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BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION
DOCUMENT CONTROL

1
2 WILLIAM A. MUNDELL
CHAIRMAN
3 JIM IRVIN
COMMISSIONER
4 MARC SPITZER
COMMISSIONER

5
6 IN THE MATTER OF THE JOINT APPLICATION
OF SUN CITY WATER COMPANY AND SUN
7 CITY WEST UTILITIES COMPANY FOR
APPROVAL OF CENTRAL ARIZONA PROJECT
8 WATER UTILIZATION PLAN AND FOR AN
ACCOUNTING ORDER AUTHORIZING A
9 GROUNDWATER SAVINGS FEE AND
RECOVERY OF DEFERRED CENTRAL ARIZONA
10 PROJECT EXPENSES.

Docket Nos.: W-01656A-98-0577
SW-02334A-98-0577

**SUN CITY WATER COMPANY'S
AND SUN CITY WEST
UTILITIES COMPANY'S FILING
OF OPERATING AGREEMENTS**

GALLAGHER & KENNEDY, P.A.
2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

11 Sun City Water Company and Sun City West Utilities Company ("Citizens")
12 hereby file Operating Agreements between (1) Sun City West Utilities Company and Briarwood
13 Country Club, (2) Sun City Water Company and Recreation Centers of Sun City and (3) Sun
14 City West Utilities Company and Recreation Centers of Sun City West.

15 DATED this 2 day of August, 2001.

16 GALLAGHER & KENNEDY, P.A.

17
18 Arizona Corporation Commission
DOCKETED

19 AUG 02 2001

20 DOCKETED BY

21 By

22 Michael M. Grant
Todd C. Wiley
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for Citizens Communications
Company

1 **Original** and ten copies filed this
2 2nd day of August, 2001, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

7 **Copy** of the foregoing hand delivered
8 this 2nd day of August, 2001 to:

9 Dwight J. Nodes
10 Hearing Officer
11 Arizona Corporation Commission
12 1200 W. Washington
13 Phoenix, Arizona 85007

14 **Copy** of the foregoing mailed
15 this 2nd day of August, 2001 to:

16 Jane Rodda
17 Arizona Corporation Commission
18 400 West Congress Street
19 Tucson, Arizona 85701-1347

20 Scott Wakefield
21 RUCO
22 Suite 1200
2828 North Central Avenue
Phoenix, Arizona 85004

Janet Wagner
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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

1 Walter W. Meek
Arizona Utility Investors Association
2 Suite 210
2100 North Central Avenue
3 Phoenix, Arizona 85004

4 William G. Beyer
5632 West Alameda Road
Glendale, Arizona 85310
5 Attorneys for Recreation Centers of Sun City
and Recreation Centers of Sun City West

6 William Sullivan, Esq.
7 Martinez & Curtis
2712 North 7th Street
8 Phoenix, Arizona 85006-1090
Attorneys for Sun City Taxpayers Association

9 Ray Jones
General Manager
10 Sun City Water Company
Post Office Box 1687
11 Sun City, Arizona 85372

12 By: Debra Jamz
13 3099-0043/945446v1

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OPERATING AGREEMENT

This Agreement for operation of facilities required for the exchange of Central Arizona Project ("CAP") water in Sun City West ("Agreement") is made this 30th day of March, 2001 by SUN CITY WEST UTILITIES COMPANY ("Water Company"), an Arizona corporation, and BRIARWOOD COUNTRY CLUB ("Briarwood"), an Arizona non-profit corporation, ("the parties").

RECITALS

- A. Water Company and Briarwood entered into an Agreement for Exchange of CAP Water in Sun City West, dated December 14, 2000 ("Exchange Agreement").
- B. Water Company has entered into similar agreements for the Exchange of CAP water in Sun City West with Recreation Centers of Sun City West (the "Sun City West Exchange Agreement") and in Sun City with the Recreation Centers of Sun City (the "Sun City Exchange Agreement").
- C. In order to implement the Exchange Agreement, the Sun City West Exchange Agreement and the Sun City Exchange Agreement must also be implemented and certain facilities must be constructed and certain operating policies and procedures must be established and coordinated.
- D. Water Company or an affiliated entity intends to construct a new pipeline to deliver water from CAP canal to the Water Company's Water Campus ("CAP Trunk Pipeline"), in accordance with recommendations of the engineering report entitled "Sun City/Sun City West/Youngtown Groundwater Savings Project", dated August, 2000.
- E. Water Company intends to use an existing non-potable water distribution system owned by the Recreation Centers of Sun City West ("Existing Distribution System") for delivering CAP water from its Water Campus to the point of delivery at Briarwood's golf course ("Point of Delivery"), in accordance with recommendations of the engineering report entitled "Sun City/Sun City West/Youngtown Groundwater Savings Project", dated August, 2000.
- F. Water Company shall construct a supervisory control and data acquisition system ("SCADA System") to control, regulate, and meter water deliveries to the golf course Point of Delivery.
- G. The CAP Trunk Pipeline, Existing Distribution System, SCADA System, and associated facilities and appurtenances ("Facilities") will together transport CAP water from CAP canal to the Point of Delivery on the golf course.

H. Water Company and Briarwood desire to enter into this Agreement to operate the Facilities and to effect the exchange of CAP water.

NOW, THEREFORE, in consideration of covenants and agreements contained herein, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Facilities Operation and Maintenance:

1.1 Water Company shall operate and maintain the Facilities.

1.2 Briarwood grants Water Company a right of access to Briarwood's property for the purpose of constructing, operating, and maintaining the Facilities. All such access and maintenance shall be scheduled in cooperation with Briarwood in a manner designed to cause minimal interruption to ongoing golf operations.

2. Operating Methodology

2.1 Briarwood shall meet golf course irrigation demands by utilizing available CAP water unless i) demand (including Recreation Centers of Sun City West demand) exceeds the Facilities' delivery capacity of 5.5 cubic feet per second or ii) collectively, 2,372 acre feet of CAP water has been delivered to Briarwood and Recreation Centers of Sun City West during the year.

2.2 Notwithstanding Paragraph 2.1 above, Briarwood may pump groundwater if Water Company is unable to deliver CAP Water due to Facilities outage or other reason and for periodic short-duration pumping for pump testing and maintenance activities.

3. Ordering of Water

3.1 Each year, not later than September 30, Water Company and Briarwood shall jointly prepare and approve a schedule of planned CAP water deliveries for the following year ("Water Schedule").

3.2 Based upon the Water Schedule, Water Company shall order, schedule and otherwise coordinate CAP water deliveries from the Central Arizona Project.

3.3 Briarwood shall notify Water Company, in a timely manner, of any changes to golf course operations, either planned or unforeseen, which could materially affect the Water Schedule.

4. Delivery of Water

4.1 Water Company shall make CAP water deliveries, based on Briarwood's requests, on a daily cycle with varying delivery times, flow rates and duration, so that Briarwood lake levels are maintained within design parameters.

4.2 Water Company shall, through the SCADA System, monitor and record operational parameters including delivery times, flow rates, and lake level.

5. Limit of Operational Obligations: Water Company's operational obligations under this Agreement end with its delivery of CAP water at Point of Delivery. Subsequent transfer/handling of water for irrigation purpose shall be Briarwood's obligation.

6. Water Rights Pooling, Mutual Cooperation: In the event that, after making its best efforts to do so, Briarwood is unable to renew its General Industrial Use Permit number 59-511010.000 ("GIU") in the amount of 333 acre feet and if Briarwood has, after the exercise of all due diligence, been unable to purchase or lease exchangeable groundwater rights to replace its GIU, annually, if and to the extent Water Company is able to lease, at no cost, from the Recreation Centers of Sun City West, a portion of Type 2 Grandfathered Right number 58-110773, Water Company, on an annual basis, shall sublease said portion of Sun City West Type 2 Right to Briarwood, at no cost, for the sole purpose of providing exchangeable groundwater rights to Briarwood to allow their exchange of groundwater with Water Company in accordance with the Exchange Agreement. Water Company's obligation to sublease said Sun City West Type 2 Right shall be limited to the quantity of said Sun City Type 2 Right actually leased to Water Company in a given calendar year and shall not exceed 333 acre feet annually.

7. Term of Agreement: The initial term of this Agreement runs from the day the Facilities become operational through December 31, 2043, which is the date of expiration of "Agreement for Exchange of CAP Water in Sun City West", signed December 14, 2000 by the Water Company and Briarwood. If the CAP Exchange Agreement is terminated/extended/renewed, the term of this Agreement will automatically change to equal the new term of the CAP Exchange Agreement.

8. Books and Records:

8.1 The parties shall establish and maintain books and records pertaining to purchase, transfer, reporting, and use of water under this Agreement. Specific records that must be maintained by each party shall include, but are not limited to, the following:

7.1.1 Water Company shall record: (i) CAP water ordered each year/month/day; (ii) CAP water delivered each year/month/day; and (iii) operational parameters required under Paragraph 4.3.

7.1.2 Briarwood shall record: (i) Usage of each well pump in its system, including duration of operation, monthly electricity charges and quantities of groundwater pumped.

8.2 Briarwood shall provide data collected and recorded by Briarwood to Water Company monthly. Water Company shall compile Briarwood data and Water Company data into a monthly water usage report that shall be provided to Briarwood.

8.3 Water Company shall prepare an annual water usage report that shall include all data necessary to determine quantities of water exchanged and any other required data for purposes of annual reporting to the Department of Water Resources. Said report shall be provided to Briarwood. If requested by Briarwood, Water Company shall prepare annual exchange reports and annual groundwater withdrawal and use reports required by the Arizona Department of Water Resources for the approval and execution by Briarwood. Briarwood remains responsible for all fees and charges related to its annual water withdrawal and use reports.

8.4 Subject to applicable laws and regulations, each party to this Agreement has the right during office hours to examine and make copies of each other's books and records relating to this Agreement.

9. Dispute Resolution

9.1 Scope. This section governs the resolution of all disputes arising under this Agreement.

9.2 Good Faith Negotiations. The party that believes a dispute exists under this Agreement will first refer the dispute to the Representatives for resolution. The Representatives of each party will personally meet and attempt in good faith to resolve the dispute. If the Representatives cannot resolve the dispute within 14 days, the matter will be referred to senior management of Briarwood and Water Company for resolution. If these persons are unable to resolve the dispute within 30 days thereafter, a party that still believes the dispute requires resolution may avail itself of the provisions of section 8.3.

9.3 Arbitration. If a party still believes a dispute requires resolution, after following the procedures of Paragraph 8.2, that party will first give a detailed written notice of dispute to the other parties setting forth the

nature of the dispute. The Parties will then, upon request of any party, be submitted for and settled by binding arbitration administered by AAA before a single arbitrator. The arbitrator must have substantial experience with the water utility industry. The arbitrator has no power to amend or modify this Agreement. Judgment on the award rendered by the arbitrator must be entered in any court with jurisdiction.

- 9.4 Other Remedies. The preceding subparagraphs of this Paragraph 8 are intended to set forth the primary procedure to resolve all disputes under this Agreement. It is expected that all disputes that would traditionally be resolvable by a law court would be resolvable under this procedure. However, the Parties recognize certain business relationships could give rise to the need for one or more of the Parties to seek equitable remedies from a court that were traditionally available from an equity court, such as emergency, provisional or summary relief and injunctive relief. Immediately following the issuance of any such equitable relief, the Parties will stay any further judicial proceeding pending arbitration of all underlying claims between the Parties. The Parties also recognize that the ACC has primary jurisdiction over certain issues that may arise among and between the Parties that relate to the provision of public utility service. Accordingly, this Article is not intended to prohibit any party from bringing any such issues to the ACC for resolution or from taking any position at the ACC that would be inconsistent with or barred by this Agreement or by collateral estoppel, *res judicata* or other issues or fact-preclusive doctrines.
- 9.5 Appeal. Within 30 days after the date of the arbitration award, a party may appeal to the U.S. District Court for the District of Arizona, if such court has jurisdiction, and otherwise to any state court of record in Arizona having jurisdiction, to vacate and remand, or modify or correct the arbitration award for any of the grounds specified in the Federal Arbitration Act.
- 9.6 Confidentiality. The arbitration proceedings will be conducted in secrecy. Except as otherwise agreed by the Parties in writing, (a) the fact of the pending arbitration will not be disclosed or confirmed by the Parties or the arbitrator to any person who is not a party to, or called to testify at, the proceedings until the arbitration award has been made, (b) the proceedings will not be recorded or transcribed in any manner, and (c) all documents, testimony and records (other than the contract documents out of which the dispute arises) will be received, heard and maintained by the arbitrator in secrecy, available for inspection only by the Parties, their attorneys and by experts who must agree, in advance and in writing, to receive all such information in secrecy. The secret information will not be described in the arbitration award in such manner as to be commercially useful.

10. Indemnification. Water Company is not responsible for the control, carriage, handling, use, disposal or distribution of any water beyond the Point of Delivery. Each party (indemnitor) to this Agreement agrees to indemnify and hold harmless the other party (indemnitee) and its governing bodies, agents, directors, officers and employees for, from and against any loss, damage or liability, including reasonable attorney's fees, caused by a negligent or intentionally willful action or inaction on the part of the indemnitor and its governing bodies, agents, directors, officers and employees, including without limitation, claims for bodily injury, illness, death or damage to property. Each party assumes liability for its own negligent or intentionally willful action or inaction arising out of the terms and conditions of this Agreement.

11. Uncontrollable Forces. Neither party will be considered to be in default in the performance of its obligations under this Agreement (other than obligations to make payments due hereunder) when a failure of performance is due to Uncontrollable Forces. The term "Uncontrollable Force" means any natural or artificial cause beyond the control of a party to this Agreement that renders the party unable to perform its obligations, including but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or inaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence the party could not reasonably have been expected to avoid and which by exercise of due diligence it is unable to overcome. Nothing contained herein may be construed to require either party to settle any strike or labor dispute in which it is involved.

12. General Provisions

12.1 Effective Date. This Agreement is effective upon execution of the Agreement by all parties.

12.2 Recitals Incorporated. All of the recitals made herein are incorporated by reference.

12.3 Authorized Representatives. Within 30 days after execution of this Agreement, each party will designate in writing to the other party an authorized representative ("Representative") and an alternate ("Alternate") to administer the provisions of this Agreement on behalf of the designating parties. An Alternate may act only in the absence of the Representative. Written notice of a change of Representative or Alternate must be provided at least 30 days before such change becomes effective. Arrangements or understandings of the representatives pursuant to this Agreement must be in writing and signed by them, but notwithstanding the

- 12.8 Entire Agreement. The terms, covenants and condition of this Agreement constitute the entire agreement between the Parties and no understandings or obligations not expressly set forth herein are binding upon them. All prior and contemporaneous agreements, representations and understandings of the Parties, oral or written, on the subject matter of this Agreement, are hereby superseded and merged herein.
- 12.9 Further Documentation. Each party agrees in good faith to execute, deliver, acknowledge or record further or additional documents, approvals or consents as are required or desirable in order to fully carry out the intent and purpose of this Agreement.
- 12.10 Governing Law. This Agreement is made under and is governed by the laws of the State of Arizona. Subject to the provisions of Paragraph 8, all proceedings related to this Agreement will be maintained in the courts of the State of Arizona (including the United States District Court for the District of Arizona), which courts have jurisdiction over those proceedings.
- 12.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which is an original, but all of which constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts and attached to a single instrument so that the signatures of all parties may be physically attached to a single document.
- 12.12 Amendments and Modifications. This Agreement may be modified, amended, rescinded, cancelled or waived, in whole or in part, only by a written instrument executed by all parties.
- 12.13 Severability. If any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable statute or rule of law, the provision is deemed null and void, but the remainder of this Agreement remains in full force and effect.
- 12.14 No Partnerships. The Parties to this Agreement may not be deemed to have formed a partnership or joint venture by their execution of this Agreement. The provisions of this Agreement are not intended to be for the benefit of any person, firm, organization or corporation not a party hereto and no such person or entity have any rights or cause of action under this Agreement.
- 12.15 Waiver. No delay in exercising any right or remedy will constitute a waiver thereof, and no waiver by any party of the breach of any covenant of this Agreement may be construed as a waiver of any preceding or

succeeding breach of the same or any other covenant or condition of this Agreement.

12.16 Compliance with Laws. Briarwood agrees to comply with all applicable local, state and federal laws and permit requirements specifically including all requirements of the Arizona Groundwater Code.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year first above written on behalf of Water Company and Briarwood by the respective company officials.

SUN CITY WEST UTILITIES COMPANY

Date: 3/30/01

By: *Ray J. Jones*

Its: Vice President & General Manager

BRIARWOOD COUNTRY CLUB

Date: April 3, 2001

By: *Lester E. Ehlers*

Its: President

OPERATING AGREEMENT

This Agreement for Operating Service in Sun City ("Agreement") is made this 27th day of July, 2001 by SUN CITY WATER COMPANY ("Water Company"), an Arizona corporation, and RECREATION CENTERS OF SUN CITY ("Recreation Centers"), an Arizona non-profit corporation ("the parties").

RECITALS

- A. Water Company and Recreation Centers entered into an Agreement for Exchange of CAP Water in Sun City, dated October 30, 2000 ("Exchange Agreement").
- B. Water Company has entered into a similar agreement for the Exchange of CAP water in Sun City West with the Recreation Centers of Sun City West (the "Sun City West Exchange Agreement").
- C. In order to implement the Exchange Agreement, the Sun City West Exchange Agreement must also be implemented and certain facilities must be constructed and certain operating policies and procedures must be established and coordinated.
- D. Water Company or an affiliated entity intends to construct a new pipeline to deliver water from CAP canal to the Water Company's Water Campus ("CAP Trunk Pipeline"), in accordance with recommendations of the engineering report entitled "Sun City/Sun City West/Youngtown Groundwater Savings Project", dated August, 2000.
- E. Water Company or an affiliated entity intends to construct a new non-potable water distribution system ("Distribution System") for delivering CAP water from its Water Campus to the points of delivery at various golf courses ("Points of Delivery"), in accordance with recommendations of the engineering report entitled "Sun City/Sun City West/Youngtown Groundwater Savings Project", dated August, 2000.
- F. Water Company shall construct a supervisory control and data acquisition system ("SCADA System") to control, regulate, and meter water deliveries to the various golf course Points of Delivery.
- G. The CAP Trunk Pipeline, Distribution System, SCADA System, and associated facilities and appurtenances ("Facilities") will together transport CAP water from CAP canal to the Points of Delivery on the golf courses.
- H. Water Company and Recreation Center desire to enter into this Agreement to operate the Facilities and to effect the exchange of CAP water.

NOW, THEREFORE, in consideration of covenants and agreements contained herein, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Facilities Operation and Maintenance:

- 1.1 Water Company shall operate and maintain the Facilities.
- 1.2 Recreation Centers grants Water Company a right of access to Recreation Centers property for the purpose of constructing, operating, and maintaining the Facilities. All such access and maintenance shall be in cooperation with the Recreation Centers in a manner designed to cause minimal interruption to ongoing golf operations.

2. Operating Methodology

- 2.1 Recreation Centers shall meet golf course irrigation demands by utilizing available CAP water unless i) demand exceeds the Facilities' delivery capacity of 9.5 cubic feet per second or ii) 4,189 acre feet of CAP water has been delivered during the year.
- 2.2 Notwithstanding Paragraph 2.1 above, Recreation Centers may pump groundwater if Water Company is unable to deliver CAP Water due to Facilities outage or other reason and for periodic short-duration pumping for pump testing and maintenance activities.

3. Ordering of Water

- 3.1 Each year, not later than September 30, Water Company and Recreation Centers shall jointly prepare and approve a schedule of planned CAP water deliveries for the following year ("Water Schedule").
- 3.2 Based upon the Water Schedule, Water Company shall order, schedule and otherwise coordinate CAP water deliveries from the Central Arizona Project.
- 3.3 Recreation Centers shall notify Water Company, in a timely manner, of any changes to golf course operations, either planned or unforeseen, which could materially affect the Water Schedule.

4. Delivery of Water

- 4.1 CAP water shall be scheduled and delivered by Water Company to the Points of Delivery in accordance with the priority established by the Recreation Centers.

- 4.2 Water Company shall make CAP water deliveries, based on Recreation Centers requests, on a daily cycle with varying delivery times, flow rates and duration, so that Recreation Center lake levels are maintained within design parameters.
- 4.3 Water Company shall, through the SCADA System, monitor and record operational parameters for each Point of Delivery, including delivery times, flow rates, and lake level.
5. Limit of Operational Obligations: Water Company's operational obligations under this Agreement end with its delivery of CAP water at Points of Delivery. Subsequent transfer/handling of water for irrigation purpose shall be Recreation Centers' obligation.
6. Water Rights Pooling; Mutual Cooperation: In the event that, after making its best efforts to do so, the Recreation Centers of Sun City West are unable to renew any or all of its General Industrial Use Permits (said "GIUs" being more particularly described on Exhibit A hereto), annually, Recreation Centers shall lease to Water Company, at no cost, that portion of its Type 2 Grandfathered Water Rights (said "Type 2 Rights" being more particularly described on Exhibit B hereto) not used by Recreation Centers for irrigation of Recreation Center golf courses during the calendar year. Water Company will then sublease the leased Type 2 Rights to the Recreation Centers of Sun City West for the sole purpose of providing exchangeable groundwater rights to the Recreation Centers of Sun City West to allow their exchange of groundwater with Water Company or its affiliate providing water service in Sun City West, Arizona in accordance with the Sun City West Exchange Agreement. Water Company shall not use the leased Type 2 Rights for any other purpose than described in this section.
7. Term of Agreement: The initial term of this Agreement runs from the day the Facilities become operational through December 31, 2043, which is the date of expiration of "Agreement for Exchange of CAP Water in Sun City", signed October 30, 2000 by the Water Company and Recreation Centers. If the CAP Exchange Agreement is terminated/extended/renewed, the term of this Agreement will automatically change to equal the new term of the CAP Exchange Agreement.
8. Books and Records:
- 8.1 The parties shall establish and maintain books and records pertaining to purchase, transfer, reporting, and use of water under this Agreement. Specific records that must be maintained by each party shall include, but are not limited to, the following:
- 8.1.1 Water Company shall record: (i) CAP water ordered each year/month/day; (ii) CAP water delivered each year/month/day by

Point of Delivery; and (iii) operational parameters required under Paragraph 4.3.

- 8.1.2 Recreation Centers shall record: (i) Usage of each well pump in its system, including duration of operation, monthly electricity charges and quantities of groundwater pumped.
- 8.2 Recreation Centers shall provide data collected and recorded by Recreation Centers to Water Company monthly. Water Company shall compile Recreation Center data and Water Company data into a monthly water usage report that shall be provided to Recreation Centers.
- 8.3 Water Company shall prepare an annual water usage report that shall include all data necessary to determine quantities of water exchanged and any other required data for purposes of annual reporting to the Department of Water Resources. Said report shall be provided to Recreation Centers. If requested by Recreation Centers, Water Company shall prepare annual exchange reports and annual groundwater withdrawal and use reports required by the Arizona Department of Water Resources for the approval and execution by Recreation Centers. Recreation Centers remains responsible for all fees and charges related to its annual water withdrawal and use reports.
- 8.4 Subject to applicable laws and regulations, each party to this Agreement has the right during office hours to examine and make copies of each other's books and records relating to this Agreement.

9. Dispute Resolution

- 9.1 Scope. This section governs the resolution of all disputes arising under this Agreement.
- 9.2 Good Faith Negotiations. The party that believes a dispute exists under this Agreement will first refer the dispute to the Representatives for resolution. The Representatives of each party will personally meet and attempt in good faith to resolve the dispute. If the Representatives cannot resolve the dispute within 14 days, the matter will be referred to senior management of Recreation Centers and Water Company for resolution. If these persons are unable to resolve the dispute within 30 days thereafter, a party that still believes the dispute requires resolution may avail itself of the provisions of section 9.3.
- 9.3 Arbitration. If a party still believes a dispute requires resolution, after following the procedures of Paragraph 9.2, that party will first give a detailed written notice of dispute to the other parties setting forth the nature of the dispute. The Parties will then, upon request of any party, be

submitted for and settled by binding arbitration administered by AAA before a single arbitrator. The arbitrator must have substantial experience with the water utility industry. The arbitrator has no power to amend or modify this Agreement. Judgment on the award rendered by the arbitrator must be entered in any court with jurisdiction.

- 9.4 Other Remedies. The preceding subparagraphs of this Paragraph 8 are intended to set forth the primary procedure to resolve all disputes under this Agreement. It is expected that all disputes that would traditionally be resolvable by a law court would be resolvable under this procedure. However, the Parties recognize certain business relationships could give rise to the need for one or more of the Parties to seek equitable remedies from a court that were traditionally available from an equity court, such as emergency, provisional or summary relief and injunctive relief. Immediately following the issuance of any such equitable relief, the Parties will stay any further judicial proceeding pending arbitration of all underlying claims between the Parties. The Parties also recognize that the ACC has primary jurisdiction over certain issues that may arise among and between the Parties that relate to the provision of public utility service. Accordingly, this Article is not intended to prohibit any party from bringing any such issues to the ACC for resolution or from taking any position at the ACC that would be inconsistent with or barred by this Agreement or by collateral estoppel, *res judicata* or other issues or fact-preclusive doctrines.
- 9.5 Appeal. Within 30 days after the date of the arbitration award, a party may appeal to the U.S. District Court for the District of Arizona, if such court has jurisdiction, and otherwise to any state court of record in Arizona having jurisdiction, to vacate and remand, or modify or correct the arbitration award for any of the grounds specified in the Federal Arbitration Act.
- 9.6 Confidentiality. The arbitration proceedings will be conducted in secrecy. Except as otherwise agreed by the Parties in writing, (a) the fact of the pending arbitration will not be disclosed or confirmed by the Parties or the arbitrator to any person who is not a party to, or called to testify at, the proceedings until the arbitration award has been made, (b) the proceedings will not be recorded or transcribed in any manner, and (c) all documents, testimony and records (other than the contract documents out of which the dispute arises) will be received, heard and maintained by the arbitrator in secrecy, available for inspection only by the Parties, their attorneys and by experts who must agree, in advance and in writing, to receive all such information in secrecy. The secret information will not be described in the arbitration award in such manner as to be commercially useful.

10. Indemnification. Water Company is not responsible for the control, carriage, handling, use, disposal or distribution of any water beyond the Point of Delivery. Each party (indemnitor) to this Agreement agrees to indemnify and hold harmless the other party (indemnitee) and its governing bodies, agents, directors, officers and employees for, from and against any loss, damage or liability, including reasonable attorney's fees, caused by a negligent or intentionally willful action or inaction on the part of the indemnitor and its governing bodies, agents, directors, officers and employees, including without limitation, claims for bodily injury, illness, death or damage to property. Each party assumes liability for its own negligent or intentionally willful action or inaction arising out of the terms and conditions of this Agreement.

11. Uncontrollable Forces. Neither party will be considered to be in default in the performance of its obligations under this Agreement (other than obligations to make payments due hereunder) when a failure of performance is due to Uncontrollable Forces. The term "Uncontrollable Force" means any natural or artificial cause beyond the control of a party to this Agreement that renders the party unable to perform its obligations, including but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or inaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence the party could not reasonably have been expected to avoid and which by exercise of due diligence it is unable to overcome. Nothing contained herein may be construed to require either party to settle any strike or labor dispute in which it is involved.

12. General Provisions
 - 12.1 Effective Date. This Agreement is effective upon execution of the Agreement by all parties.

 - 12.2 Recitals Incorporated. All of the recitals made herein are incorporated by reference.

 - 12.3 Authorized Representatives. Within 30 days after execution of this Agreement, each party will designate in writing to the other party an authorized representative ("Representative") and an alternate ("Alternate") to administer the provisions of this Agreement on behalf of the designating parties. An Alternate may act only in the absence of the Representative. Written notice of a change of Representative or Alternate must be provided at least 30 days before such change becomes effective. Arrangements or understandings of the representatives pursuant to this Agreement must be in writing and signed by them, but notwithstanding the

foregoing, neither the Representatives nor the Alternates have authority to amend this Agreement.

12.4 Binding Effect. The provisions of this Agreement inure to the benefit of and be binding upon the respective heirs, personal representatives, successors and assigns of the Parties, but no assignment or transfer of this Agreement or any interest therein is valid until approved in writing by the other party. Such approval may not be unreasonably withheld.

12.5 Notices. Any notice given pursuant to this Agreement must be in writing and be personally delivered or deposited in the United States mail, postage prepaid, certified and return receipt requested to the Parties as follows:

To Water Company: Sun City Water Company
P.O. Box 1687
Sun City, Arizona 85372
Attn: General Manager

To Recreation Centers: Recreation Centers of Sun City
10626 Thunderbird Boulevard
Sun City, Arizona 85351

Notices are deemed given when personally delivered or, if mailed, five days after the deposit of the notice in the U.S. mail. If a notice initiates the running of a time period for the performance of, or compliance with, any obligation or duty set forth in this Agreement, the notice must be sent certified, return receipt requested. Any party hereto must give written notice of a change of address to the other party as provided above.

12.6 Good Standing; Authority. Each of the Parties represents and warrants to the other party: (a) that it is duly formed, validly existing and in good standing under all applicable laws; and (b) that the individual(s) executing this Agreement on behalf of the respective parties are authorized and empowered to bind the Parties on whose behalf each such individual is signing.

12.7 Attorney's Fees. If any action is brought by any party with respect to its rights under this Agreement, the prevailing party or parties are entitled to reasonable attorney's fees and court costs from the other party or parties as determined by the court.

12.8 Entire Agreement. The terms, covenants and condition of this Agreement constitute the entire agreement between the Parties and no understandings or obligations not expressly set forth herein are binding upon them. All prior and contemporaneous agreements, representations and

understandings of the Parties, oral or written, on the subject matter of this Agreement, are hereby superseded and merged herein.

- 12.9 Further Documentation. Each party agrees in good faith to execute, deliver, acknowledge or record further or additional documents, approvals or consents as are required or desirable in order to fully carry out the intent and purpose of this Agreement.
- 12.10 Governing Law. This Agreement is made under and is governed by the laws of the State of Arizona. Subject to the provisions of Paragraph 8, all proceedings related to this Agreement will be maintained in the courts of the State of Arizona (including the United States District Court for the District of Arizona), which courts have jurisdiction over those proceedings.
- 12.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which is an original, but all of which constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts and attached to a single instrument so that the signatures of all parties may be physically attached to a single document.
- 12.12 Amendments and Modifications. This Agreement may be modified, amended, rescinded, cancelled or waived, in whole or in part, only by a written instrument executed by all parties.
- 12.13 Severability. If any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable statute or rule of law, the provision is deemed null and void, but the remainder of this Agreement remains in full force and effect.
- 12.14 No Partnerships. The Parties to this Agreement may not be deemed to have formed a partnership or joint venture by their execution of this Agreement. The provisions of this Agreement are not intended to be for the benefit of any person, firm, organization or corporation not a party hereto and no such person or entity have any rights or cause of action under this Agreement.
- 12.15 Waiver. No delay in exercising any right or remedy will constitute a waiver thereof, and no waiver by any party of the breach of any covenant of this Agreement may be construed as a waiver of any preceding or succeeding breach of the same or any other covenant or condition of this Agreement.

12.16 Compliance with Laws. Recreation Centers agrees to comply with all applicable local, state and federal laws and permit requirements specifically including all requirements of the Arizona Groundwater Code.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year first above written on behalf of Water Company and Recreation Centers by the respective company officials.

SUN CITY WATER COMPANY

Date: 7/27/2001

By: Ray L. Jones

Its: Vice President + General Manager

RECREATION CENTERS OF SUN CITY

Date: 07-19-2001

By: [Signature]

Its: President RCSC

Exhibit A

Recreation Centers of Sun City West
General Industrial Use Permits

59-511014.0000	347 acre feet
59-511012.0000	534 acre feet
59-511008.0000	198 acre feet
59-511016.0000	227 acre feet

Exhibit B

Recreation Centers of Sun City
Type 2 Grandfathered Water Rights

58-101683.0000	1,433 acre feet
58-101682.0000	848 acre feet
58-101680.0000	1,428 acre feet
58-101681.000	626 acre feet
58-101679.0001	822 acre feet
58-101678.0000	1,145 acre feet
58-0101677.000	307 acre feet

OPERATING AGREEMENT

This Agreement for operation of facilities required for the exchange of Central Arizona Project ("CAP") water in Sun City West ("Agreement") is made this 26th day of April, 2001 by SUN CITY WEST UTILITIES COMPANY ("Water Company"), an Arizona corporation, and RECREATION CENTERS OF SUN CITY WEST ("Recreation Centers"), an Arizona non-profit corporation ("the parties").

RECITALS

- A. Water Company and Recreation Centers entered into an Agreement for Exchange of CAP Water in Sun City West dated October 20, 2000 ("Exchange Agreement").
- B. Water Company has entered into similar agreements for the Exchange of CAP water in Sun City West with Briarwood Country Club (the "Briarwood Exchange Agreement") and in Sun City with the Recreation Centers of Sun City (the "Sun City Exchange Agreement").
- C. In order to implement the Exchange Agreement, the Briarwood Exchange Agreement and the Sun City Exchange Agreement must also be implemented and certain facilities must be constructed and certain operating policies and procedures must be established and coordinated.
- D. Water Company or an affiliated entity intends to construct a new pipeline to deliver water from CAP canal to the Water Company's Water Campus ("CAP Trunk Pipeline"), in accordance with recommendations of the engineering report entitled "Sun City/Sun City West/Youngtown Groundwater Savings Project", dated August, 2000.
- E. Water Company intends to use Recreation Centers' existing non-potable water distribution system, ("Existing Distribution System") for delivering CAP water from its Water Campus to the points of delivery at various golf courses ("Points of Delivery"), in accordance with recommendations of the engineering report entitled "Sun City/Sun City West/Youngtown Groundwater Savings Project", dated August, 2000.
- F. Water Company shall construct a supervisory control and data acquisition system ("SCADA System") to control, regulate, and meter water deliveries to the various golf course Points of Delivery.
- G. The CAP Trunk Pipeline, Existing Distribution System, SCADA System, and associated facilities and appurtenances ("Facilities") will together transport CAP water from CAP canal to the Points of Delivery on the golf courses.

- H. Water Company and Recreation Center desire to enter into this Agreement to operate the Facilities and to effect the exchange of CAP water.

NOW, THEREFORE, in consideration of covenants and agreements contained herein, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Facilities Operation and Maintenance

- 1.1 Water Company shall operate and maintain the Facilities.
- 1.2 Notwithstanding Paragraph 1.1. above, Water Company maintenance of the Existing Distribution System shall be in accordance with Paragraph 9 of the Exchange Agreement.
- 1.3 Recreation Centers grants Water Company a right of access to Recreation Centers property for the purpose of constructing, operating, and maintaining the Facilities. All such access and maintenance shall be in cooperation with the Recreation Centers in a manner designed to cause minimal interruption to ongoing golf operations.

2. Operating Methodology

- 2.1 Recreation Centers shall meet golf course irrigation demands by utilizing available CAP water unless i) demand (including Briarwood County Club's demand) exceeds the Facilities' delivery capacity of 5.5 cubic feet per second or ii) collectively, 2,372 acre feet of CAP water has been delivered to Recreation Centers and Briarwood Country Club during the year.
- 2.2 Notwithstanding Paragraph 2.1 above, Recreation Centers may pump groundwater if Water Company is unable to deliver CAP Water due to Facilities outage or other reason and for periodic short-duration pumping for pump testing and maintenance activities.

3. Ordering of Water

- 3.1 Each year, not later than September 30, Water Company and Recreation Centers shall jointly prepare and approve a schedule of planned CAP water deliveries for the following year ("Water Schedule").
- 3.2 Based upon the Water Schedule, Water Company shall order, schedule and otherwise coordinate CAP water deliveries from the Central Arizona Project.

3.3 Recreation Centers shall notify Water Company, in a timely manner, of any changes to golf course operations, either planned or unforeseen, which could materially affect the Water Schedule.

4. Delivery of Water

4.1 CAP water shall be scheduled and delivered by Water Company to the Points of Delivery in accordance with the priority established by the Recreation Centers.

4.2 Water Company shall make CAP water deliveries, based on Recreation Centers requests, on a daily cycle with varying delivery times, flow rates and duration, so that Recreation Center lake levels are maintained within design parameters.

4.3 Water Company shall, through the SCADA System, monitor and record operational parameters for each Point of Delivery, including delivery times, flow rates, and lake level.

5. Limit of Operational Obligations: Water Company's operational obligations under this Agreement end with its delivery of CAP water at Points of Delivery. Subsequent transfer/handling of water for irrigation purpose shall be Recreation Centers' obligation.

6. Water Rights Pooling; Mutual Cooperation:

6.1 In the event that, after making its best efforts to do so, Recreation Centers is unable to renew any or all of its General Industrial Use Permits (said "GIUs" being more particularly described on Exhibit A hereto), annually, if and to the extent Water Company is able to lease, at no cost, from the Recreation Centers of Sun City, Type 2 Grandfathered Rights ("Sun City Type 2 Rights" being more particularly described on Exhibit B hereto), Water Company, on an annual basis, shall sublease Sun City Type 2 Rights to Recreation Centers, at no cost, for the sole purpose of providing exchangeable groundwater rights to Recreation Centers to allow their exchange of groundwater with Water Company in accordance with the Exchange Agreement. Water Company's obligation to sublease Sun City Type 2 Rights shall be limited to the quantity of Sun City Type 2 Rights actually leased to Water Company in a given calendar year.

6.2 In the event that, after making its best efforts to do so, Briarwood County Club is unable to renew its General Industrial Use Permit ("GIU") number 59-511010.0000 in the amount of 333 acre feet, annually, Recreation Centers shall lease to Water Company, at no cost, that portion, but not more than 333 acre feet, of its Type 2 Grandfathered Water Right ("Type 2 Right") number 58-110773 not used by Recreation Centers for irrigation

of Recreation Center golf courses during the calendar year. Water Company shall then sublease the leased Type 2 Right to Briarwood Country Club for the sole purpose of providing exchangeable groundwater rights to Briarwood County Club to allow their exchange of groundwater with Water Company in accordance with the Briarwood Exchange Agreement. Water Company shall not use the Type 2 Rights for any other purpose than described in this section.

- 6.3 In the event that, during any given year, Recreation Centers shall not have used all of its Type 2 Right or its GIUs, and, in the same year, Recreation Centers of Sun City ("Sun City") shall, for reasons beyond its reasonable control, require additional groundwater pumping rights, then Recreation Centers agrees to work with Sun City and Water Company to effect a reciprocal lease and sublease consistent with the arrangement defined in Section 6.1 above to the extent it has unused water rights available.
7. Term of Agreement: The initial term of this Agreement runs from the day the Facilities become operational through December 31, 2043, which is the date of expiration of "Agreement for Exchange of CAP Water in Sun City West", signed October 20, 2000 by the Water Company and Recreation Centers. If the CAP Exchange Agreement is terminated/extended/renewed, the term of this Agreement will automatically change to equal the new term of the CAP Exchange Agreement.
8. Books and Records:
- 8.1 The parties shall establish and maintain books and records pertaining to purchase, transfer, reporting, and use of water under this Agreement. Specific records that must be maintained by each party shall include, but are not limited to, the following:
- 8.1.1 Water Company shall record: (i) CAP water ordered each year/month/day; (ii) CAP water delivered each year/month/day by Point of Delivery; and (iii) operational parameters required under Paragraph 4.3.
- 8.1.2 Recreation Centers shall record: (i) Usage of each well pump in its system, including duration of operation, monthly electricity charges and quantities of groundwater pumped.
- 8.2 Recreation Centers shall provide data collected and recorded by Recreation Centers to Water Company monthly. Water Company shall compile Recreation Center data and Water Company data into a monthly water usage report that shall be provided to Recreation Centers.

- 8.3 Water Company shall prepare an annual water usage report that shall include all data necessary to determine quantities of water exchanged and any other required data for purposes of annual reporting to the Department of Water Resources. Said report shall be provided to Recreation Centers. If requested by Recreation Centers, Water Company shall prepare annual exchange reports and annual groundwater withdrawal and use reports required by the Arizona Department of Water Resources for the approval and execution by Recreation Centers. Recreation Centers remains responsible for all fees and charges related to its annual water withdrawal and use reports.
- 8.4 Subject to applicable laws and regulations, each party to this Agreement has the right during office hours to examine and make copies of each other's books and records relating to this Agreement.

9. Dispute Resolution

- 9.1 Scope. This section governs the resolution of all disputes arising under this Agreement.
- 9.2 Good Faith Negotiations. The party that believes a dispute exists under this Agreement will first refer the dispute to the Representatives for resolution. The Representatives of each party will personally meet and attempt in good faith to resolve the dispute. If the Representatives cannot resolve the dispute within 14 days, the matter will be referred to senior management of Recreation Centers and Water Company for resolution. If these persons are unable to resolve the dispute within 30 days thereafter, a party that still believes the dispute requires resolution may avail itself of the provisions of section 9.3.
- 9.3 Arbitration. If a party still believes a dispute requires resolution, after following the procedures of Paragraph 9.2, that party will first give a detailed written notice of dispute to the other parties setting forth the nature of the dispute. The Parties will then, upon request of any party, be submitted for and settled by binding arbitration administered by AAA before a single arbitrator. The arbitrator must have substantial experience with the water utility industry. The arbitrator has no power to amend or modify this Agreement. Judgment on the award rendered by the arbitrator must be entered in any court with jurisdiction.
- 9.4 Other Remedies. The preceding subparagraphs of this Paragraph 8 are intended to set forth the primary procedure to resolve all disputes under this Agreement. It is expected that all disputes that would traditionally be resolvable by a law court would be resolvable under this procedure. However, the Parties recognize certain business relationships could give rise to the need for one or more of the Parties to seek equitable remedies

from a court that were traditionally available from an equity court, such as emergency, provisional or summary relief and injunctive relief. Immediately following the issuance of any such equitable relief, the Parties will stay any further judicial proceeding pending arbitration of all underlying claims between the Parties. The Parties also recognize that the ACC has primary jurisdiction over certain issues that may arise among and between the Parties that relate to the provision of public utility service. Accordingly, this Article is not intended to prohibit any party from bringing any such issues to the ACC for resolution or from taking any position at the ACC that would be inconsistent with or barred by this Agreement or by collateral estoppel, *res judicata* or other issues or fact-preclusive doctrines.

- 9.5 Appeal. Within 30 days after the date of the arbitration award, a party may appeal to the U.S. District Court for the District of Arizona, if such court has jurisdiction, and otherwise to any state court of record in Arizona having jurisdiction, to vacate and remand, or modify or correct the arbitration award for any of the grounds specified in the Federal Arbitration Act.
- 9.6 Confidentiality. The arbitration proceedings will be conducted in secrecy. Except as otherwise agreed by the Parties in writing, (a) the fact of the pending arbitration will not be disclosed or confirmed by the Parties or the arbitrator to any person who is not a party to, or called to testify at, the proceedings until the arbitration award has been made, (b) the proceedings will not be recorded or transcribed in any manner, and (c) all documents, testimony and records (other than the contract documents out of which the dispute arises) will be received, heard and maintained by the arbitrator in secrecy, available for inspection only by the Parties, their attorneys and by experts who must agree, in advance and in writing, to receive all such information in secrecy. The secret information will not be described in the arbitration award in such manner as to be commercially useful.
10. Indemnification. Water Company is not responsible for the control, carriage, handling, use, disposal or distribution of any water beyond the Point of Delivery. Each party (indemnitor) to this Agreement agrees to indemnify and hold harmless the other party (indemnitee) and its governing bodies, agents, directors, officers and employees for, from and against any loss, damage or liability, including reasonable attorney's fees, caused by a negligent or intentionally willful action or inaction on the part of the indemnitor and its governing bodies, agents, directors, officers and employees, including without limitation, claims for bodily injury, illness, death or damage to property. Each party assumes liability for its own negligent or intentionally willful action or inaction arising out of the terms and conditions of this Agreement.

11. Uncontrollable Forces. Neither party will be considered to be in default in the performance of its obligations under this Agreement (other than obligations to make payments due hereunder) when a failure of performance is due to Uncontrollable Forces. The term "Uncontrollable Force" means any natural or artificial cause beyond the control of a party to this Agreement that renders the party unable to perform its obligations, including but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage, government priorities and restraint by court order or public authority, and action or inaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence the party could not reasonably have been expected to avoid and which by exercise of due diligence it is unable to overcome. Nothing contained herein may be construed to require either party to settle any strike or labor dispute in which it is involved.

12. General Provisions
 - 12.1 Effective Date. This Agreement is effective upon execution of the Agreement by all parties.

 - 12.2 Recitals Incorporated. All of the recitals made herein are incorporated by reference.

 - 12.3 Authorized Representatives. Within 30 days after execution of this Agreement, each party will designate in writing to the other party an authorized representative ("Representative") and an alternate ("Alternate") to administer the provisions of this Agreement on behalf of the designating parties. An Alternate may act only in the absence of the Representative. Written notice of a change of Representative or Alternate must be provided at least 30 days before such change becomes effective. Arrangements or understandings of the representatives pursuant to this Agreement must be in writing and signed by them, but notwithstanding the foregoing, neither the Representatives nor the Alternates have authority to amend this Agreement.

 - 12.4 Binding Effect. The provisions of this Agreement inure to the benefit of and be binding upon the respective heirs, personal representatives, successors and assigns of the Parties, but no assignment or transfer of this Agreement or any interest therein is valid until approved in writing by the other party. Such approval may not be unreasonably withheld.

 - 12.5 Notices. Any notice given pursuant to this Agreement must be in writing and be personally delivered or deposited in the United States mail, postage prepaid, certified and return receipt requested to the Parties as follows:

To Water Company: Sun City West Utilities Company
P.O. Box 1687
Sun City, Arizona 85372
Attn: General Manager

To Recreation Centers: Recreation Centers of Sun City West
19803 RH Johnson Boulevard
Sun City West, Arizona 85375

Notices are deemed given when personally delivered or, if mailed, five days after the deposit of the notice in the U.S. mail. If a notice initiates the running of a time period for the performance of, or compliance with, any obligation or duty set forth in this Agreement, the notice must be sent certified, return receipt requested. Any party hereto must give written notice of a change of address to the other party as provided above.

- 12.6 Good Standing; Authority. Each of the Parties represents and warrants to the other party: (a) that it is duly formed, validly existing and in good standing under all applicable laws; and (b) that the individual(s) executing this Agreement on behalf of the respective parties are authorized and empowered to bind the Parties on whose behalf each such individual is signing.
- 12.7 Attorney's Fees. If any action is brought by any party with respect to its rights under this Agreement, the prevailing party or parties are entitled to reasonable attorney's fees and court costs from the other party or parties as determined by the court.
- 12.8 Entire Agreement. The terms, covenants and condition of this Agreement constitute the entire agreement between the Parties and no understandings or obligations not expressly set forth herein are binding upon them. All prior and contemporaneous agreements, representations and understandings of the Parties, oral or written, on the subject matter of this Agreement, are hereby superseded and merged herein.
- 12.9 Further Documentation. Each party agrees in good faith to execute, deliver, acknowledge or record further or additional documents, approvals or consents as are required or desirable in order to fully carry out the intent and purpose of this Agreement.
- 12.10 Governing Law. This Agreement is made under and is governed by the laws of the State of Arizona. Subject to the provisions of Paragraph 8, all proceedings related to this Agreement will be maintained in the courts of the State of Arizona (including the United States District Court for the District of Arizona), which courts have jurisdiction over those proceedings.

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- 12.15 Waiver. No delay in exercising any right or remedy will constitute a waiver thereof, and no waiver by any party of the breach of any covenant of this Agreement may be construed as a waiver of any preceding or succeeding breach of the same or any other covenant or condition of this Agreement.
- 12.16 Compliance with Laws. Recreation Centers agrees to comply with all applicable local, state and federal laws and permit requirements specifically including all requirements of the Arizona Groundwater Code.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year first above written on behalf of Water Company and Recreation Centers by the respective company officials.

SUN CITY WEST UTILITIES COMPANY

Date: 4/26/01

By: Ray L. Jones

Its: Vice President & General Manager

RECREATION CENTERS OF SUN CITY WEST

Date: 27 APRIL 2001

By: Lee Hjermstad

Its: PRESIDENT, SCW GOVERNING BOARD

Exhibit A

Recreation Centers of Sun City West
General Industrial Use Permits

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