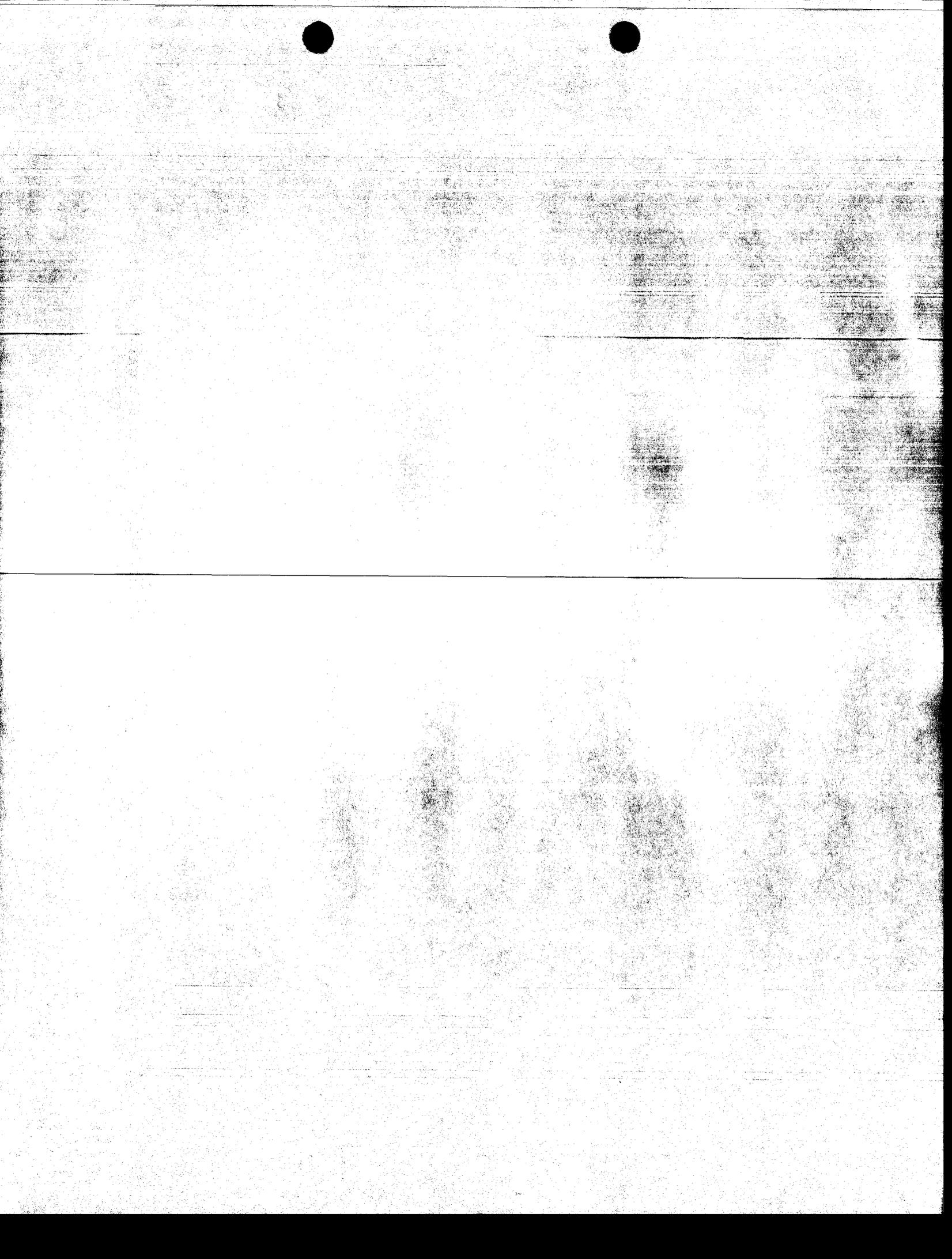
Jim Little  
13551 Trading Post Road  
Casa Grande, Arizona 85222  
Social Security No. 550-55-9214

DNA, Inc.  
Bill Collings  
314 E. 8<sup>th</sup> Street  
Casa Grande, Arizona 85222

C & V Services  
Mitch Humbert  
15690 Towner Street  
Casa Grande, Arizona 85222

Kenco  
2898 N. Signal Peak Road  
Casa Grande, Arizona 85222



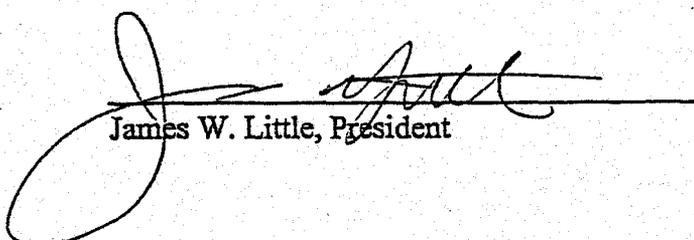


## CORPORATE RESOLUTION

WHEREAS, Anderson Bros. Water Company, at a Special Meeting held September 25, 2001, with James W. Little being present representing the ownership of all of the shares, waived notice of said meeting, and the following Resolution was passed:

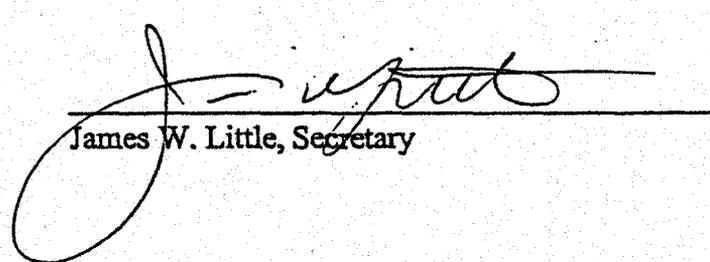
**BE IT RESOLVED**, that James W. Little as President and Secretary of the Anderson Bros. Water Company is hereby authorized and directed to execute any and all documents to affect the sale of this Water Company as evidenced by the Agreement attached hereto and made a part hereof as though set out in full.

**DATED** this 25<sup>th</sup> day of September, 2001.

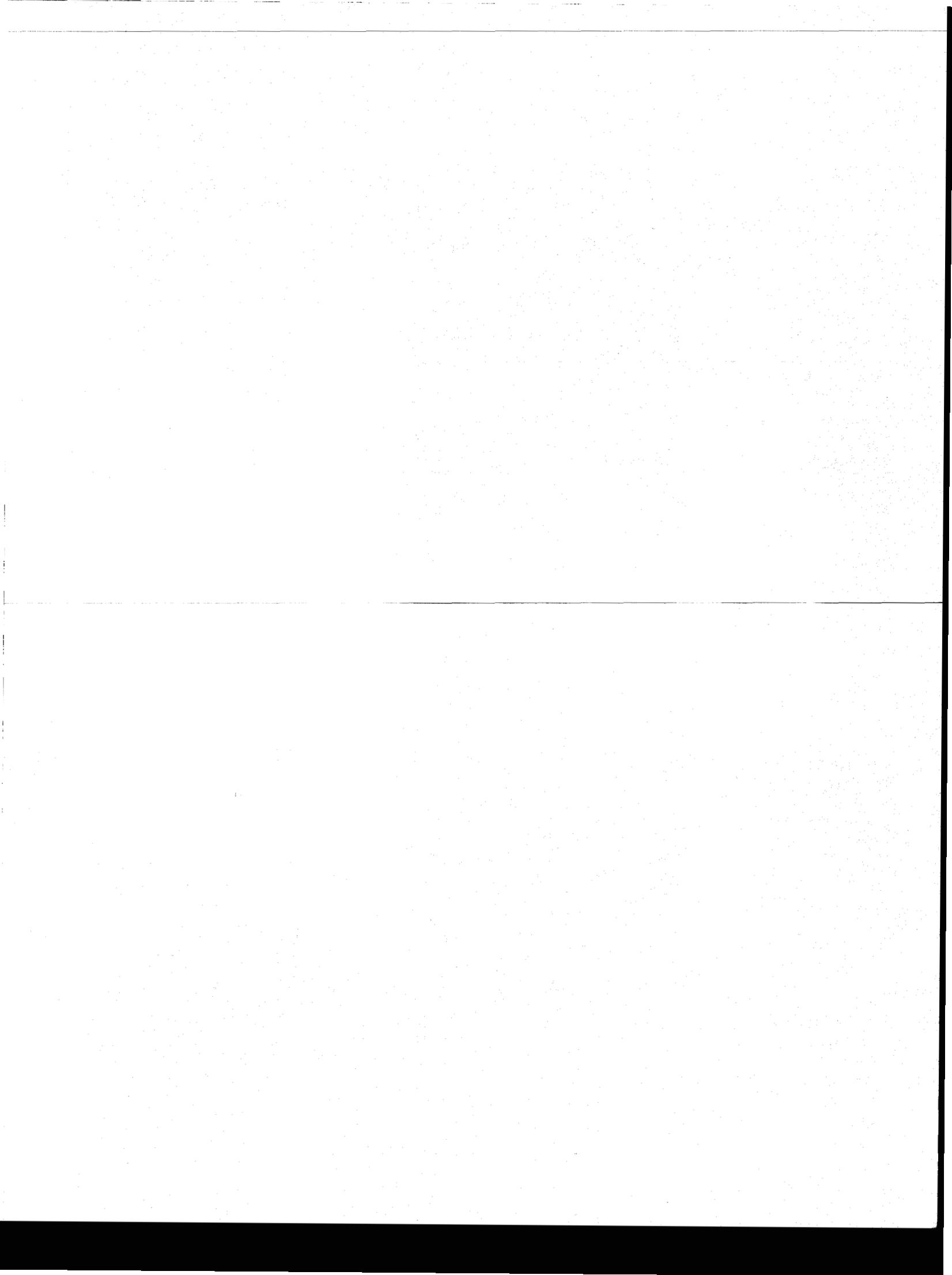


James W. Little, President

**ATTEST:**



James W. Little, Secretary

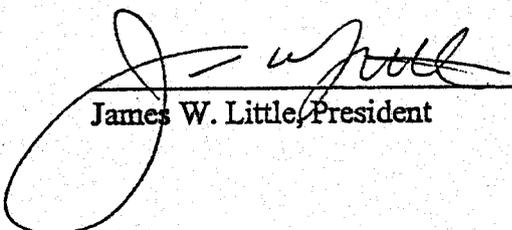


## CORPORATE RESOLUTION

WHEREAS, Mohawk Water Company, at a Special Meeting held September 25, 2001, with James W. Little being present representing the ownership of all of the shares, waived notice of said meeting, and the following Resolution was passed:

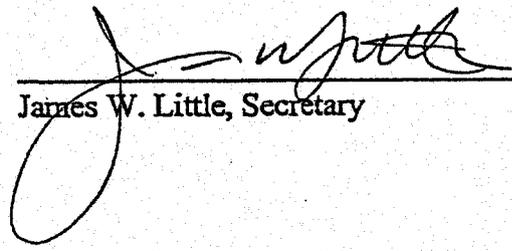
**BE IT RESOLVED**, that James W. Little as President and Secretary of the Mohawk Water Company is hereby authorized and directed to execute any and all documents to affect the sale of this Water Company as evidenced by the Agreement attached hereto and made a part hereof as though set out in full.

DATED this 25<sup>th</sup> day of September, 2001.

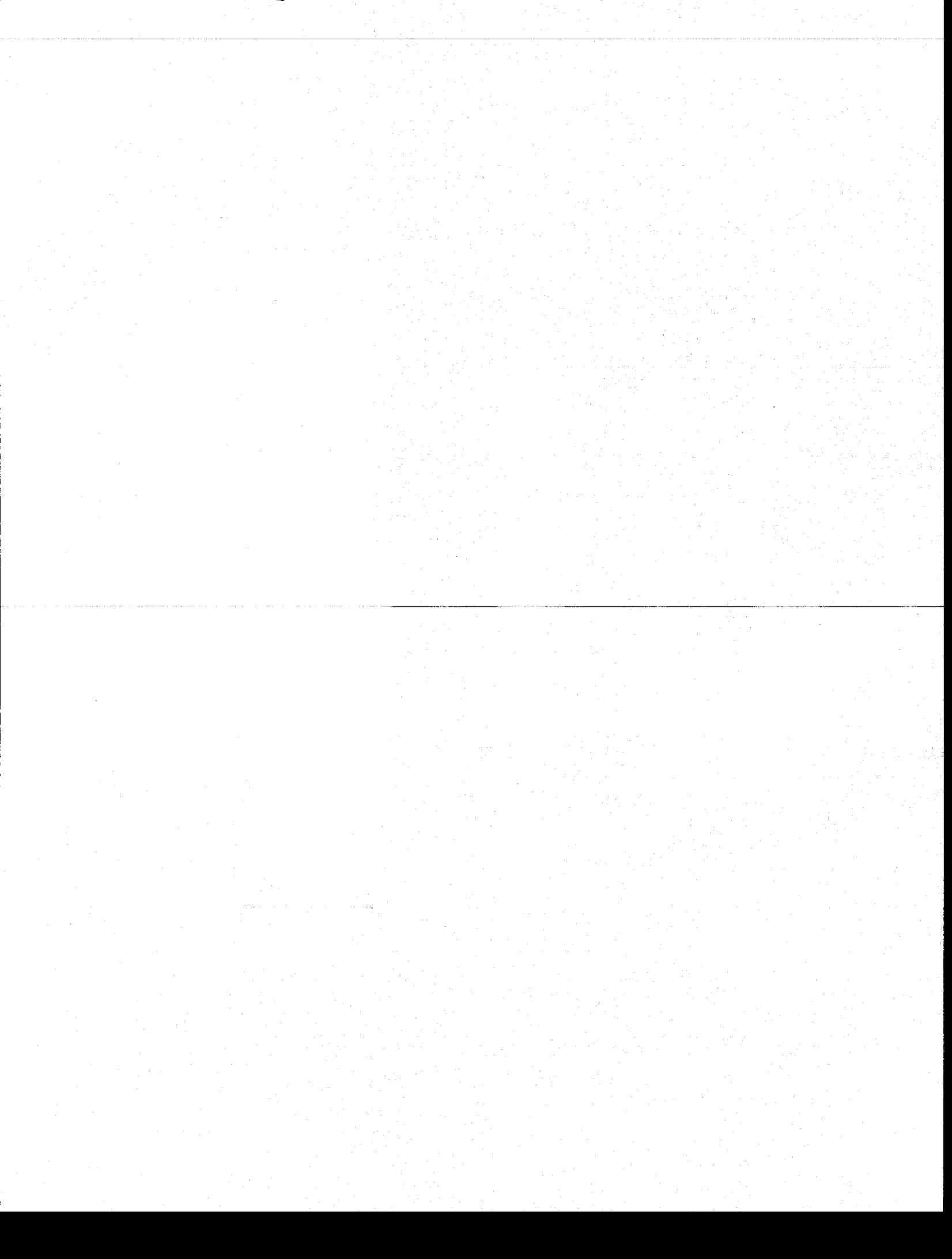


James W. Little, President

ATTEST:



James W. Little, Secretary

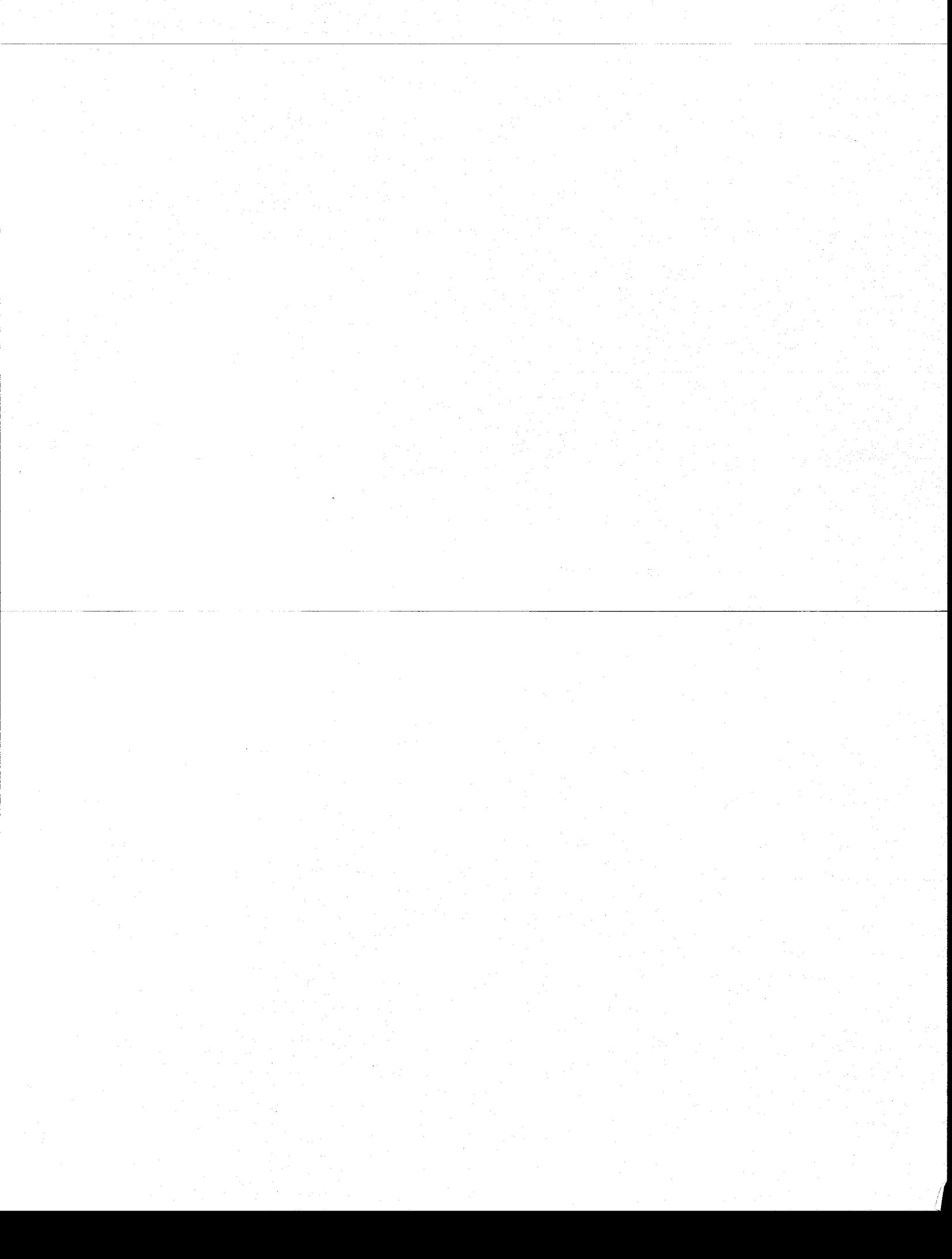


RESOLUTION NO. 10

A RESOLUTION OF THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, APPROVING THE TERMS AND CONDITIONS IN AN AGREEMENT WITH MOHAWK WATER COMPANY AND ANDERSON BROTHERS WATER COMPANY FOR THE ACQUISITION OF THE STOCK OF THE COMPANIES; AND EXPENDITURE OF PUBLIC FUNDS IN AN AMOUNT NOT TO EXCEED \$800,000 INCLUDING REASONABLE CLOSING COSTS; AUTHORIZING EXECUTION OF AN AGREEMENT; AND DECLARING AN EMERGENCY.

BE IT RESOLVED BY THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, THAT the Board authorize the following:

1. the acquisition of the Mohawk and Anderson Brothers water companies for the purchase price of \$987,000 adjusted by the following:
  - i. Less any balance of the loans, outstanding at close of escrow, made to the Companies by the Water Infrastructure Financing Authority ("WIFA") which loans shall be assumed by the Purchaser.
  - ii. Less the payoff of any other liabilities, encumbrances, liens, or customer deposit accounts for the Companies except any liability of the Companies to return ownership of the wells in Section 24, Township 5 South, range 4 East, Gila and Salt River Meridian, Pinal County, Arizona, to 120 Townsend LLC.
  - iii. Less any taxes due at the time the corporate structure of the Companies is disbanded whether before or after COE.
  - iv. Plus any material costs for construction, rehabilitation or installation of equipment for the Mohawk Water Company well between April of 2001 and close of escrow which decreased readings of NO<sub>3</sub> to Safe Water Act standards.
  - v. Plus 20% of the sum of item , for labor of James W. Little.
2. expenditure of public funds in an amount not to exceed \$800,000 for acquisition of the Mohawk and Anderson Brothers water companies and reasonable closing costs;
3. expenditure of public funds in an amount not to exceed \$25,000 annually for two years from the close of escrow for consulting services for James W. (Bill) Little; and
4. execution of the agreement and any documents necessary to carry out this purpose by the City Manager.

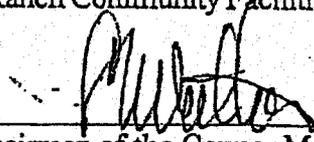


Section 2. Emergency Clause

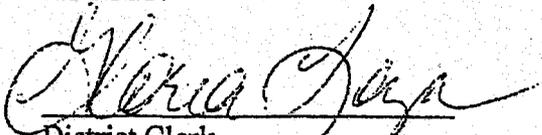
WHEREAS, it is necessary for the preservation of the peace, health and safety of the Copper Mountain Ranch CFD, Casa Grande, Arizona, an emergency is declared to exist, and this Resolution shall be effective immediately upon its passage and adoption

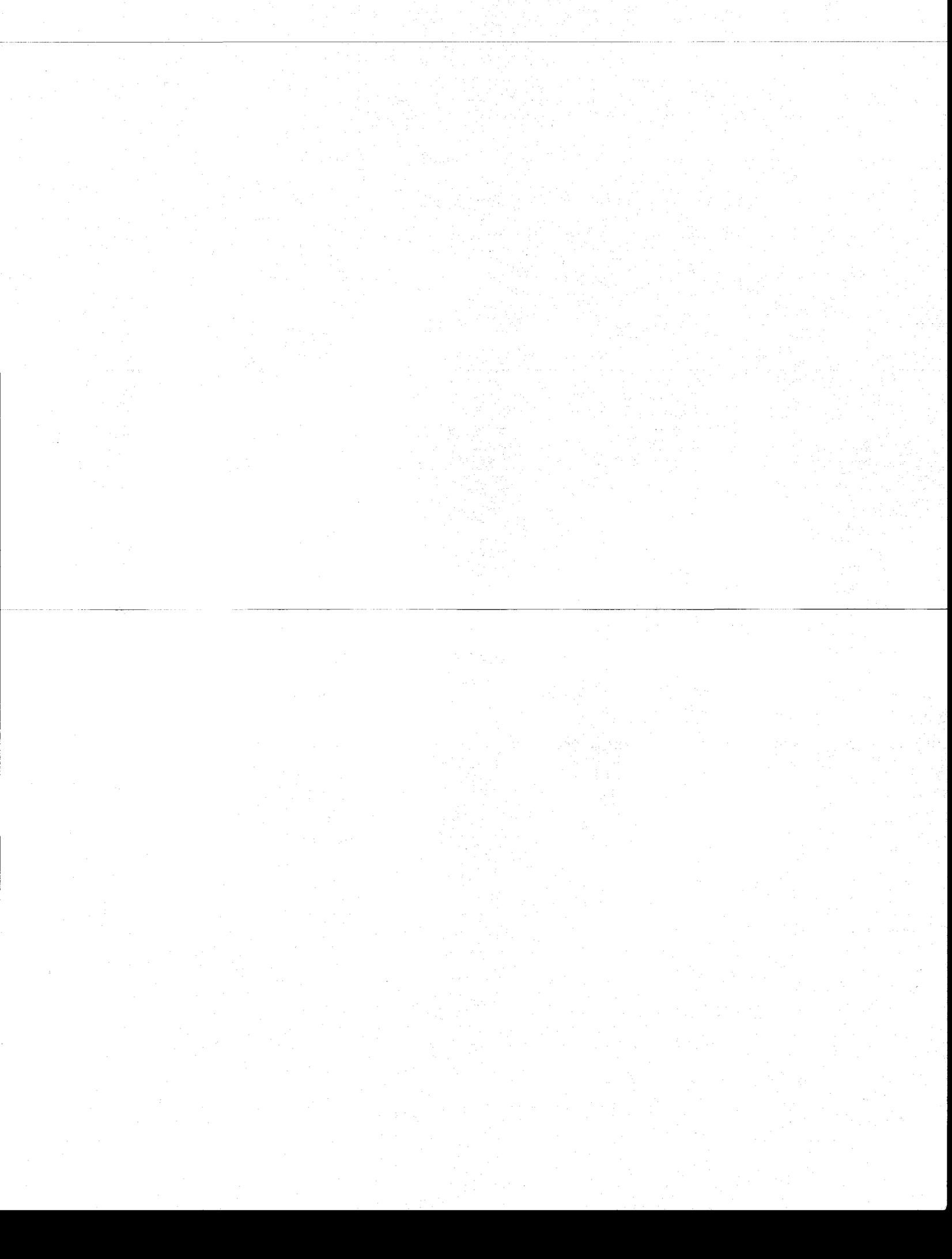
PASSED AND ADOPTED by the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona, this 6th day of August, 2001.

APPROVED this 6th day of August, 2001, by the affirmative vote of three-fourths of the members of the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona.

  
\_\_\_\_\_  
Chairman of the Copper Mountain Ranch CFD

ATTEST:

  
\_\_\_\_\_  
District Clerk



RESOLUTION NO. 10.1

A RESOLUTION OF THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, APPROVING THE TERMS AND CONDITIONS IN AN AGREEMENT WITH MOHAWK WATER COMPANY AND ANDERSON BROTHERS WATER COMPANY FOR THE ACQUISITION OF THE ASSETS OF THE COMPANIES; AND EXPENDITURE OF PUBLIC FUNDS IN AN AMOUNT NOT TO EXCEED \$850,000 INCLUDING REASONABLE CLOSING COSTS; AUTHORIZING EXECUTION OF AN AGREEMENT; AND DECLARING AN EMERGENCY.

WHEREAS, there has been presented before the District board, a form of agreement (the "Asset Purchase Agreement") by and between the District and the Seller (as defined in the Purchase Agreement) and the execution and performance of the such Purchase Agreement will be in furtherance of the purposes of the District and pursuant to the terms of Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act") and the Copper Mountain Ranch Community Facilities District General Plan; and

WHEREAS, it appears to this District that the execution of the Purchase Agreement and the acquisition of the companies (as defined in the Purchase Agreement) is necessary to further the goals and purpose of the District in accordance with the Act and the District's General Plan;

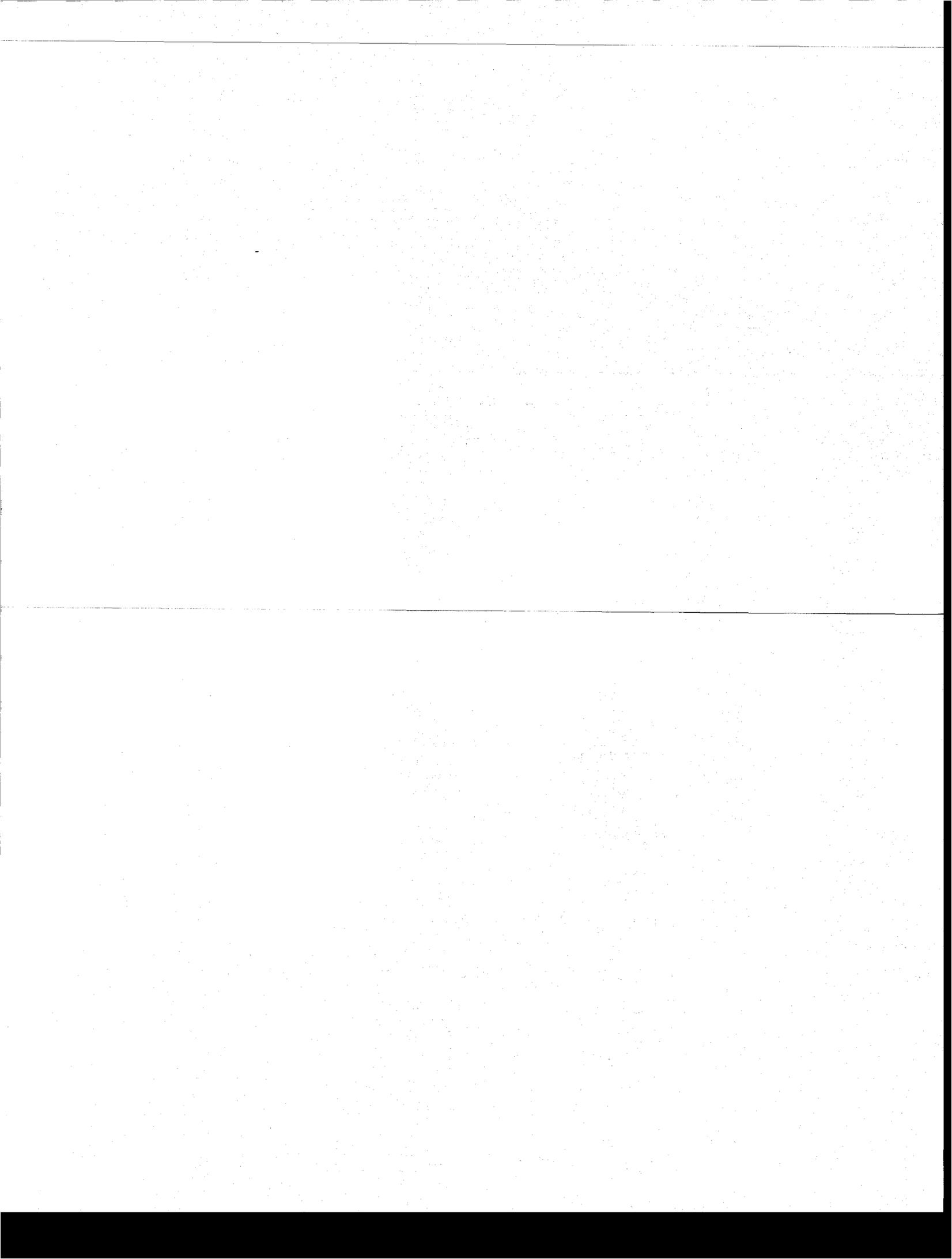
NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE COPPER MOUNTAIN RANCH COMMUNITY FACILITIES DISTRICT, CASA GRANDE, ARIZONA, THAT the Board authorize the following:

1. The District Administrator is hereby authorized and empower to execute, on behalf of the District, the Purchase Agreement in substantially the form presented at this meeting and attached to the Request for District Board Action, and any other documents necessary to carry out this purpose, with such additions, deletions and modifications as are not inconsistent with this Resolution and the Act and as are approved by the District (which approval shall be conclusively evidenced the execution thereof by the District Administrator).
2. expenditure of public funds in an amount not to exceed \$850,000 for acquisition of the Mohawk and Anderson Brothers water companies and reasonable closing costs;

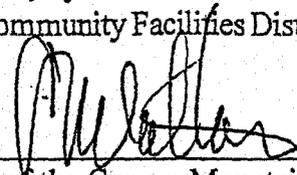
Section 2. Emergency Clause

WHEREAS, it is necessary for the preservation of the peace, health and safety of the Copper Mountain Ranch CFD, Casa Grande, Arizona, an emergency is declared to exist, and this Resolution shall be effective immediately upon its passage and adoption

PASSED AND ADOPTED by the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona, this 4th day of September 2001.

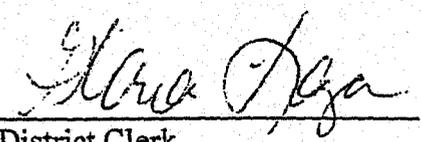


APPROVED this 4th day of September, 2001, by the affirmative vote of three-fourths of the members of the Board of the Copper Mountain Ranch Community Facilities District, Casa Grande, Arizona.



Chairman of the Copper Mountain Ranch CFD

ATTEST:



District Clerk

