

ORIGINAL NEW APPLICATION



0000057131

SOUTHERN WATER CORPORATION

PO BOX 85160

TUCSON, AZ 85754

520-623-5172 FAX 520-792-0377

RECEIVED

2006 JUN 21 P 3:21

Docket Control Center
Arizona Corporation Commission
2100 W. Washington Street
Phoenix, AZ. 85007

June 20, 2006
AZ CORP COMMISSION
DOCUMENT CONTROL

W-02017A-06-0410

Re: Application for Approval of the Sale of Assets approval of Revoked CC&N to be included in Sonoita Valley Water Company CC&N

Mr. E.H. "Buck" Lewis is the current owner of both Sonoita Valley Water Company (SVWC) per Decision No. 66731 on January 20, 2004 and has purchased the assets of the now bankrupt Southern Water Corporation (SWC) per the United States Bankruptcy Court of Arizona Case No. 4-04-bk004658-JMM on April 11, 2005 (see attached)

We recently received approval to extend SVWC franchise area to include SWC. We have enclosed a copy of the grant of franchise and extension of franchise area with this application.

We are simultaneously submitting an application to extend the Certificate of Convenience and Necessity (CC&N) of SVWC to include SWC and an application for Approval of the Sale of Assets. We are requesting that SWC's revoked CC&N be included in SVWC's CC&N service area. It should be noted that SWC's CC&N was revoked by the Arizona Corporation Commission (ACC) on 2/19/03 Decision No. 65649 due to SWC's failure to file the appropriate annual documents.

We request that both applications be considered at the same time so as not to delay the process of moving forward to solve the problems of the troubled water utilities.

SWC is an existing water utility within a close proximity of SVWC. It is our intent to join the two facilities CC&N so as to request permission from the ACC to form one company.

This action will give SVWC an alternate water source as the existing water source is not meeting the demand of the existing customers.

We are attaching documentation for your action regarding this matter.

Sincerely,

Bonnie O'Connor

for

E.H. Lewis, Owner

Enclosure(s)

ARIZONA CORPORATION COMMISSION
APPLICATION FOR APPROVAL OF THE SALE OF ASSETS AND/OR TRANSFER OF
CERTIFICATE OF CONVENIENCE AND NECESSITY

WATER AND/OR SEWER

A. The name, address and telephone number of the Transferor (Company) is:

 SOUTHERN WATER CORPORATION

 P.O. BOX 85160

 TUCSON, AZ 85754 (520) 623-5172

B. If doing business under a name other than the Transferor (Company) name, specify:

 N/A

C. The Transferor is a:

<input checked="" type="checkbox"/> Corporation: <input checked="" type="checkbox"/> "C", <input type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input 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
<input type="checkbox"/> Other (Specify)	

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

N/A

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

SOUTHWESTERN UTILITY MANAGEMENT, INC.

P.O. BOX 85160
TUCSON, AZ 85754

(520) 623-5172

F. The name, address and telephone number of the Transferee (Company) is:

SONOITA VALLEY WATER CO.

PO BOX 85160
TUCSON, AZ 85754

(520) 623-5172

G. If doing business under a name other than the Transferee (Company) name, specify:

N/A

H. List the name, address and telephone number of the attorney for the Transferee.

N/A

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

SOUTHWESTERN UTILITY MANAGEMENT, INC.

P.O. BOX 85160
TUCSON, AZ 85754

(520) 623-5172

J. (Transferee) List the name, address and telephone number of the on-site manager of the utility:

PAT BLANK, P.O. BOX 85160, TUCSON, AZ 85754 / CELL: (520) 400-1176

K.(Transferee) List the name, address and telephone number of the certified operator as authorized by the Arizona Department of Environmental Quality:

PAT BLANK
 P.O. BOX 85160
 TUCSON, AZ 85754

OFFICE: (520) 623-5172 CELL: (520) 400-1176

L. The Transferee is a:

<input checked="" type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input checked="" type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input 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
<input type="checkbox"/> Other (Specify)	

M. If Transferee is a corporation:

1. List names of Officers and Directors:

Officers

E. H. LEWIS, PRESIDENT

DOROTHY M. LEWIS, VICE PRESIDENT

BONNIE O'CONNOR, SEC./TREASURER

Directors

E. H. LEWIS

DOROTHY M. LEWIS

2. Indicate the number of shares of stock authorized to issue:

10,000 COMMON

3. If stock has been issued, indicate the number of shares issued and the date of issue:

1,000 ISSUED 3/15/05

N. If Transferee is a partnership:

1. List the names of general partners:

N/A

2. List name, address and telephone number of managing partner:

N/A

◆ If Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" with the Arizona Secretary of State

O. If Transferee is a sole proprietor, list name, address and telephone number of individual:

N/A

P. Have all customer security deposits been refunded? Yes ___ No X . If no, mark the block below which describes the proposed disposition of security deposits.

All security deposits will be refunded at time of closing.

All security deposits will be transferred to the Transferee.

Other (explain).

Q. 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.

Transferor will continue to refund after the transfer.

Transferee will assume the refunding obligations.

A full refund will be made at closing by Transferor.

Other (explain).

R. (WATER ONLY) Are there any refunds due on meter and service line installations?

Yes ___ No X . If Yes, mark the block below that describes the proposed disposition of refunds.

Transferor will continue to refund after the transfer.

Transferee will assume the refunding obligations.

A full refund will be made at closing by Transferor.

Other (explain).

S. (Transferee) Attach the following exhibit(s):

1. Copy of bill of sale, purchase contract or other instrument, which conveys the assets to the transferee.
2. Articles of Incorporation (if corporation)
3. By-Laws (if corporation)
4. Certificate of Good Standing (if corporation) See Letter
5. Articles of Partnership (if partnership)
6. Articles of Organization (if limited liability company)
7. Corporate Resolution if required by Articles of Incorporation
8. Attach a copy of the transfer of City or County Franchise from the Transferor to Transferee.

T. List names and addresses of any other public utility interest Transferee has:

1. CLEAR SPRINGS UTILITY, PO BOX 85160, TUCSON, AZ 85754
2. MESCAL LAKES WATER SYSTEMS, PO BOX 85160, TUCSON, AZ 85754
3. SANDARIO WATER, PO BOX 85160, TUCSON, AZ 85754

U. Indicate the date that notice of the application was sent, or will be sent to the customers.

June 21, 2006.

DATED the _____ day of _____, 20_____

(Signature of Authorized Representative of Transferor)

BONNIE O'CONNOR

(Type Name Here)

AUTHORIZED REPRESENTATIVE

(Title)

SUBSCRIBED AND SWORN to before me on this _____ day of _____ 20_____

NOTARY PUBLIC

My Commission Expires _____

(Signature of Authorized Representative of Transferee)

(Type Name Here)

(Title)

SUBSCRIBED AND SWORN to before me on this _____ day of _____ 20_____

NOTARY PUBLIC

My Commission Expires _____

**PUBLIC NOTICE OF AN APPLICATION FOR SALE OR ASSETS
AND/OR REINSTATE AND TRANSFER OF THE
CERTIFICATE OF CONVENIENCE AND NECESSITY**

BY SOUTHERN WATER CORPORATION

Southern Water Corporation has filed with the Arizona Corporation Commission (“Commission”) an application for authority to sell its assets an/or reinstate and transfer its Certificate of Convenience and Necessity to provide water service to Sonoita Valley Water Company. If the application is granted, Sonoita Valley Water Company would be the exclusive provider of water service to your area. Sonoita Valley Water Company is under the jurisdiction of the Commission.

If you have any claims against Southern Water Corporation, including claims for refunds of security deposits, service line and meter installations (Water Only) or main extension agreements and you have not already been contacted by the Company, you must present your claim to Southern Water Corporation on or before July 10, 2006. Direct your claims to Southern Water Corporation, PO Box 85160, Tucson, AZ 85754, 520-623-5172.

The Commission will hold a hearing on this matter. As a property owner or customer you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless requested by you.

If you have any questions or concerns about this application, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000. You may also contact the Commission at 400 West Congress, North Building, Room 218, Tucson, Arizona 85701 or call 1-800-535-0148.

ARIZONA CORPORATION COMMISSION
Corporations Division

1300 West Washington Street
Phoenix, Arizona 85007-2929

400 West Congress Street
Tucson, Arizona 85701-1347

CERTIFICATE OF DISSOLUTION

To:
ROBERT E HINSKE
4626 E FT LOWELL STE A
TUCSON, AZ 85712

Effective Date: 02/21/

Corporation Name: **SOUTHERN WATER CORPORATION**
File Number: **-0173682-1**

The Corporation Commission has determined that the following grounds continue to exist under A.R.S. §§10-1420 & 10-11420 and therefore has administratively dissolved your corporation pursuant to A.R.S. §§10-1421 & 10-11421 on the effective date of this notice.
FAILURE TO FILE ANNUAL REPORT.

IF YOU HAVE MAILED YOUR ANNUAL REPORT WITHIN THE LAST 30 DAYS PLEASE DISREGARD THIS NOTICE.



Arizona Corporation Commission
Annual Reports Section
(602) 542-3285

Under A.R.S. §§10-1422 & 10-11422, your corporation may apply to the commission for reinstatement *within three years* after the effective date of this dissolution.

LAW OFFICE OF
MICHAEL M. NEAL, P. C.

110 S. CHURCH AVE. • SUITE 429B • TUCSON, AZ 85701

TELEPHONE (520) 623-5686
FAX (520) 623-5255

November 28, 2005

E.H. "Buck" Lewis
2644 Leisure World
Mesa, Arizona 85206

Re: Southern Water Corporation Chapter 7 Proceeding
Case No. 4-04-bk-04658-JMM

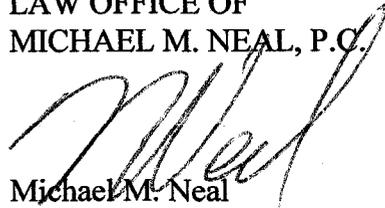
Dear Buck:

Enclosed for your records is the original, recorded, certified Order authorizing and approving sale of the water company. As shown on the first page the matter has been made a public record in Santa Cruz County. You should receive directly from the Recorder the deed that was recorded.

If you have any questions please do not hesitate to contact me.

Yours truly,

LAW OFFICE OF
MICHAEL M. NEAL, P.C.



Michael M. Neal

MMN:gm

Enclosures

cc: Ronald L. Ancell, Chapter 7 Trustee (w/enclosures)



2005-14361

Page 1 of 4

Requested By: MICHAEL M NEAL PC

Suzanne Sainz

Santa Cruz County Recorder

10-25-2005 11:00 AM Recordings Fee \$14.00

CAPTION HEADING

ORDER AUTHORIZING AND APPROVING
SALE OF WATER COMPANY FREE AND
CLEAR OF LIENS, PAYMENT OF COSTS
OF SALE, AND OTHER RELIEF

THIS ORDER IS APPROVED.



RECEIVED

SEP 21 2005

1 Michael M. Neal, Esq.
2 LAW OFFICE OF MICHAEL M. NEAL, P.C. Dated: April 15, 2005
3 110 S. Church Avenue, Suite 4298
4 Tucson, Arizona 85701
5 Telephone: (520) 623-5686
6 Facsimile: (520) 623-5255
7 E-Mail: com@mmnealpc@qwest.net
8 State Bar No.: 004331

James M. Marlar
JAMES M. MARLAR
U.S. Bankruptcy Judge

6 Attorney for Chapter 7 Trustee

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

9 In re:

10 SOUTHERN WATER CORPORATION,

Chapter 7 Proceeding

Case No. 4-04-bk-04658-JMM

**ORDER AUTHORIZING AND APPROVING
SALE OF WATER COMPANY FREE AND
CLEAR OF LIENS, PAYMENT OF COSTS
OF SALE, AND OTHER RELIEF**

13 Debtor.

15 On April 11, 2005 there came on for hearing before the Court the Motion and Application of the Chapter
16 7 Trustee, Ronald L. Ancell, to Authorize and Approve the Sale of a Water Company Free and Clear of Liens,
17 the Payment of Costs of Sale, the Operation of the Water Company by Purchaser, Pending Closing, if Acceptable
18 to the Arizona Corporation Commission and the Purchaser, and Approval of a Settlement and Compromise and
19 Payment of a Disputed Claim. The Motion and Application of the Trustee was noticed to all creditors and parties
20 in interest as reflected by the Certificate of Service filed with the Clerk of Court.

21 No objections were filed and no one appeared at the hearing to object. A response to the Motion was filed
22 by Creditors Jerry Twietmeyer and Pamela Malamas. In their Response these Creditors did not object to the relief
23 requested by the Trustee but clarified that it was their claim to be settled and compromised in return for a payment
24 of Six Thousand Dollars (\$6,000.00) and that homeowner Derrick was not to share in the monies being paid as
25 part of the Settlement and Compromise. At the hearing the Attorney for the Trustee, Michael M. Neal, concurred
26 with the Response and that the reference in the Motion and Application to Derrick with Twietmeyer and Malamas
27 was to identify the property where a water line was to be relocated and that Derrick was not to share in the Six

3 /mydoc/southern-water/sale order
I hereby certify that the annexed
instrument is a true and correct copy
of the original filed in the Office
of the Bankruptcy Clerk.

Dated 9-26-05 *[Signature]*
Authorized Deputy Clerk

1 Thousand Dollar (\$6,000.00) settlement payment.

2 The Court having reviewed the file and finding that a sale of the asset is necessary for the administration of
3 the estate and the sales price appears, in the circumstances to be fair and reasonable, it is hereby

4 **ORDERED, ADJUDGED AND DECREED** that:

5 1. The Motion and Application of the Chapter 7 Trustee, Ronald L. Ancell, is approved. More
6 specifically, the Court approves of the sale and purchase of a Water Company to E. H. "Buck" Lewis and/or his
7 assignee, a good faith purchase for value, the cash Purchase Price to be paid at Closing to the Trustee shall be
8 Fifteen Thousand Dollars (\$15,000.00). The sale includes any and all real property wherein the Debtor and/or its
9 bankruptcy estate has a legal or equitable interest including but not limited to any and all water and mineral right
10 claims and all easements and lines utilized for the purposes related to the operation of the Water Company whether
11 for ingress, egress, water line, or meter placement or usage. The sale also includes all right, title, claim and interest
12 the Debtor and/or its bankruptcy estate has in and to any personal property and fixtures used in or related to the
13 Debtor's ownership and operation of the Water Company. These assets included but are not necessarily limited
14 to copies of business records, if such records are available, and all wells, well casings, storage tanks, pumps,
15 meters, piping and other equipment used in the operation of the Water Company by the Debtor. Excluded from
16 the personal property sold is cash on hand and accounts receivable. In the event the Purchaser collects money on
17 accounts receivable for and on behalf of the Trustee the Purchaser can retain ten percent (10%) of any monies
18 collected as and for its compensation for collecting the monies paid over to the Trustee.

19 2. The sale of the property is free and clear of liens and no liens have been asserted except for
20 delinquent real property taxes. At Closing the Escrow Officer is authorized to pay Seven Thousand Five Hundred
21 Dollars (\$7,500.00) to Santa Cruz County in full and complete settlement and payment of its claim secured by the
22 Property being sold as of the date of Closing. This payment is a reduced amount agreed upon by Santa Cruz
23 County.

24 3. Additional consideration being provided by the Purchaser that is material to the sale is that the
25 Purchaser shall, at the Purchaser's sole cost and expense, within ninety (90) days of the Closing of the sale, relocate
26 the presently existing water transmission line that runs under or near the residence of Derrick and
27 Twietmeyer/Malanas so that the water line is within an established easement or, if this cannot be reasonably

1 accomplished is relocated as to be acceptable to Derrick, Twietmeyer, Malamas which acceptance shall not be
2 unreasonably withheld;

3 4. The claim of Twietmeyer and Malamas is settled and compromised by the payment of Six Thousand
4 Dollars (\$6,000.00).

5 5. The Escrow Agent is also authorized to pay, as part of the Closing as if payments were made
6 directly by the Trustee, the Seven Thousand Five Hundred Dollars (\$7,500.00) to be paid to Santa Cruz County
7 as described above and the Six Thousand Dollar (\$6,000.00) payment to be paid to Twietmeyer/Malamas in care
8 of their Attorney, Edith Rudder, at Leonard, Felker, Altfeld, Greenberg & Battaile, P.C., P.O. Box 191, Tucson,
9 Arizona 5702-0191. The Escrow Officer is also authorized to pay one-half (1/2) of the fee of its services, the cost
10 of certifying Orders of the Bankruptcy Court necessary for Closing and the cost to record any Order, Deed and
11 submitting an Affidavit of Value, plus any other cost related to the Closing acceptable to the Seller. Any remaining
12 sales proceeds shall be paid to the Trustee.

13 **IT IS FURTHER ORDERED** that the Purchaser can assume operation of the Water Company prior
14 to Closing if this is acceptable to Purchaser and the Arizona Corporation Commission. A contingency for the
15 Purchaser to be required to Close the sale is for the Arizona Corporation Commission agreeing to the Purchaser
16 taking control and operation of the Water Company and having issued to the Purchaser all Certificates necessary
17 for the operation of the Water Company. If the Purchaser assumes operation it will pay from monies collected all
18 bills and expenses occurred in the operation with its compensation to be any monies in excess of such costs. In the
19 event capital improvements were needed that cannot be paid from operations the Purchaser would need to present
20 the matter to either the Bankruptcy Court or the Arizona Corporation Commission with a proposal for paying for
21 the needed improvement.

22 There being no objections to the sale the Court finds no cause for delay in the effective date of this Order
23 and the same shall be effective immediately. This Order is to be entered by the Clerk of the Court as a final Order.

24 **DONE** this _____ day of April, 2005.

25 _____
26 Judge, United States Bankruptcy Court
27

AFFIDAVIT OF PROPERTY VALUE

SEE REVERSE SIDE FOR APPLICABLE STATUTES AND EXEMPTIONS

This form has been approved by the Arizona Department of Revenue pursuant to A.R.S. § 11-1133

1. ASSESSOR'S PARCEL NUMBER(S) (primary parcel number):

(a) BOOK MAP PARCEL SPLIT

Does this sale include any parcels that are being split/divided?
Check one: Yes No

(b) How many parcel numbers, other than the primary parcel number, are included in this sale?

List the additional parcel numbers (up to 4) below.

(c) (e)

(d) (f)

9. FOR OFFICIAL USE ONLY (buyer and seller leave blank)

(a) County of Recordation: Santa Cruz

(b) Docket & Page Number:

(c) Fee/Recording Number: 2005-14862

(d) Date of Recording: 10-25-2005

Assessor/DOR Validation Codes:

(e) Assessor (f) DOR

Use Code:

2. SELLER'S NAME AND ADDRESS:
Ronald L. Ansell, Bankruptcy Trustee
1721 W. Klamath Dr.
Tucson, AZ 85704

3. BUYER'S NAME AND ADDRESS:
E.H. "Buck" Lewis dba Sonoita Valley Water Co.
2644 Leisure World
Mesa, AZ 85206

10. TYPE OF DEED OR INSTRUMENT (check one):

a. Warranty Deed d. Contract or Agreement

b. Special Warranty Deed e. Quit Claim Deed

c. Joint Tenancy Deed f. Other

Buyer and Seller related? Yes No X

If yes, state relationship:

11. TOTAL SALE PRICE: \$ 15,000.00

12. PERSONAL PROPERTY (see reverse for definition):
Did the sale include any personal property that has a value greater than 5% of the sale price?
(a) Yes No If yes, briefly describe: water company equipment

Approximate Value: (b) \$ 14,500.00

4. ADDRESS OF PROPERTY:
Santa Cruz County, Arizona

13. DATE OF SALE: October / 2005
Month Year

NOTE: This is the date of the contract of sale. If you are recording title in fulfillment of a previously recorded contract, you need not complete this affidavit (see A.1. on reverse).

5. MAIL TAX BILL TO:

14. DOWN PAYMENT (cash, etc.): \$

6. TYPE/USE OF PROPERTY AT TIME OF SALE (check one):

a. Vacant Land f. Commercial/Industrial

b. Single Family Residence other than Mobile Home g. Agricultural

c. Condo/Townhouse h. Mobile Home

d. 2-4 Plex i. Other Use, Specify:

e. Apartment Building

15. METHOD OF FINANCING :

a. All Cash (Paid in full) e. New loan(s) from financial institution

b. Exchange or trade (1) Conventional (2) VA (3) FHA

c. Assumption of existing loan(s) f. Other, explain

d. New loan from seller (Seller Carryback)

7. RESIDENTIAL BUYER'S USE:
Answer if you checked b, c, d, or h above (check one):
See reverse side for definition of a "family member."
 To be occupied by owner or "family member." To be rented to someone other than "family member."

16. PARTIAL INTERESTS: Is only a partial ownership interest being transferred?
For example: 1/4 (.25) or 1/2 (.50). Yes No

If yes, explain:

8. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone):
Michael M. Neal, Attorney for Trustee
110 S. Church Avenue, Suite 4298
Tucson, AZ 85701 Phone (520) 623-5686

17. ADDITIONAL INFORMATION (check all that apply):

a. Affixed Mobile Home b. Other:

Number of Units: (Apartment, Motel, Mobile Home Park)

18. LEGAL DESCRIPTION (attach copy if necessary):

THE UNDERSIGNED BEING DULY SWORN, ON OATH, SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT STATEMENT OF THE FACTS PERTAINING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Ronald L. Ansell Trustee
Signature of Seller/Agent RONALD L. ANCELL

E.H. "Buck" Lewis
Signature of Buyer/Agent E.H. "BUCK" LEWIS

State of Arizona, County of PIMA

State of Arizona, County of PIMA

Subscribed and sworn to before me on this 11th day of October 2005

Subscribed and sworn to before me on this 7th day of October 2005

Notary Public Gail Martin

Notary Public Eileen P. Delaney

Notary Expiration Date 6/15/2007

Notary Expiration Date May 14, 2008

DO NOT PUBLISH
THIS SECTION
ARTICLE I

The corporate name must contain a corporate ending which may be "corporation," "association," "company," "limited," "incorporated" or an abbreviation of any of these words. If you are the holder or assignee of a tradename or trademark, attach Declaration of Tradename Holder form.

AZ CORPORATION COMMISSION
FILED

ARTICLES OF INCORPORATION

MAR 08 2005

OF

FILE NO. 1186770-2

(An Arizona Business Corporation)

1. Name. The name of the Corporation is Sonoita Valley Water Company

ARTICLE 2

The name cannot imply that the corporation is organized for any purpose other than the initial business indicated in this article.

2. Initial Business.

The Corporation initially intends to conduct the business of Production and distribution of potable water to customers in accordance with ACC rules and regulations for public water utilities

ARTICLE 3

The total number of authorized shares cannot be "Zero" or "Not Applicable."

3. Authorized Capital.

The Corporation shall have authority to issue 10,000 shares of Common Stock.

ARTICLE 4

May be in care of the statutory agent.

4. Known Place of Business. (In Arizona)

The street address of the known place of business of the Corporation is:

2102 N. Forbes Blvd., Suite 107

Tucson, AZ, 85745

Mail Address: P.O. Box 85160, Tucson, AZ 85754

ARTICLE 5

The agent must provide both a physical and mailing address. If statutory agent has a P.O. Box, then they must also provide a physical description of their street address/location.

5. Statutory Agent. (In Arizona)

The name and address of the statutory agent of the Corporation is:

E.H. Lewis

2644 Leisure World

Mesa, AZ 85206

The agent must sign the Articles or provide a consent to acceptance of the appointment.

DO NOT PUBLISH THIS SECTION

A minimum of 1 director is required.

6. Board of Directors

The initial board of directors shall consist of 1 director(s). The name(s) and address(es) of the person(s) who is(are) to serve as the director(s) until the first annual meeting of shareholders or until his(her)(their) successor(s) is(are) elected and qualifies is(are):

Name: E.H. Lewis

Address: 2644 Leisure World

City, State, Zip: Mesa, AZ 85206

Name: _____

Address: _____

City, State, Zip: _____

The number of persons to serve on the board of directors thereafter shall be fixed by the Bylaws.

7. Incorporators.

The name(s) and address(es) of the incorporator(s) is (are):

Name: E.H. Lewis

Address: 2644 Leisure World

City, State, Zip: Mesa, AZ 85206

ARTICLE 7
A minimum of 1 incorporator is required. All incorporators must sign both the Articles of Incorporation and the Certificate of Disclosure.

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission.

8. Indemnification of Officers, Directors, Employees and Agents.

The Corporation shall indemnify any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise. This indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

9. Limitation of Liability.

To the fullest extent permitted by the Arizona Revised Statutes, as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or omission of a director of the Corporation occurring prior to such repeal, amendment or modification.

DO NOT PUBLISH
THIS SECTION

EXECUTED this 8th day of March, 2005 by all of the
incorporators.

Signed: _____

E. H. Lewis _____
[Print Name Here] [Print Name Here]

Phone and fax
numbers are optional

PHONE 480-981-1005 FAX _____

Acceptance of Appointment By Statutory Agent

The agent must
consent to the
appointment by
executing the
consent.

The undersigned hereby acknowledges and accepts the appointment as statutory agent of the
above-named corporation effective this 8th day of March, 2005.

Signed E. H. Lewis

E. H. Lewis
[Print Name Here]

[If signing on behalf of a company serving as
statutory agent, print company name here]

The Articles must be
accompanied by a
Certificate of
Disclosure, executed
within 30 days of
delivery to the
Commission, by all
incorporators.

**RENEWAL OF GRANT OF FRANCHISE TO SONOITA VALLEY WATER
COMPANY
AND
EXTENSION OF FRANCHISE AREA
TO
SONOITA VALLEY WATER COMPANY
AN ARIZONA CORPORATION**

WHEREAS, Sonoita Valley Water Company, an Arizona Corporation, has duly and regularly applied and Petitioned pursuant to ARS 40-283, to the Board of Supervisors to renew its Public Service Franchise to construct, operate, and maintain a water distribution system or plant for domestic, commercial, industrial, and municipal use within the property described in Exhibit A attached hereto and made a part hereof; and

WHEREAS, the purpose of said Franchise is for furnishing water service to the public in general for reasonable compensation and without unjust discrimination, and to lay the necessary mains, lateral and pipelines in the highways, streets and alleys of said property, and all additions thereto, and under and along the public highways, roads and thoroughfares, except State highways, and additions thereto under such limitations and restrictions as the Board of Supervisors may prescribe, and not inconsistent with the law or the order or rules of the Arizona Corporation Commission; and

WHEREAS, Sonoita Valley Water Company held a Grant of Franchise which expired and which needs to renewed nunc pro tunc as of February 4, 1999; and

WHEREAS, Sonoita Valley Water Company has further requested that its franchise be extended to cover the area previously serviced by a Certificate of Convenience and Necessity (CC & N) issued to the Southern Water Company. The extension area is more particularly described in Exhibit B, attached hereto and incorporated herein; and

WHEREAS, the Arizona Corporation Commission has cancelled the CC & N held by Southern Water Company; and

WHEREAS, Sonoita Valley Water Company has purchased the assets of the bankrupt Southern Water Company and is in the process of having this transfer approved by the Arizona Corporation Commission; and

WHEREAS, it appears that notice of hearing this matter before the Board of Supervisors was duly given as required by law; and

WHEREAS, the Application for Renewal of Grant of Franchise and Extension of the Franchise Area was heard by the Board of Supervisors of Santa Cruz County on April 12, 2006, and no Petition to the Board to deny such privilege and franchise was filed or presented according to law. The Board considered the Application for Renewal of Grant of Franchise and request for Extension of the Franchise Area.

NOW, THEREFORE, it being determined by the Board of Supervisors of Santa Cruz County, Arizona the renewal of Grant of Franchise and Extension of Franchise Area is regular, proper, authorized by law and is in the best interests of Santa Cruz County and the inhabitants thereof;

IT IS HEREBY ORDERED that the SONOITA VALLEY WATER COMPANY, an Arizona corporation, be and is hereby enfranchised and empowered to use all streets, highways, roads and alleys now established, used or dedicated to the public use or which may hereafter be established, used or dedicated to the public use, lying within Santa Cruz County, Arizona, described in Exhibit A attached hereto and incorporated herein, save and except within the confines of any incorporated city or town in Santa Cruz County,

Arizona, for the purpose of installing, constructing, maintaining and operating a water distribution system and all such appurtenances and installations as may be necessary for the purpose of engaging in the business of supplying consumers with water for domestic, commercial, and industrial use.

PROVIDED, HOWEVER, that:

1. All rights hereunder are granted under the express condition that the BOARD OF SUPERVISORS of said Santa Cruz County shall have the power at any time to impose, at its sole discretion such restrictions, limitations, and regulations as to the use of said highways, roads, streets and alleys by SONOITA VALLEY WATER COMPANY, an Arizona corporation, as may be deemed best by the Board of Supervisors for the public safety or welfare. The rights of Santa Cruz County in and to the use of the highways, roads, streets and alleys shall forever be paramount and superior to the rights of the SONOITA VALLEY WATER COMPANY.

2. The said SONOITA VALLEY WATER COMPANY, an Arizona corporation, shall bear all expenses made or incurred for the purpose of this franchise, including damage and compensation for any alteration of the direction, surface, grade or alignment of any of the aforesaid highways, roads, streets and alleys.

3. The said SONOITA VALLEY WATER COMPANY, an Arizona corporation, shall bear all expenses, including damages and compensation, for the moving of any improvements belonging to SONOITA VALLEY WATER COMPANY, an Arizona corporation, made necessary by the Board of Supervisors' determination to surface, grade, align, realign, alter direction, repair, maintain or move the said highways, roads, streets, and public alleys, or any part thereof. It is further expressly understood

that the Sonoita Valley Water Company shall be responsible for any damage or injury resulting to any person or property caused by its use and occupancy under this Franchise and that Santa Cruz County shall not be liable for damages resulting to the water transmission and distribution system and water pipes, mains or water system property resulting from the use and maintenance of the highways, streets, alleys, avenues and public thoroughfares.

4. This franchise is granted nunc pro tunc as of February 4, 1999 for a term of twenty-five (25) years. This franchise and the rights and privileges granted herein shall be salable, assignable and transferable by SONOITA VALLEY WATER COMPANY, a corporation, but no sale, assignment or transfer, in whole or in part of any of the rights and privileges granted herein shall be effective as against Santa Cruz County until notice of the same in writing has been given the Board of Supervisors of Santa Cruz County.

5. This franchise and the privileges granted herein shall not be exclusive, and the Board of Supervisors expressly reserves the right to grant the use of roads, streets and alleys, or any thereof, to any other persons, firms or corporations.

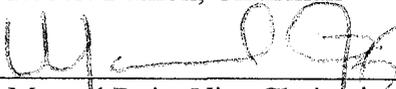
6. This franchise shall not be effective for any purpose until the acceptance of SONOITA VALLEY WATER COMPANY, an Arizona corporation, is endorsed hereon in writing. PROVIDED, that after any sale, assignment or transfer of SONOITA VALLEY WATER COMPANY 'S, rights hereunder, and after approval of such by Santa Cruz County, the said SONOITA VALLEY WATER COMPANY shall not be obligated under the terms hereof.

IT IS FURTHER ORDERED that it being in the best interest of the inhabitants of Santa Cruz County, the Santa Cruz County Board of Supervisors hereby approves the request of Sonoita Valley Water Company to extend its franchise area to that previously serviced by Southern Water Company, more particularly described in Exhibit B attached hereto and incorporated herein, for the same term as the renewal of Grant of Franchise contained herein.

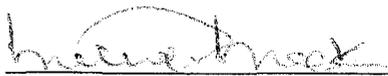
IN WITNESS WHEREOF, the BOARD OF SUPERVISORS of Santa Cruz County, Arizona, has executed this Grant of Franchise and Extension of Franchise this 12th day of April, 2006.

BOARD OF SUPERVISORS

By 
Robert Damon, Chairman


Manuel Ruiz, Vice Chairman


John Maynard, Member


Melinda Meek,
Clerk of the Board of Supervisors

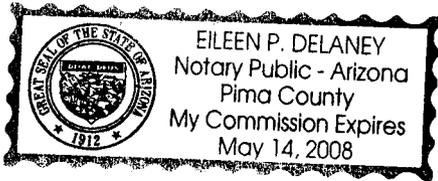
The SONOITA VALLEY WATER COMPANY, a corporation, does hereby accept the within and foregoing Franchise this 12 day of May, 2006.

SONOITA VALLEY WATER COMPANY

By Bonnie O'Connor

Title Sec. Treas.

State of Arizona)
County of Santa Cruz)



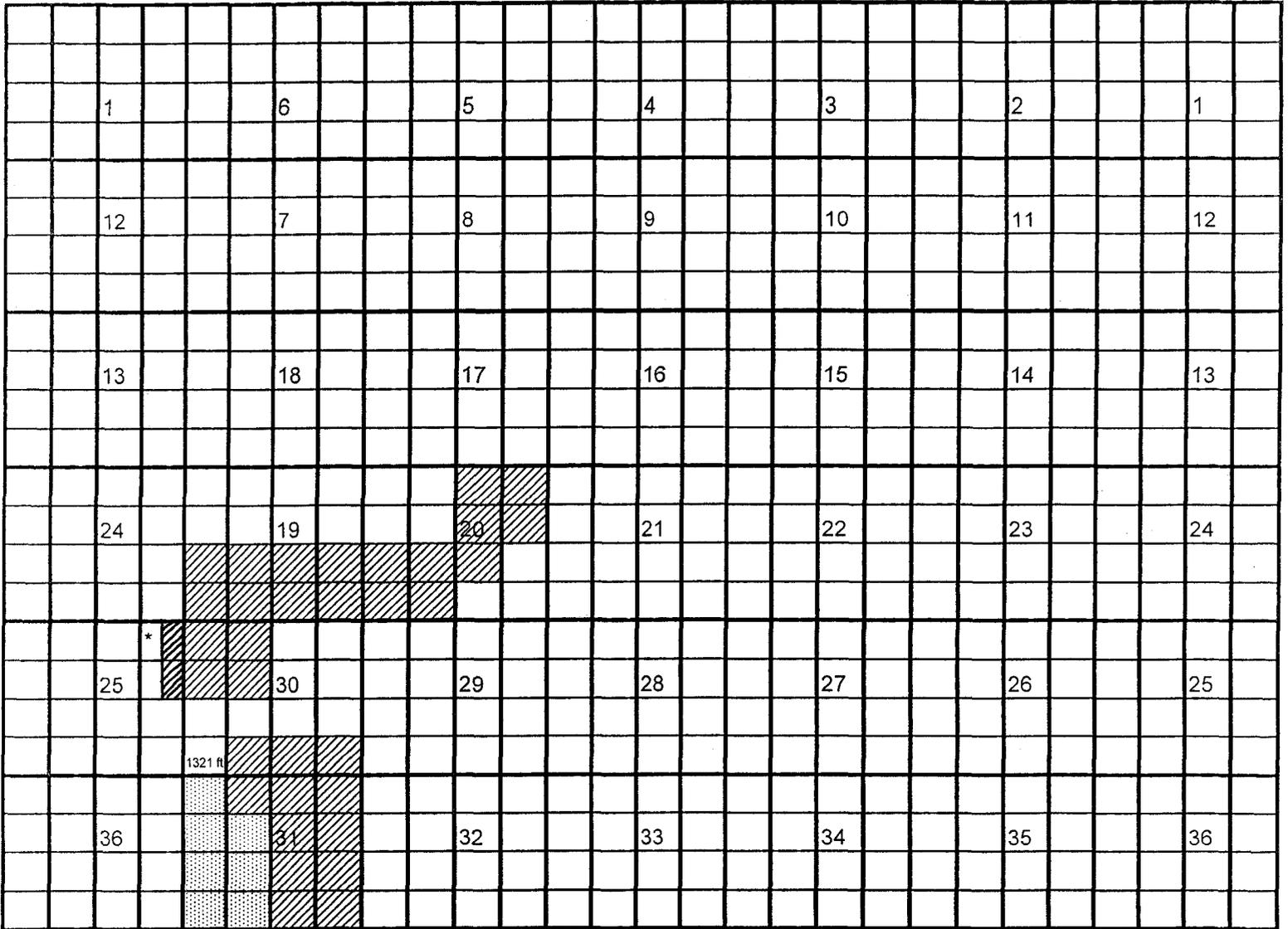
Subscribed and sworn to before me this 12th day of May, 2006, by BONNIE O'CONNOR, of Sonoita Valley Water Company.

Eileen P. Delaney
Notary Public

My Commission Expires:

ATTACHMENT "A"

Santa Cruz	See Below	20S	16E & 17E
COUNTY	SECTION	TOWNSHIP	RANGE



TYPE OR PRINT DESCRIPTION HERE:

See Attached Legal Descriptions

	Sonoita Valley Water Company	U-2262
	Southern Water Corporation	U-2017

* Sonoita Meadows Springs

**Franchise Area Description of
Sonoita Valley Water Company**

All of Papago Springs Subdivision No. 1, being more particularly described as all of that portion of Section 31 lying West of a diagonal line commencing at a point 1321 feet East of the Northwest Corner of said Section, running thence South 14 degrees 2 minutes 50 seconds East to a point on the South line of said Section, Township 20 South, Range 17 East, G&SRB&M, Santa Cruz County, Arizona.

**Franchise Area Description of Southern Water Company
(To become part of the Sonoita Valley Water Company Franchise)**

All that portion of Section 31 lying east of a diagonal line commencing at a point 1321 feet North 80° 15' 20" East from the common section corner of Sections 25 and 36 in Township 20 South, Range 16 East and Sections 30 and 31 Township 20 South, Range 17 East, G&SRB&M, Santa Cruz County, Arizona, thence South 14° 2' 50" East, to a point on the south line of Section 31, approximately 2607.40 feet easterly from the southwest corner of said Section 31 and the Southeast Quarter (SE ¼) of the Southwest Quarter (SW ¼) and the South Half (S ½) of the Southeast Quarter (SE ¼) of Section 30, Township 20 South, Range 17 East, G&SRB&M, Santa Cruz County, Arizona and

the Northeast Quarter of Section 20, T20S, R17E;
and the Northwest Quarter of the Southeast Quarter of Section 20, T20S, R17E;
and the Southwest Quarter of Section 20, T20S, R17E;
and the Northwest Quarter of Section 20, T20S, R17E, South of U.S. Hwy #82;
and the South Half of Section 19, T20S, R17E, South of U.S. Hwy #82, excluding the Steakout parcel and the Ranch Restaurant parcel;
and the West 3000 feet more or less of the North Half of Section 30, T20S, R17E;
and the East Half of the East Half of the Northeast Quarter of Section 25, T20S, R16E.

EXCEPT for the following area which is currently certificated to Sonoita Meadows Property Owners Association, Inc.:

A portion of the East Half of the East Half of Section 25, Township 20 South, Range 16 East, Gila and Salt River Base and Meridian, Santa Cruz County, Arizona, more particularly described as follows:

Beginning at the East ¼ corner of said Section 25, said point being a 1¼ inch round pipe;

Thence North 89° 47' 33" West, a distance of 431.10 feet;

Thence North 21° 19' 20" East, a distance of 226.06 feet;

Thence North 4° 29' 50" East, a distance of 224.58 feet;

Thence North 0° 58' 42" East, a distance of 631.42 feet;

Thence North 4° 56' 18" West, a distance of 174.60 feet;

Thence North 4° 36' 11" West, a distance of 171.05 feet;

Thence North 11° 20' 41" East, a distance of 146.37 feet;

Thence North 19° 41' 39" East, a distance of 219.38 feet;

Thence North 23° 37' 01" East, a distance of 370.35 feet;

Thence North 89° 50' 00" East, a distance of 92.06 feet to

a point on the East line of Section 25;

Thence South 00° 10' 00" East along the East line of said

Section 25, a distance of 2101.48 feet to the Point of Beginning.

FROM : S/W UTILITY

FAX NO. : 520 792 0377

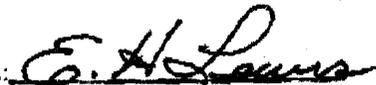
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Southern Water Corporation
PO Box 85160
Tucson, AZ 85754
520-623-5172
Fax 520-572-4899

To Whom It May Concern;

I, E.H. Lewis, give authority to Bonnie O'Connor, Vice President of Southwestern Utility Management, Inc., to act on my behalf in regard to Southern Water Corporations application for Approval of the Sale of Assets and Reinstatement and Transfer of the Certificate of Convenience and Necessity.

Signed:



E.H. Lewis, Owner
Southern Water Corporation

Date:

6/20/06