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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

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AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

AUG 31 2006

DOCKETED BY
PP

IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, FOR AN ORDER
AUTHORIZING THE ISSUANCE AND SALE
OF \$25,000,000 OF ADDITIONAL GENERAL
MORTGAGE BONDS IN ONE OR MORE
FINANCINGS.

DOCKET NO. W-01445A-05-0886

CERTIFICATE OF FILING OF
COMPLIANCE DOCUMENTS

On May 5, 2006 the Commission entered Decision No. 68694 (the "Decision") in this docket. The Decision, among other things, authorized Arizona Water Company (the "Company") to issue and sell up to \$25,000,000 of additional general mortgage bonds at market rates and maturities exceeding 25 years. The Decision also ordered the Company to file with Docket Control, as a compliance item in this docket, one copy of the fully executed financing documents within 45 days of the issuance of the bonds.

The bonds were issued on August 25, 2006. The Company is now filing, as a compliance item as directed by the Decision, one copy of the bond purchase agreement, and one copy of the Thirteenth Supplemental Indenture, both in fully executed form, and attached hereto as Attachments A and B, respectively.

RESPECTFULLY SUBMITTED this 31st day of August, 2006.

ARIZONA WATER COMPANY

By: Robert W. Geake

Robert W. Geake
Vice President and General Counsel
ARIZONA WATER COMPANY
Post Office Box 29006
Phoenix, AZ 85038-9006

1 Original and thirteen (13) copies of the
2 foregoing filed this 31st day of August, 2006:

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

7 A copy of the foregoing application mailed
8 this 31st day of August, 2006 to:

9 Ernest G. Johnson
10 Director
11 Utilities Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Lyn Farmer
16 Chief Administrative Law Judge
17 Hearing Division
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Christopher Kempley, Chief Counsel
22 Legal Division
23 ARIZONA CORPORATION COMMISSION
24 1200 West Washington Street
25 Phoenix, Arizona 85007

26 Brian Bozzo
27 Compliance Director
28 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

By: Robert W. Seabe

ARIZONA WATER COMPANY
Re: \$25,000,000 General Mortgage Bonds,
6.30% Series L, Due August 1, 2036

BOND PURCHASE AGREEMENT

August 1, 2006

Pacific Life Insurance Company
Pacific Life & Annuity Company
700 Newport Center Drive
Newport Beach, CA 92660

Attention: Fixed Income Securities
Securities Group

Gentlemen:

ARIZONA WATER COMPANY, an Arizona corporation (hereinafter called the "Company"), confirms its agreement with Pacific Life Insurance Company ("PLI") and Pacific Life & Annuity Company ("PL&A") as follows:

1. Authorization of Bonds. The Company will authorize and create an issue of \$25,000,000 principal amount of its General Mortgage Bonds, 6.30% Series L, due August 1, 2036 (the "Series L Bonds"), to be issued under and secured by the Company's existing Indenture dated as of April 1, 1963, between the Company and U. S. Bank National Association (the "Trustee"), a national banking association, as successor trustee to National Boulevard Bank of Chicago and Marshall A. Warshauer, as heretofore amended and supplemented by twelve Supplemental Indentures and as to be further supplemented by a Thirteenth Supplemental Indenture dated as of August 1, 2006, (said Indenture, as supplemented, being herein called the "Indenture"). The Thirteenth Supplemental Indenture (herein called the "New Supplement") will be in substantially the form attached hereto as Exhibit A, subject to such changes therein as may be approved by PLI, PL&A and by the Company. The Indenture will constitute a lien upon substantially all properties of the Company.

2. Sale of Bonds and Closing Date. Subject to the terms and conditions herein set forth and upon the basis of the representations and warranties herein contained, the Company hereby agrees (a) to issue and sell to PLI, and PLI agrees to purchase from the Company for investment, \$20,000,000 principal amount of Series L Bonds at a price equal to the principal amount thereof and (b) to issue and sell to PL&A, and PL&A agrees to purchase from the Company for investment, \$5,000,000 principal amount of Series L Bonds at a price equal to the principal amount thereof. The Series L Bonds shall be executed by the Company and authenticated by the Trustee pursuant to Indenture Section 2.19 and provisions referred to therein.

Delivery of the Series L Bonds will be made at the office of Arizona Water Company, 3805 North Black Canyon Highway, Phoenix, Arizona against payment therefor by immediately available funds, at 11:00 o'clock a.m. on August 25, 2006, or at such other time and date, as may be mutually agreed to by PLI, PL&A and the Company (said date being herein called the "Closing Date").

The Series L Bonds to be purchased by PLI and PL&A will be delivered to PLI and PL&A, without coupons, in the following denominations and shall be substantially in the typewritten form set forth in Exhibit A hereto, registered in the names of PLI and PL&A or in the name of such nominee as PLI and/or PL&A may designate.

<u>No. of Certificates</u>	<u>Issue Amount</u>	<u>Registration/Delivery</u>	<u>Custodian Bank</u>
2	\$5,000,000	Mac & Co., as nominee for Pacific Life Insurance Company	Mellon Bank
10	\$1,000,000	Mac & Co., as nominee for Pacific Life Insurance Company	Mellon Bank
5	\$1,000,000	Mac & Co., as nominee for Pacific Life & Annuity Company	Mellon Bank

The Company and PLI and PL&A agree that interest on the Series L Bonds for the period commencing August 1, 2006 to February 1, 2007 shall be paid by payment by the Company on February 1, 2007 of the interest accrued on the Series L Bonds from the Closing Date to February 1, 2007.

3. Use of Proceeds. The Company agrees that the proceeds received from the sale of the Series L Bonds as contemplated hereunder shall be used to retire outstanding short term debt, to retire its existing Series J bonds in the amount of \$6,000,000 and the remaining proceeds shall be used to pay for the acquisition of property for the construction, completion, extension or improvement of the Company's facilities or for the reimbursement of moneys actually expended from money in the Company's treasury for such purposes, all in accordance with the Arizona Revised Statutes, Title 40, and an appropriate order of the Arizona Corporation Commission.

4. Exchange of Bonds. The Company agrees that after delivery to PLI and PL&A of said Series L Bonds in fully registered form, it will within 20 days after PLI's and/or PL&A's written request deliver to PLI and/or PL&A at its home office, in exchange for the Series L Bonds initially delivered to PLI and/or PL&A, other Series L Bonds of the same series in fully registered form in any authorized denominations. The Company further agrees to bear all expenses in connection with any such exchange, including the cost of shipping such Series L Bonds to PLI and/or PL&A at its home office, and any stamp taxes in connection with such exchange, notwithstanding anything to the contrary contained in the Indenture.

5. Expenses and Taxes. The Company agrees to bear all expenses in connection with the authorization, preparation, issuance, sale and delivery of the Series L Bonds to PLI and PL&A at the Company's home office or such other place as PLI and/or PL&A may designate, including all issuance taxes and other taxes and fees payable in connection with such transactions. The Company also agrees, whether or not any of the Series L Bonds shall be issued and sold pursuant hereto, to pay the reasonable fees and expenses of PLI's and PL&A's special counsel for their services in connection with the subject matter of this Agreement and to pay the costs of printing or otherwise reproducing this Agreement and other documents in connection with the subject matter of this Agreement.

6. Representations and Matters Relating to the Securities Act of 1933. It is the understanding of the Company, and PLI and PL&A represent and warrant, that they are purchasing the Series L Bonds for their own account for investment and with no present intention of distributing or reselling them, but subject nevertheless to any requirement of law that the disposition of PLI's and PL&A's property shall at all times be within their respective control.

The Company represents and warrants that neither it nor any agent on its behalf has, directly or indirectly, offered any of the Series L Bonds for sale to, or solicited any offers to buy any thereof from, or otherwise negotiated with respect thereto with, any person or persons other than PLI and PL&A and nine other qualified institutional investors; and the Company represents, warrants and agrees that neither it nor any agent on its behalf will sell or offer any of the Series L Bonds to, or solicit any offers to buy any thereof from, or otherwise negotiate with respect thereto with any person or persons so as to bring the issue or sale of the Series L Bonds under the provisions of Section 5 of the Securities Act of 1933, as amended.

The Company agrees that so long as PLI and/or PL&A shall hold any of the Series L Bonds, if at any time the Company shall determine to take action to register any of its securities under the Securities Act of 1933, as amended, it will upon each such determination, promptly give PLI and/or PL&A notice of its intention in that regard, and upon PLI's and/or PL&A's request in writing made within two weeks after receipt by it of such notice, the Company will, at the same time as it applies for such registration of its securities, at its own expense, use its best efforts to register the Series L Bonds under said Act and to cause such registration to become and remain effective, and, if required in connection with such registration, it will use its best efforts to qualify the Indenture under the Trust Indenture Act of 1939.

The Company further agrees that so long as PLI and/or PL&A shall hold any of the Series L Bonds it will at any time upon PLI's and/or PL&A's written request use its best efforts at its own expense to amend the New Supplement in a manner satisfactory to PLI and/or PL&A so as to conform the same to the requirements of the Trust Indenture Act of 1939 or any similar legislation then in effect with respect to indentures qualified thereunder.

7. Representations and Warranties. The Company represents and warrants to PLI and PL&A and their special counsel that:

(a) The Company is a corporation duly organized and existing under and by virtue of the laws of the State of Arizona, transacts business only within the State of Arizona and possesses adequate corporate power and authority to conduct the business in which it is now engaged.

(b) The balance sheet of the Company as of December 31, 2005 and the statement of income of the Company for the year then ended, copies of which have been delivered to PLI and PL&A, have been examined and reported upon by KPMG LLP, independent certified public accountants. All such financial statements and balance sheets are complete and correct; have been prepared in accordance with generally accepted accounting principles and the accounting requirements of the Arizona Corporation Commission as set forth in the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners, consistent with the prior period and consistently followed throughout the entire period covered. Such balance sheet fairly presents the financial position of the Company as of December 31, 2005 and such statement of income fairly presents the results of operations of the Company for the year then ended. The interim balance sheet of the Company as of June 30, 2006 and the interim statement of income of the Company for the month then ended have been prepared by officers of the Company responsible for the preparation of financial

statements and have been delivered to PLI and PL&A. Subject to year-end audit adjustments, such interim balance sheet fairly presents the financial condition of the Company as of the date indicated, and such statement of income fairly presents the results of the operations of the Company for the period indicated.

(c) There are no proceedings of any kind or nature pending or, to the knowledge of the Company, threatened against the Company by or before any federal, state or local governmental or administrative agency and no actions at law or in equity pending or, to the knowledge of the Company, threatened against the Company which might result in any material adverse change in the business or properties of the Company.

(d) The Company has acquired good title to the bondable property included in the certificate provided for in paragraph (a) of Section 2.19 of the Indenture, subject only to such defects as the Company shall have power by appropriate legal proceedings to cure or which are inconsequential or will not impair the right of the Company to use such property, and the Company has lawful power to own and operate such bondable property; such bondable property is subject to the lien of the Indenture and is not subject to any liens or encumbrances equal or prior in lien to the Indenture, except permitted liens and prepaid liens. No further deeds, conveyances, transfers or instruments are necessary for the purpose of effectively subjecting such bondable property to the direct lien and operation of the Indenture. The Company will include all additional properties acquired by the Company since the Twelfth Supplemental Indenture in the description of the properties included under the New Supplement and such additional properties will be subject to the perfected mortgage interests and security interests of PLI and PL&A pursuant to the Indenture.

(e) The Company is not a party to, nor is it in any manner obligated under, any unusual or burdensome contract, including management contracts and contracts providing for special bonus and profit sharing arrangements. No employee benefit plan established or maintained, or to which contributions have been made, by the Company or any related company which is subject to Part 3 of Subtitle B of Title I of The Employee Retirement Income Security Act of 1974 ("ERISA"), had an accumulated funding deficiency as of the last day of the most recent fiscal year of such plan ended prior to the date hereof, or would have had an accumulated funding deficiency on such date if such year were the first year of such plan to which Part 3 of Subtitle B of Title I of ERISA applied, and no material liability to the Pension Benefit Guaranty Corporation has been incurred with respect to any such plan by the Company. The execution and delivery of this Agreement and the purchase and sale of the Series L Bonds will not involve any prohibited transaction. Further, no reportable event has occurred with respect to any such plan with respect to which the Company or any related company is a party in interest, and such plan satisfies the requirements of ERISA and has been maintained and funded in all material respects in accordance with its terms and with all provisions of ERISA applicable thereto, and the Company or any related company has not instituted nor does it intend to institute proceedings to terminate any such plan.

The Company and each related company, which is subject to ERISA, have operated and administered each ERISA plan in compliance with all applicable laws except where such noncompliance will not have a material adverse effect.

As used in this subsection (e), the terms "employee benefit plan," "accumulated funding deficiency," "party in interest" and "reportable event" shall have the respective meanings assigned to them in ERISA, and the term "prohibited transaction" shall have the meaning assigned to it in ERISA and Internal Revenue Code Section 4975, as amended.

(f) At the time of the delivery of and payment for the Series L Bonds, the Company will not have any outstanding and unpaid debt other than indebtedness permitted under the Indenture or the short-term debt referred to in paragraph 3 of this Agreement.

(g) At the time of delivery of and payment for the Series L Bonds, there will be no lien prior to the lien of the Indenture on any of the properties of the Company upon which the Indenture purports to create a lien, except permitted liens and prepaid liens.

(h) The consummation of the transactions herein provided for, including the fulfillment of all of the terms and provisions of this Agreement and compliance with all of the terms and provisions of the Indenture, will not result in any breach of any of the terms, provisions or conditions of, or constitute a default under, any indenture, deed of trust or other instrument to which the Company is a party, nor will such action result in any violation of any of the terms of the Articles of Incorporation or the By-Laws of the Company or any provision of law.

(i) The Company has all necessary consents, franchises, licenses, permits and Certificates of Convenience and Necessity for the operation and maintenance of its business and properties, free from burdensome restrictions or conditions of an unusual character.

(j) The Company is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935.

(k) The issuance and sale of the Series L Bonds and the execution and delivery of the New Supplement are subject to the approval of the Arizona Corporation Commission and the Company has obtained an appropriate order from said Commission authorizing the issuance and sale of the Series L Bonds and execution and delivery of the New Supplement as herein contemplated. Except as stated above, the issuance and sale of the Series L Bonds and execution and delivery of the New Supplement do not require approval or authorization from any other commission or authority existing under the laws of the United States of America or of any state or the approval or authorization of any other third party.

(l) No controversy in respect of any income taxes, state or federal, or of any state property taxes of the Company is pending, or, to the knowledge of the Company, threatened. The Company has properly filed all state and federal income and state property tax returns for which the due date for filing such occurred prior to the date of this Agreement, and any and all taxes due and payable thereunder have been paid.

(m) Neither the financial statements heretofore furnished to PLI and PL&A in connection with the issuance of the Series L Bonds nor any certificate or statement furnished to PLI and PL&A by or on behalf of the Company in connection with the transaction contemplated herein contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements contained therein or herein not misleading. To the best of the knowledge of the Company, there is no fact which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business or prospects or condition (financial or otherwise) of the Company or any of its respective properties or assets which has not been set forth herein or in a certificate or statement furnished to PLI and PL&A by the Company.

(n) This Agreement has been duly authorized, executed and delivered by the Company and upon execution hereof by PLI and PL&A will be a valid and binding agreement of

the Company. The Indenture and the New Supplement have been duly authorized, executed and delivered by the Company and are valid and binding obligations of the Company. The Series L Bonds have been duly authorized by the Company and when executed, authenticated and delivered on the Closing Date will be valid and binding obligations of the Company equally and ratably secured by the Indenture together with all other bonds outstanding thereunder.

(o) The Company has previously delivered to PLI and PL&A a true and complete copy of its Articles of Incorporation and By-Laws and said Articles of Incorporation and By-Laws have not been modified or amended and are in full force and effect as of the date hereof.

(p) The Company will not take or omit to take any action which will result in the proceeds from the sale of the Series L Bonds being applied in a manner inconsistent with the provisions of the Indenture or this Agreement.

(q) The Company will deliver or cause to be delivered, all opinions, certificates and other documents as provided for in this Agreement, including but not limited to, opinions of its in-house counsel dated as of the Closing Date, covering, among other things, the due authorization, execution, delivery by the Company and validity and enforceability of this Agreement, the Indenture, the New Supplement and any other related documents to which the Company is a party as well as the creation by the New Supplement of a valid lien on the real property covered thereby, subject to liens and encumbrances permitted by the New Supplement ("Permitted Encumbrances") and the creation of a security interest in the personal property covered thereby, subject to Permitted Encumbrances.

8. Indemnification. The Company covenants as follows:

(a) The Company agrees to indemnify and hold harmless PLI and PL&A, any member, director, officer, official or employee of PLI and PL&A, and each person, if any, who controls PLI and/or PL&A within the meaning of Section 15 of the Securities Act of 1933, as amended (collectively the "Indemnified Parties"), for, from and against any and all losses, claims, damages, liabilities or expenses whatsoever (unless caused by the willful misconduct or gross negligence of any of the Indemnified Parties) arising from or in any way relating directly or indirectly to the issuance of the Series L Bonds, but with respect to the issuance of the Series L Bonds only insofar as such losses, claims, damages, liabilities or expenses are caused by any untrue statement or misleading statement of a material fact contained in this Agreement (including, but not limited to, the representations and warranties in paragraph 7 above), the Indenture, or the New Supplement or caused by any omission from this Agreement, the Indenture, or the New Supplement of any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) In case any action shall be brought against one or more of the Indemnified Parties based upon this Agreement, the Indenture, or the New Supplement and in respect of which indemnity may be sought against the Company, the Indemnified Parties shall promptly notify the Company in writing, and the Company shall promptly assume and control the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right, at its sole expense, to employ separate counsel in any such action and, subject to the Company's right of control thereof, to participate in the defense thereof, if in the reasonable judgment of the Indemnified Parties, there is a reasonable likelihood of a conflict which would

prevent counsel for the Company from adequately representing both the Company and the Indemnified Parties.

(c) If, through no fault or choice of their own, the indemnification provided for in paragraph 8(a) above is unavailable to any of the Indemnified Parties in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the Company shall, in lieu of indemnifying such Indemnified Parties, contribute to the amount paid by such Indemnified Parties as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the Company and such Indemnified Parties, respectively. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company shall contribute to such amount paid by such Indemnified Parties as is appropriate to reflect the relative fault of the Company and such Indemnified Parties, respectively, in connection with the statements or omissions which resulted in such claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue statement of a material fact relates to information supplied by the Company or the Indemnified Parties and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, PLI and PL&A, respectively, agree that it would not be just and equitable if contribution pursuant to this paragraph 8(c) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above in this paragraph 8(c). The amount paid by any Indemnified Parties as a result of the losses, claims, damages or liabilities referred to above in this paragraph 8(c) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Parties in connection with investigating or defending any such action or claim.

9. Oral Representations. It is understood and agreed that in entering into this Agreement neither PLI nor PL&A has relied upon any oral representations or oral information made or given to PLI and/or PL&A by any representative of the Company or by anyone on its behalf.

10. Inspection of Properties and Books. The Company agrees that so long as PLI and/or PL&A or any subsequent institutional holder of 10% or more in principal amount of the Series L Bonds shall hold any of the Series L Bonds, PLI and/or PL&A or such subsequent holder may from time to time, at PLI's and/or PL&A's or such subsequent holder's own expense, visit any of the offices and properties of the Company and discuss in reasonable detail the affairs, finances and accounts of the Company with the officers of the Company. The Company further agrees that, so long as PLI and/or PL&A or such subsequent holder shall hold any of the Series L Bonds, all books, documents and vouchers relating to the business and affairs of the Company shall during normal business hours be open to the inspection of such accountant or other agent (who may at their expense make copies of any or all such records) as shall from time to time be designated and compensated by PLI and/or PL&A or such subsequent holder. Following an event of default under this Agreement, the Indenture or the New Supplement, any such visits or inspections shall be at the expense of the Company. PLI and PL&A agree that they will not use any information concerning the Company which PLI and/or PL&A may obtain pursuant to any such investigation other than for a proper purpose in connection with its investment and the safeguarding thereof.

11. Information and Disclosures to be Furnished. The Company agrees that so long as PLI and/or PL&A or their respective nominee(s) shall continue to hold any of the Series L Bonds, it will:

(a) Furnish to PLI and/or PL&A within four months after the close of each fiscal year of the Company a balance sheet of the Company as of the close of such fiscal year and statements of income, statements of capitalization, statements of retained earnings, and statements of cash flows of the Company for the year then ended, all in reasonable detail and certified by independent certified public accountants of nationally recognized standing (such financial statements shall be accompanied by a certificate of such accountants or of the chief executive officer and the chief financial officer of the Company stating that no facts have come to their attention indicating that there exists an event of default as defined in the Indenture, or an event which with the passage of time or the giving of notice would become such an event of default, or, if facts have come to the attention of such accountants or such officers indicating such event of default, or event which with the passage of time or giving of notice would become such an event of default exists, then stating the nature of such event.)

(b) Furnish to PLI and/or PL&A within 45 days after the close of each quarter of the Company's fiscal year (other than the fourth quarter) an unaudited balance sheet of the Company as at the close of such quarter and statements of income and retained earnings of the Company for said quarter, and for the fiscal year to date, such financial statements to be in reasonable detail, and to show comparable information for the corresponding periods of the preceding fiscal year.

(c) Upon request in writing, furnish to PLI and/or PL&A from time to time such financial reports, other information, including comparative reports and information, as PLI and/or PL&A may reasonably request with respect to the property, business, and affairs of the Company.

(d) Promptly notify PLI and/or PL&A in writing of any breach of a representation or warranty of the Company under paragraph 7 of this Agreement, or any other event of default under this Agreement, the Indenture or the New Supplement.

(e) Except at such times as the Company is a reporting company under Section 13 or 15(d) of the Securities Exchange Act or has complied with the requirements for the exemption from registration under the Securities Exchange Act set forth in Rule 12g3-2(b), the Company will promptly provide the information required under paragraphs 11(a), 11(b), and 11(c) above, if necessary to permit such holder to comply with the requirements of Rule 144A under the Securities Act in connection with the resale by it of the Series L Bonds.

12. Closing Conditions. PLI's and PL&A's obligation to purchase and pay for the Series L Bonds as herein contemplated shall be subject to the performance by the Company of its agreements hereunder, which by the terms hereof are to be performed at or prior to the time of delivery of the Series L Bonds, to the continued accuracy of the representations and warranties of the Company herein contained, and to the following additional conditions precedent:

(a) That on the Closing Date PLI and PL&A shall have received from their special counsel, Bryan Cave LLP, Two North Central Avenue, Suite 2200, Phoenix, Arizona, 85004, a favorable opinion in form and substance satisfactory to PLI and PL&A to the effect that:

(i) The Company is a duly incorporated and existing corporation under the laws of the State of Arizona, is qualified to do business and is in good standing in said state and has the corporate power and authority to enter into this Agreement, the Indenture and the New Supplement and to cause the Series L Bonds to be issued.

(ii) The Company has acquired good title to the bondable property included in the certificate provided for in paragraph (a) of Section 2.19 of the Indenture which shall be delivered by the Company on the Closing Date, subject only to such defects as the Company shall have the power by appropriate legal proceedings to cure or which, in such special counsel's opinion, are inconsequential or will not impair the right of the Company to use such bondable property, and the Company has lawful power to own and operate such bondable property; such bondable property is subject to the lien of the Indenture and is not subject to any liens or encumbrances equal to or superior in priority to the lien of the Indenture, except permitted liens and prepaid liens. No further deeds, conveyances, transfers or instruments are necessary for the purpose of effectively subjecting such bondable property to the direct lien and operation of the Indenture.

(iii) The New Supplement is in proper form under the applicable laws of the State of Arizona to be accepted for recording by the County Recorder of each county in which the bondable property is located.

(iv) Upon due recordation of the New Supplement, the Indenture shall constitute a valid, direct mortgage lien upon the bondable property described in the New Supplement; and all physical properties and franchises, other than those of the character not subject to the lien of the Indenture pursuant to the provisions thereof, shall become subject to the lien thereof; subject, however, to permitted liens and encumbrances, if any, existing or placed thereon at the time of recording of the New Supplement.

(v) The Company holds such valid consents, franchises, Certificates of Convenience and Necessity, licenses and permits as are necessary for the maintenance and operation of its property and business.

(vi) This Agreement, the New Supplement and the Series L Bonds have each been duly authorized, executed and delivered by the Company and constitute valid and legally binding obligations of the Company enforceable in accordance with their respective terms, except to the extent limited by the laws of the State of Arizona (where the bondable property is located) affecting the remedies provided for in the Indenture (which laws affect the enforcement of creditors' rights generally and do not, in their opinion, materially interfere with the practical realization of the benefits of the security provided by the Indenture or make inadequate the remedies necessary for such realization) and except to the extent limited by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights generally, and the Series L Bonds are entitled to the benefits and security of the Indenture equally and ratably with all other bonds outstanding thereunder.

(vii) The Company has full corporate authority to issue the Series L Bonds, and all corporate action necessary to their issuance has been taken, and the Series L Bonds, when issued and authenticated, will be in accordance with the Indenture, as amended by the New Supplement.

(viii) The issuance of the Series L Bonds and the execution and delivery of the New Supplement have been duly authorized by a final order of the Arizona Corporation Commission, which order, a copy of which has been furnished to PLI and PL&A, remains in effect, without modification, said Commission has jurisdiction in the premises, and no further approval, authorization or consent of any other public board or any other third party is required.

(ix) The Arizona Corporation Commission is the only governmental agency or commission having or claiming to have jurisdiction over the acquisition or purchase of bondable property by the Company, as that term is defined in §1.04 of the Indenture.

(x) It is not necessary in connection with the acquisition of the Series L Bonds by PLI and PL&A under the circumstances contemplated by this Agreement to register them under the Securities Acts of 1933, as amended, or the Public Utility Holding Company Act of 1935, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939.

(xi) No taxes (as distinguished from charges for recordation and filing) are payable to any state or subdivision thereof in connection with the execution, delivery, recordation or filing of the New Supplement, or the execution, authentication, issuance and delivery of the Series L Bonds or the mortgaging of the bondable property under the New Supplement.

(xii) The New Supplement adequately describes the bondable properties listed therein, and has been duly recorded and filed and an appropriate financing statement has been duly filed under the Arizona Uniform Commercial Code in the manner, and to the extent required to perfect PLI's and PL&A's security interests in the bondable properties.

(xiii) To such counsel's knowledge, without inquiry other than as set forth in a certificate of the Company, there are no proceedings of any nature pending or threatened against the Company not covered by insurance or which might result in any material adverse change in the business or properties of the Company.

(xiv) The rate of interest payable with respect to the Series L Bonds is not usurious under Arizona law.

(b) That at the time of the delivery to PLI and PL&A of the Series L Bonds PLI and PL&A shall have received from the Company a certificate signed by its President or Vice President, the truth and accuracy of which shall be a condition to PLI's and PL&A's obligation to accept and pay for the Series L Bonds, to the effect that:

(i) Prior to the time of the delivery of the Series L Bonds there has been no material adverse change in the condition, financial or otherwise, of the Company from that set forth in the balance sheet of the Company as of December 31, 2005, referred to in paragraph 7 (b) hereof;

(ii) The business and properties of the Company have not been adversely affected in any substantial way as the result of any fire, explosion, accident, strike, riot, war or act of God or public enemy;

(iii) The Company is not in default, nor will the sale of the Series L Bonds result in any default, under any indenture or agreement to which the Company is a party;

(iv) All actions necessary in order to issue and sell the Series L Bonds have been taken; and

(v) The Representations and Warranties contained in paragraph 7 of this Agreement will remain in full force and effect and are reconfirmed as of the Closing Date.

(c) That all proceedings to be taken in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be satisfactory in form and substance to PLI, PL&A and their special counsel, and PLI, PL&A and their special counsel shall have received copies of such documents as PLI, PL&A and their special counsel may request in connection with said transaction.

(d) That all documents and certificates necessary for PLI's and PL&A's special counsel to issue the opinions described in paragraph 12(a) above shall have been provided, issued and delivered by the Company or at its direction.

13. Manner of Payment. The Company agrees that, so long as PLI and/or PL&A shall hold any of the Series L Bonds in registered form, the Company will make all payments of principal and interest on such Series L Bonds held by PLI and/or PL&A, including payments on redemptions, to the Trustee for payment to PLI's and/or PL&A's account at its principal office as specified in Schedule A attached hereto, or such other place or by wire transfer as PLI and/or PL&A may direct in writing, without presentation or surrender of such Series L Bonds except concurrently with the final payment of principal in full. PLI and PL&A agree (a) to make notations on each of the Series L Bonds of the portions thereof so paid or redeemed and, (b) not to dispose of any such bonds or any interest therein without first surrendering the same to the Trustee in exchange for a new bond or bonds of the same aggregate principal amount of the bond or bonds surrendered which shall remain unpaid.

14. Survival of Provisions. The Company agrees that all of its covenants, agreements, representations and warranties made herein and in any and all certificates delivered pursuant hereto shall survive the delivery to PLI and PL&A of the Series L Bonds and the provisions of this Agreement shall bind and shall inure to the benefit of the parties hereto and their successors and assigns.

15. Communications. All communications provided for hereunder shall be in writing and, if to PLI and/or PL&A, delivered or mailed by certified mail, postage prepaid, addressed to PLI and/or PL&A at its address appearing on the first page of this Agreement and, if to the Company, delivered or mailed by certified mail, postage prepaid, addressed to the Company at Post Office Box 29006, Phoenix, Arizona, 85038-9006.

16. Applicable Law. This Agreement shall be governed by the laws of the State of Arizona.

17. Amendments. This Agreement may not be amended without the written consent of the parties hereto.

18. Counterparts. This Agreement may be simultaneously executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts together shall constitute but one and the same instrument.

19. Captions. The captions contained in this Agreement are included for convenience only and do not affect the meaning of any provisions of this Agreement.

If the foregoing is in accordance with PLI's and PL&A's understanding of our agreement, please sign and return to us the enclosed copy of this Agreement, whereupon it shall become a binding agreement between us.

ARIZONA WATER COMPANY

By William M. Garfield
President

By Robert W. Seale
Secretary

The foregoing is hereby confirmed and accepted.

PACIFIC LIFE INSURANCE COMPANY

By Ciane W. Oales

Its Assistant Vice President

By Pete J. Fick

Its Assistant Secretary

Date August 18, 2006

PACIFIC LIFE & ANNUITY COMPANY

By Pete J. Fick

Its Assistant Vice President

By Ciane W. Oales

Its Assistant Secretary

Date August 18, 2006

Schedule A to Bond Purchase Agreement

[see attached]



PACIFIC LIFE

Date: June 22, 2006

To: Lars Lagerman
Bryan Cave LLC

From: Cheri Law
Pacific Life Insurance Company
700 Newport Center Drive, 2nd Floor
Newport Beach, CA 92660
Tel: 949-219-5403
Fax: 949-219-5258

Re: Arizona Water Co Gen Mtg Secured Ser L 6.30% due 2036 (Revised)

The following is the Pacific Life Insurance Company purchaser information for our purchase of **Arizona Water Co Gen Mtg Secured Ser L 6.30% due 2036**. Please have the certificates issued in the following denominations and registered into our custodian bank nominee name, Mac & Co. Also for any documents Pacific Life is required to execute, please include two signature blocks as Pacific Life requires two signatures to bind the company.

<u>No. of Notes</u>	<u>Issue Amount</u>	<u>Registration/Delivery for PL</u>	<u>Custodian Bank</u>
2	5,000,000	Mac & Co., as nominee for Pacific Life Insurance Co.	Mellon Bank
10	1,000,000	Mac & Co., as nominee for Pacific Life Insurance Co.	Mellon Bank

<u>No. of Notes</u>	<u>Issue Amount</u>	<u>Registration/Delivery for PL&A</u>	<u>Custodian Bank</u>
5	1,000,000	Mac & Co., as nominee for Pacific Life & Annuity Co.	Mellon Bank

Our delivery instructions will be sent shortly by our Treasury Dept. Please deliver the certificates to the instructions listed under "Physical Delivery of Certificates."

If you have any questions, please feel free to contact me.

Thank you,

Cheri Law



PACIFIC LIFE

PACIFIC LIFE INSURANCE COMPANY

Delivery/Registration Instructions

Account Information:

⇒ Nominee Name: **Mac & Co.**

General Tax ID#: 95-1079000

Please include all information to ensure proper delivery of certificates and P & I.

For Physical Delivery of Certificates:

Mellon Securities Trust Company
120 Broadway, 13th Floor
New York, NY 10271
Attn: Robert Ferraro 212.374.1918
A/C Name: **Pacific Life General Acct**
A/C #: **PLCF1810132**

For Payment of Principal & Interest:

Mellon Trust of New England
ABA# 0110-0123-4
DDA 125261
Attn: MBS Income CC: 1253
A/C Name: **Pacific Life General Account/PLCF1810132**
Regarding: *Security Description & PPN*

All notices of payments and written confirmations of such wire transfers to:

Mellon Trust
Attn: Pacific Life Accounting Team
Three Mellon Bank Center
AIM # 153-3610
Pittsburgh, PA 15259
FAX# 412-236-7529

And

Pacific Life Insurance Company
Attn: Securities Administration - Cash Team
700 Newport Center Drive
Newport Beach, CA 92660-6397
FAX# 949-640-4013

All other communications shall be addressed to:

Pacific Life Insurance Company
Attn: Securities Department
700 Newport Center Drive
Newport Beach, CA 92660-6397
FAX# 949-219-5406

Kathleen A. Clune

**PACIFIC LIFE INSURANCE COMPANY
CERTIFIED COPY OF RESOLUTION OF BOARD OF DIRECTORS**

I, AUDREY L. MILFS, Secretary of Pacific Life Insurance Company, a California Corporation, do hereby certify the following to be a true and correct copy of a resolution adopted at a meeting of the Executive Committee of the Board of Directors of said corporation held on the 22nd day of July, 1992, at which a quorum was present and voted, and that said resolution has not been revoked or amended and is now in full force and effect.

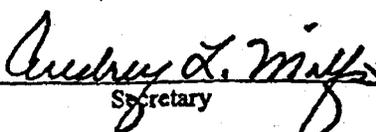
RESOLVED, that the Chairman of the Board, or the Vice Chairman, or the President, or any Executive Vice President, or any Senior Vice President, or any Vice President, or 2nd Vice President, or any Assistant Vice President, or the Chief Financial Officer, together with the Secretary or any Assistant Secretary, with or without the seal of this corporation, may make, sign, execute and deliver in the name of and on behalf of this corporation, all conveyances, deeds, bills of sale, quitclaims, leases, mortgages, or other undertakings, contracts for the purchase or sale of real or personal property, repurchase agreements, reconveyances of property, releases and satisfactions of mortgages, judgments and other liens, agency agreements or amendments thereto, settlement agreements, assignments and endorsements of share certificates, bonds, notes, or other obligations and instruments belonging to the corporation or standing in its name as pledgee, annual or other financial statements showing the condition of the corporation, rescission and cancellation notices, corporation share certificates and proxies, and all other written contracts, statements, instruments, documents, affidavits, notices or agreements necessary to be executed in the conduct of the business of the corporation.

I further certify that the Chairman of the Board and Chief Executive Officer of this corporation is Thomas C. Sutton; the President is Glenn S. Schafer; the Executive Vice Presidents are Larry J. Card, Mark W. Holmlund, James T. Morris, Michael S. Robb, and Gerald W. Robinson; the Executive Vice President and Chief Financial Officer is Khanh T. Tran; the Senior Vice Presidents are Michael A. Bell, Anthony J. Bonno, Dewey P. Bushaw, David R. Carmichael, Marc S. Franklin, Robert G. Haskell, Robert C. Hsu, Henry M. McMillan, John E. Milberg, S. Gene Schofield; the Vice Presidents are Daniel F. Bass, Thomas S. Beadleston, Robert H. Beardslee, Marianne Beaz, Alan H. Brown, Judith L. Brown, Robert A. Bruno, Edward R. Byrd, Joseph E. Celentano, Sharon A. Cheever, Jack D. Clabough, Dennis M. Corbett, Cameron L. Cosgrove, Cynthia S. Dillion, Patricia S. Douglass, Simon S. Feng, Gary L. Falde, Robert Goldstone, M.D., Adrian S. Griggs, Eric A. Gritzmacher, Elaine M. Havens, William L. Hezzelwood, Jane K. Hsu, M. Kathleen Hunter, Kent R. Johnson, Jeffrey A. Jolley, Brian D. Klemens, June E. Knuth, Diane N. Ledger, Simon T. Lee, Thomas J. Mays, , John C. Mulvihill, Tod Nasser, Daragh M. O'Sullivan, Sharon E. Pacheco, Alyce F. Peterson, Terry R. Perkins, Yves F. Pinkowitz, T. Anthony Premer, James R. Rice, Thomas M. Ronce, Richard J. Schindler, Peggy L. Schmidt, Joseph D. Schneider, Michelle A. Sticles, Carol R. Sudbeck, Phillip A. Teeter, W. Michael Tinsley, Stephen J. Toretto, Christopher van Mierlo, Nancy A. Webb, R. Lee Wirthlin; the Vice President and Secretary is Audrey L. Milfs; the Assistant Vice Presidents are Patrick J. Appleby, Karen J. Alvarado, Wendy B. Balden, Richard S. Banno, Thomas C. Bilello, Jeff J. Bradshaw, Karen M. Brown, John E. Carlson, Bonnie E. Chwalek, Kathleen A. Clune, Gail L. Cobin, Brendan L. Collins, Ronn C. Cornelius, Debra J. Cunningham, Stephanie J. Curry, Diane W. Dales, Linda K. Davis, Pierre Delisle, Jeffrey R. Dey, Scott L. Dinsdale, Bernard J. Dougherty, James A. Dunnigan, Marc E. Duquette, Nancy E. Enomoto, Mark R. Falk, , Peter S. Fiek, David R. Finear, Warren W. Fox, Jr., Martha A. Gates, Milda C. Goodman, Lorene C. Gordon, Jennifer L. Guze', Dale E. Hawley, Robert J. Hemstead, Lawrence M. Hersh, Howard T. Hīrakawa, David C. Honerkamp, Eugene Howard, Patrick C. Hung, Scott E. Johnson, Lori A. Johnstone, Kristina L. Kennedy, Stephen T. Kwok, Ann M. Lemmon, Nicholas A. Lillig, Reed J. Lloyd, Michael Long, Marc Marois, Desmond B. Marsh, Laurene E. MacElwee, Gail H. McIntosh, Julia C. McKinney, Michael T. McLaughlin, Justine M. Milberg, Valerie Morris, Rex A. Olson, Violet Osterberg, John W. Packer, Heather A. Paige, David C. Patch, Joyce J. Pead, Robert D. Russell, Patricia A. Sandberg, Sonja Scott, Cathy L. Schwartz, Brad W. Sherrell, Kathleen D. Simmons, Elizabeth H. Skinner, Janine C. Stallings, Samuel Tang, Richard A. Taube, John Torell, Eddie D. Tung, Richard A. Vrieling, Catherine G. Wallach, Michael J. Wauters, John White, Robin S. Yonis, Katherine B. Young; and that the Assistant Secretaries are Wendy B. Balden, Gail L. Cobin, Ronn C. Cornelius, Debra J. Cunningham, Diane W. Dales, Cynthia S. Dillion, Peter S. Fiek, Martha A. Gates, Jane M. Guon, Elaine M. Havens, Kenneth E. Jack, Alyson Marx, Valerie Morris, David C. Patch, Cathy L. Schwartz, Penny S. Sparks, Janine C. Stallings, Samuel Tang, Dingenis P. Van Treijen, Cathryn L. VanWey, and Nancy A. Webb.

Dated this 29th day of December 2003.

Revised 10/01/03




Secretary

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Robert Geake, Esq.
Arizona Water Company
P.O. Box 29006
Phoenix, Arizona 85038-9006

THIRTEENTH SUPPLEMENTAL INDENTURE

ARIZONA WATER COMPANY

TO

U.S. BANK NATIONAL ASSOCIATION

TRUSTEE

THIRTEENTH SUPPLEMENTAL INDENTURE

Dated as of August 1, 2006

Supplementing Indenture Dated as of April 1, 1963
Creating General Mortgage Bonds, 6.30% Series L,
due August 1, 2036.

THIS THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of August 1, 2006, between ARIZONA WATER COMPANY, an Arizona corporation (hereinafter called the "Company"), party of the first part, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (hereinafter called the "Trustee"), party of the second part.

RECITALS

A. The Company heretofore executed and delivered to National Boulevard Bank of Chicago, a national banking association duly organized and existing under the laws of the United States of America, and Marshall A. Warshauer of the City of Chicago, as Trustees, its Indenture dated as of April 1, 1963 (hereinafter sometimes called the "Original Indenture") providing for the issuance of bonds of the Company limited to \$1,500,000 aggregate principal amount of General Mortgage 5-½% Bonds, due April 1, 1988 (hereinafter called the "Bonds of the 1988 Series"). Until October 18, 1976, the Original Indenture as supplemented, confirmed and amended and from time to time in effect (hereinafter referred to as the "Indenture"), constituted a general mortgage on substantially all properties of the Company and was subordinate to the lien of the Company's indenture dated as of March 1, 1955, to HARRIS TRUST AND SAVINGS BANK and G. N. Askew, as Trustees, as amended and supplemented (hereinafter called the "First Mortgage Indenture"). On October 18, 1976, all of the bonds secured by the First Mortgage Indenture were redeemed, and as of that date, the Indenture became a first mortgage on substantially all properties of the Company, subject to permitted liens as defined in the Original Indenture.

B. The Company, with the consent of the holder of all Bonds of the 1988 Series, thereafter executed and delivered a First Supplemental Indenture dated as of June 1, 1969, which amended the Indenture so as to permit the issuance of additional series of bonds thereunder not limited as to aggregate principal amount except insofar as bonds of any particular series may be so limited and which provided for the issuance of \$1,100,000 of General Mortgage 8-5/8% Bonds, due June 1, 1994.

C. The Company thereafter executed and delivered a Second Supplemental Indenture dated as of September 1, 1970, which provided for the issuance of an additional series of bonds designated General Mortgage 10-½% Bonds, due September 1, 1995, limited in aggregate principal amount to \$1,500,000.

D. The Company thereafter executed and delivered a Third Supplemental Indenture dated as of July 1, 1972, which amended the Indenture and provided for the issuance of an additional series of bonds designated General Mortgage 8-½% bonds, due July 1, 1997, limited in aggregate principal amount to \$2,000,000.

E. The Company thereafter executed and delivered a Fourth Supplemental Indenture dated as of October 1, 1973, which cured an ambiguity in the Indenture and provided for the issuance of an additional series of bonds designated General Mortgage 8-¼% Bonds, due October 1, 1998, limited in aggregate principal amount to \$2,000,000.

F. The Company thereafter executed and delivered a Fifth Supplemental Indenture dated as of July 1, 1975, which amended the Indenture, provided for issuance of an additional series of bonds designated General Mortgage Bonds, 11% Series, due July 1, 1995, limited in aggregate principal amount to \$2,000,000, and provided for certain covenants to the holders of all such bonds.

G. The Company thereafter executed and delivered a Sixth Supplemental Indenture dated as of February 1, 1977, which Sixth Supplemental Indenture complies with Section 6.06 of the Indenture.

H. The Company thereafter executed and delivered a Seventh Supplemental Indenture dated as of February 1, 1979, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 9-½% Series, due February 1, 2004, limited in aggregate principal amount to \$2,000,000.

I. The Company thereafter executed and delivered an Eighth Supplemental Indenture dated as of May 1, 1982 which provided for the issuance of an additional series of bonds designated General Mortgage Bonds 16-¾% Series, due July 1, 1995, limited in aggregate principal amount to \$3,000,000.

J. The Company thereafter executed and delivered a Ninth Supplemental Indenture dated as of August 1, 1986, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 9.25% Series I, due August 1, 2006, limited in aggregate principal amount to \$4,000,000.

K. The Company thereafter executed and delivered a Tenth Supplemental Indenture dated as of May 17, 1988, for the purpose of appointing Security Pacific Bank Arizona as Successor Trustee (the "Successor Trustee") under Section 9.02 of the Indenture and amending certain provisions of the Indenture for the purposes specified in, and in accordance with, Article XIII of the Indenture; the Trustee is the successor in interest to the Successor Trustee.

L. The Company thereafter executed and delivered an Eleventh Supplemental Indenture dated as of March 1, 1990, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 9.13% Series J, due March 1, 2015, limited in aggregate principal amount to \$6,000,000.

M. The Company thereafter executed and delivered a Twelfth Supplemental Indenture dated as of April 1, 2001, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 8.04% Series K, due April 1, 2031, limited in aggregate principal amount to \$15,000,000.

N. The Company proposes to create and issue an additional series of bonds to be designated General Mortgage Bonds, 6.30% Series L, due August 1, 2036 (hereinafter sometimes called the "Series L Bonds"), limited in aggregate principal amount to \$25,000,000. The Company also proposes to mortgage and convey additional properties acquired or constructed by the Company since the date of the Twelfth Supplemental Indenture, all for the equal and proportionate benefit and security of all bonds issued and to be issued under the Indenture.

O. All acts and things necessary to make the Series L Bonds, when executed by the Company and authenticated and delivered by the Trustee as in the Indenture provided, the valid, binding and legal obligations of the Company equally and ratably secured with all other Bonds outstanding, and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution of this Thirteenth Supplemental Indenture and the issuance of the Series L Bonds have in all respects been duly authorized, and the Company, in the exercise of the legal right and power vested in it, executes this Thirteenth Supplemental Indenture and proposes to execute, deliver and issue the Series L Bonds.

NOW, THEREFORE, in consideration of the premises and of the sum of One Dollar, lawful money of the United States of America, duly paid by the Trustee to the Company, and of other good and valuable consideration, receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and interest on all bonds which are at any time outstanding under the Indenture, including specifically, but without limitation, the \$25,000,000 principal amount of the Series L Bonds to be presently issued and outstanding, and to secure the performance and observance of each and every one of the covenants and conditions contained in the Indenture, and without in any way limiting the generality or effect of the Indenture insofar as by any of the provisions thereof any of the properties therein or hereinafter referred to are subject to the lien and operation thereof, but to such extent confirming such lien and operation, the Company has executed and delivered this Thirteenth Supplemental Indenture and does hereby covenant and agree with the Trustee, its successors in the trust under the Indenture, and for the benefit of those who hold or shall hold the bonds issued or to be issued thereunder as follows:

ARTICLE ONE Mortgage of Property

§1.01. The Company in order to better secure the principal of and interest (and premium, if any) on all bonds of the Company at any time outstanding under the Indenture according to their tenor and effect and the performance of and compliance with the covenants and conditions in the Indenture contained, has granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed and by these presents does hereby grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto the Trustee, forever, all of the property, rights and franchises acquired or constructed by the Company since the date of the Twelfth Supplemental Indenture (except property of the character specifically excepted from the lien of the Indenture), including, without limitation, the properties described in Schedule A annexed hereto and incorporated herein by reference thereto. In trust, nevertheless, for the same purposes and upon the same conditions as are set forth in the Indenture.

ARTICLE TWO
General Mortgage Bonds, 6.30% Series L,
Due August 1, 2036

§2.01. There is hereby created for issuance under the Indenture, a series of bonds, limited to the aggregate principal amount of \$25,000,000, to be designated as "General Mortgage Bonds, 6.30% Series L, due August 1, 2036." Registered Series L Bonds without coupons shall be dated and shall bear interest from August 1, 2006. All Series L Bonds shall mature August 1, 2036, and shall bear interest at the rate of 6.30% per annum payable semi-annually on August 1 and February 1 yearly until the principal sum thereof shall be paid.

§2.02. Notwithstanding the provisions of the Indenture, this Thirteenth Supplemental Indenture or the Series L Bonds, it is expressly understood that interest on the Series L Bonds for the period commencing August 1, 2006 to February 1, 2007 shall be paid by payment by the Company on February 1, 2007 of the interest accrued on the Series L Bonds from the Closing Date, as defined in Section 2 of the Bond Purchase Agreement dated August 1, 2006 by and between the Company, Pacific Life Insurance Company and Pacific Life & Annuity Company, to February 1, 2007

§2.03. The Series L Bonds shall be issued only as fully registered bonds without coupons, in denominations of \$1,000 and/or multiples thereof, substantially in the form set forth in Schedule B hereto.

§2.04. Prior to August 1, 2026, no portion of the Series L Bonds may be redeemed, except that all or any part of the Series L Bonds may be redeemed as provided in the Indenture at any time prior to maturity, whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at their principal amount, together with the accrued and unpaid interest on the principal amount of bonds called to the date fixed for redemption, and without any premium thereon, if redeemed through application of the proceeds of the sale or transfer of all or part of the property of the Company to a municipality or other public body or authority pursuant to condemnation proceedings or an agreement in lieu of condemnation.

All or any part of the Series L Bonds outstanding at any time may be redeemed as provided in the Indenture at the option of the Company at any time on or after August 1, 2026 (subject to the further provisions hereof), whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at a redemption price equal to the principal amount of the Series L Bonds to be redeemed, plus the accrued and unpaid interest on such principal amount, plus a premium (expressed as a percentage of the principal amount) determined as follows:

If redeemed on August 1, 2026, a premium of 6.300%, and if redeemed during the 12-month period ending August 1

<u>Year</u>	<u>Premium</u>
2027	5.67%
2028	5.04%
2029	4.41%
2030	3.78%
2031	3.15%
2032	2.52%
2033	1.89%
2034	1.26%
2035	.63%
2036	None

Except as provided above, the Series L Bonds are not redeemable.

§2.05. The Series L Bonds shall be redeemed upon the notice, in the manner and with the effect provided in the Indenture, except that the registered bonds to be redeemed shall not be selected by lot but a pro rata portion of the bonds to be redeemed shall be redeemed from each registered owner in the proportion that the principal amount of Series L Bonds of each registered owner bears to the aggregate principal amount of Series L Bonds then outstanding, with appropriate adjustments from time to time, if necessary, so that bonds are redeemed only in multiples of \$1,000.

ARTICLE THREE
Issuance of General Mortgage Bonds,
6.30% Series L, due August 1, 2036

§3.01. After the execution and delivery of this Thirteenth Supplemental Indenture and upon compliance by the Company with the applicable provisions of the Indenture, the Company may execute and deliver to the Trustee and the Trustee shall authenticate and deliver upon the written order of the President or Vice President or Treasurer or Assistant Treasurer of the Company, not to exceed \$25,000,000 aggregate principal amount of the Series L Bonds registered in such names and in such denominations as shall be specified by the Company.

ARTICLE FOUR
Additional Covenants of the Company

§4.01. The Company covenants that in addition to the requirements contained elsewhere in the Indenture for the issuance of additional bonds, it will not issue, guarantee or become liable for payment of any Funded Debt, except the Series L Bonds and bonds issued for refunding purposes pursuant to Sections 2.17 and 2.18 of the Indenture or become liable as lessee under Long-Term Leases unless:

(1) Net Earnings of the Company for a period of 12 consecutive calendar months within the immediately preceding 15 calendar months were at least two times

the sum of (i) the aggregate annual interest charges on all Funded Debt and (ii) the aggregate Annual Interest Factor on Long-Term Leases, and

(2) the aggregate principal amount of all Funded Debt plus the capitalized value of Long-Term Leases (determined in accordance with generally accepted accounting principles) will not exceed 65% of Total Capitalization, determined on a pro forma basis.

For purposes of this §4.01:

(a) The term "Funded Debt" shall mean

(i) indebtedness of the Company, or indebtedness guaranteed by the Company, for borrowed money which has a stated maturity of more than 12 months from its date of origin or which may be renewed at the option of the obligor for a period or periods aggregating more than 12 months from the date of origin, plus

(ii) the aggregate principal amount of so-called "industrial development bonds" or "industrial revenue bonds," the interest on which is generally tax exempt to the holder thereof, issued by a governmental authority to finance the construction or acquisition of water utility facilities which are either leased to the Company as lessee or are to be purchased by the Company over a period of time substantially equivalent to the life of such bonds, except that any such bonds which are included in clause (i) above by reason of the Company's guarantee shall not also be included in this clause (ii).

(b) The term "Long-Term Leases" shall mean leases having a term of more than three years or renewable at the option of the lessee for a term or terms of more than three years; provided, however, there shall be excluded from Long-Term Leases leases of automotive and office equipment, leases of office space in the ordinary course of business and leases of water utility facilities constructed or acquired by means of the issuance of industrial development or industrial revenue bonds.

(c) The term "Annual Interest Factor on Long-Term Leases" shall mean an amount equal to one-third of the annual rental payments, except for the portion attributable to operation and maintenance expenses, on Long-Term Leases as of the date of determination thereof.

(d) The term "Net Earnings" shall mean the Net Income of the Company as defined in Section 4.02 of the Fifth Supplemental Indenture after adding thereto (i) interest charges and state and federal income taxes of the Company deducted in determining Net Income, (ii) interest charges on industrial development or revenue bonds included within the definition of Funded Debt, and (iii) the Annual Interest Factor on Long-Term Leases.

In case any property (acquired as an operating system, or substantially so) owned by the Company at the time of determination of Net Earnings shall not have been owned by it during any part of a period for which Net Earnings is being determined or shall have been owned by it during only a part of such period, then and in every such case the Net Earnings, or net loss, derived from such property during said period, or during such part thereof as shall have preceded the acquisition of said property by the Company, shall be included in computing the Net Earnings or net loss of the Company for such period. In case any property owned by the Company during any part of any such period shall not be owned by the Company at the time of determination of Net Earnings, the Net Earnings, or the net loss, of the Company derived from such property during such period shall be excluded in computing the Net Earnings or net loss of the Company.

(e) The term "Total Capitalization" shall mean the sum of (i) the total par or stated value of all classes of capital stock then issued and outstanding, (ii) all surplus other than surplus resulting from revaluation after May 31, 1975 of capital assets, (iii) all Funded Debt and (iv) the capitalized value of Long-Term Leases, all determined in accordance with generally accepted accounting principles consistently applied.

ARTICLE FIVE General Provisions

§5.01 All terms, conditions and covenants contained in the Indenture, except as restricted in the Indenture to bonds of another series, shall apply to and be deemed to be for the equal benefit, security and protection of the Series L Bonds and the holders thereof. All terms used in this Thirteenth Supplemental Indenture which are defined in the Indenture shall, unless the context otherwise requires, have the meanings set forth in the Indenture.

§5.02. All the covenants, stipulations and agreements contained in this Thirteenth Supplemental Indenture are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and of the owners and holders of the bonds outstanding under the Indenture.

§5.03. Whenever in this Thirteenth Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements contained in this Thirteenth Supplemental Indenture shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

§5.04. This Thirteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all such counterparts shall constitute but one and the same instrument.

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this, the 14th day of August 2006, before me, the undersigned officer, personally appeared Robert L. Von Hess, who acknowledged himself to be a Vice President of U.S. BANK NATIONAL ASSOCIATION, a national banking association, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer.

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

Jackie R. Craig
Notary Public

My Commission Expires:

January 19, 2009



SCHEDULE A

Thirteenth Supplemental Indenture dated as of August 1, 2006

The following described real and personal property all located in the State of Arizona.

All the following lots, pieces or parcels of land and real estate, with the improvements thereon, situated in the counties in the State of Arizona indicated below:

IN COCHISE COUNTY

20.07 BISBEE NACO WELL NO.5

A parcel of land situated within the Northeast quarter of Section 13, Township 24 South, Range 23 East of the Gila and Salt River Base and Meridian, Cochise County, Arizona, more particularly described as follows:

Commencing at a brass cap monument in a hand-hole for the East quarter corner of said Section 13;

Thence N 41° 40' 52" W, 1568.80 feet to the POINT OF BEGINNING;

Thence N 54° 58' 00" W, 100.00 feet;

Thence N 35° 02' 00" E, 100.00 feet;

Thence S 54° 58' 00" E, 100.00 feet;

Thence S 35° 02' 00" W, 100.00 feet to the POINT OF BEGINNING.

SUBJECT TO current taxes, assessments, reservations in patents and all easements, rights-of-way, encumbrances, covenants, conditions, restrictions and all other matters affecting title as may appear of record.

IN GILA COUNTY

20.08 MIAMI PCG WELL NO.3

A parcel of land, containing a well facility, situate in the Northeast ¼ (NE1/4) of Section 32, Township 2 North, Range 15 East, G&SRB&M, Gila County, Arizona, more particularly described as follows:

Commencing at the East 1/4 (E1/4) corner of said Section 32;

Thence N.71° 08' 23"W., a distance of 1211.08 feet to the TRUE POINT OF BEGINNING;

Thence N.42° 01' 38"W., a distance of 38.08 feet;

Thence N.01° 47' 12"W., a distance of 67.82 feet;

Thence N.85° 24' 16"E., a distance of 121.94 feet;

Thence S.14° 10' 53"E., a distance of 53.71 feet;

Thence S.63° 20' 46"W., a distance of 119.84 feet to the TRUE POINT OF BEGINNING.

containing 0.2284 acres, more or less.

IN PINAL COUNTY

20.01 PERALTA TRAILS BOOSTER STATION

Tract Q, of PERALTA TRAILS UNIT ONE, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded as Cabinet C, Slide 177.

EXCEPT 1/16th of all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description, together with all uranium, thorium, or any other materials which may be determined to be particularly essential to the production of fissionable materials as provided by ARS 37-231, as reserved in the Patent from the State of Arizona recorded in Docket 1619, Page 798.

20.05 STANFIELD WELL NO.1 ADDITION

The following described property situate in Pinal County, Arizona:

Lots 115 and 116, of STANFIELD, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Book 6 of Maps, Page 17.

Subject To: Existing taxes, assessments, covenants, conditions, restrictions, rights of way and easements of record.

20.06 MISSION ROYALE WELL SITE NO.1

That portion of the Northwest quarter of Section 25, Township 6 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northwest corner of said Section 25;

Thence South 00 degrees 28 minutes 41 seconds West, 1,519.84 feet along the West line of said Section 25;

Thence departing said West Section line, South 89 degrees 31 minutes 19 seconds East, 505.94 feet to the POINT OF BEGINNING;

Thence South 89 degrees 30 minutes 35 seconds East, 162.00 feet;

Thence South 00 degrees 29 minutes 25 seconds West, 149.63 feet;

Thence South 65 degrees 29 minutes 36 seconds West, 29.28 feet;

Thence North 89 degrees 30 minutes 35 seconds West 135.47 feet;

Thence North 00 degrees 29 minutes 25 seconds East, 162.00 feet to the POINT OF BEGINNING.

20.10 TAMARON WELL NO.26 ADDITION

A portion of the Southwest quarter of Section 15, Township 6 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows:

Commencing at the South quarter corner of said Section 15;

Thence North 89 Degrees 53 Minutes 00 Seconds West (record), North 89 Degrees 54 Minutes 02 seconds West (measured), along the southerly line of the Southwest quarter of Section 15, a distance of 493.74 feet to a point;

Thence North 00 Degrees 07 Minutes 00 Seconds East (record), North 00 Degrees 05 Minutes 58 Seconds East (measured), a distance of 150.00 feet to the Northeast corner of the Arizona Water Company parcel described in the Special Warranty Deed recorded April 03, 1973 in Docket 702, Page 382, Pinal County records, to the POINT OF BEGINNING;

Thence North 89 Degrees 53 Minutes 00 Seconds West (record), North 89 Degrees 54 Minutes 02 Seconds West (measured), a distance of 100.00 feet to the Northwest corner of said Arizona Water Company parcel;

Thence North 00 Degrees 05 Minutes 58 Seconds East (measured), a distance of 39.11 feet to a point;

Thence North 87 Degrees 10 Minutes 26 Seconds East (measured), a distance of 92.76 feet to a point;

Thence South 89 Degrees 52 Minutes 24 Seconds East (measured), a distance of 7.36 feet to a point;

Thence South 00 Degrees 05 Minutes 58 Seconds West (measured), a distance of 43.84 feet to the POINT OF BEGINNING.

20.11 TAMARON WELL NO.31

A portion of the Southwest quarter of Section 15, Township 6 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows:

Commencing at the South quarter corner of said Section 15;

Thence North 00 Degrees 21 Minutes 54 Seconds East, along the easterly line of said Southwest quarter of Section 15, a distance of 1,293.53 feet to the POINT OF BEGINNING;

Thence North 89 Degrees 37 Minutes 57 Seconds West, a distance of 70.00 feet to a point;

Thence North 13 Degrees 40 Minutes 09 Seconds West, a distance of 41.23 feet to a point on a line 80.00 feet West of and parallel with the easterly line of said Southwest quarter of Section 15;

Thence North 00 Degrees 21 Minutes 54 Seconds East, along said line, a distance of 139.53 feet to a point;

Thence North 19 Degrees 07 Minutes 47 Seconds East, a distance of 12.00 feet to a point on a non-tangent curve, concave northwesterly, the center of which bears North 19 Degrees 07 Minutes 47 Seconds East, having a radius of 50.00 feet;
Thence northeasterly along said curve through a central angle of 108 Degrees 45 Minutes 53 Seconds an arc length of 94.92 feet to a point;
Thence South 89 Degrees 38 Minutes 06 Seconds East, a distance of 10.06 feet to a point on the easterly line of said Southwest quarter of Section 15;
Thence South 00 Degrees 21 Minutes 54 Seconds West, along said line a distance of 238.24 feet to the POINT OF BEGINNING.

20.12 CAP TREATMENT PLANT SITE

That portion of the East half of the West half of Section 18, Township 6 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona lying East of the New Florence-Casa Grande Canal.

EXCEPTING THEREFROM 50% of all oil and mineral rights, as reserved in instrument recorded in Docket 723, Page 735, Pinal County Records.

20.13 SADDLEBROOKE WELL NO.1

A parcel of land located in the Southwest quarter of the Northwest quarter of Section 5, T10S, R14E, Gila & Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the West quarter corner of said Section 5;
Thence N00° 39' 50"W, along the West line of said Section 5, 316.29 feet;
Thence N89° 20' 10"E, a distance of 144.06 feet to the TRUE POINT OF BEGINNING;
Thence N58° 41' 54"E, a distance of 50.00 feet;
Thence S31° 18' 06"E, a distance of 50.00 feet;
Thence S58° 41' 54"W, a distance of 50.00 feet;
Thence N31° 18' 06"W, a distance of 50.00 feet to the POINT OF BEGINNING.

20.14 SADDLEBROOKE WELL NO.2

A parcel of land located in the Northeast quarter of Section 8, Township 10 South, Range 14 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northeast corner of said Section 8;
Thence North 89 degrees 43 minutes 05 seconds West, along the North line of said Section 8, 1401.65 feet;

Thence leaving said North line, South 00 degrees 16 minutes 55 seconds West, 307.76 feet to the TRUE POINT OF BEGINNING;

Thence South 00 degrees 00 minutes 00 seconds East, 50.00 feet;

Thence North 90 degrees 00 minutes 00 seconds West, 50.00 feet;

Thence North 00 degrees 00 minutes 00 seconds East, 50.00 feet;

Thence North 90 degrees 00 minutes 00 seconds East, 50.00 feet to the TRUE POINT OF BEGINNING;

EXCEPT all oil, gas, other hydrocarbon substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description, together with all uranium, thorium or any other material which is or may be determined by the laws of the United States or of this State, or decisions of court, to be peculiarly essential to the production of fissionable materials, whether or not of commercial value pursuant to the provisions of Arizona Revised Statutes 37-231, as set forth in the Patent of said land at Fee No. 2002-42221.

20.15 MISSION ROYALE WELL SITE NO.2

That portion of the Northeast quarter of Section 36, Township 6 South, Range 6 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northeast corner of said Section 36;

Thence South 00° 49' 54" West, a distance of 1,741.31 feet along the East line of said Section 36;

Thence leaving said East line North 89° 10' 06" West, a distance of 1,481.90 feet to the POINT OF BEGINNING;

Thence South 59° 16' 57" East, a distance of 14.31 feet;

Thence South 16° 10' 42" East, a distance of 87.78 feet to the beginning of a tangent curve;

Thence southerly 11.82 feet along the arc of said curve, being concave to the West having a radius of 162.00 feet through a central angle of 04° 10' 50";

Thence South 33° 14' 57" West, a distance of 21.64 feet to the beginning of a non-tangent curve whose radius bears South 07° 59' 30" East a distance of 495.00 feet;

Thence westerly 6.95 feet along the arc of said curve, being concave to the South through a central angle of 00° 48' 16";

Thence South 81° 12' 14" West, a distance of 23.85 feet to the beginning of a tangent curve;

Thence westerly 18.94 feet along the arc of said curve, being concave to the North having a radius of 42.00 feet through a central angle of 25° 50' 31" to a point of reverse curvature;

Thence westerly 44.98 feet along the arc of said curve, being concave to the South having a radius of 58.00 feet through a central angle of 44° 26' 17";

Thence North 27° 23' 33" West, a distance of 127.02 feet to the beginning of a non-tangent curve whose radius bears North 02° 09' 35" West a distance of 705.00 feet;

Thence easterly 124.68 feet along the arc of said curve, being concave to the North through a central angle of 10° 07' 57" to the POINT OF BEGINNING.

20.16 MISSION ROYALE WELL SITE NO.3

That portion of the Northeast quarter of Section 25, Township 6 South, Range 6 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northeast corner of said Section 25;

Thence South $00^{\circ} 26' 06''$ West, a distance of 1,834.64 feet along the East line of said Section 25;

Thence leaving said East line North $89^{\circ} 33' 54''$ West, a distance of 1,268.10 feet to the POINT OF BEGINNING;

Thence South $01^{\circ} 41' 26''$ East, a distance of 18.38 feet;

Thence South $43^{\circ} 18' 34''$ West, a distance of 97.38 feet to the beginning of a tangent curve;

Thence southwesterly 19.42 feet along the arc of said curve, being concave to the Northwest having a radius of 960.00 feet through a central angle of $01^{\circ} 09' 32''$;

Thence North $45^{\circ} 31' 54''$ West, a distance of 105.24 feet;

Thence North $54^{\circ} 01' 26''$ East, a distance of 133.21 feet to the beginning of a non-tangent curve whose radius bears North $54^{\circ} 01' 26''$ East, a distance of 185.00 feet;

Thence southeasterly 34.60 feet along the arc of said curve, being concave to the Northeast through a central angle of $10^{\circ} 42' 52''$;

Thence South $46^{\circ} 41' 26''$ East, a distance of 33.25 feet to the POINT OF BEGINNING.

20.17 TUSCANY WELL SITE

A parcel of land lying in and being a part of the Northeast quarter of the Southeast quarter of Section 23, T6S-R6E, G&SRBM, Pinal County, Arizona, more particularly described as follows:

Commencing at the intersection of Doan Street and Pottebaum Street, from whence the East quarter corner of said Section 23 bears N $89^{\circ} 57' 06''$ E, a distance of 1320.87 feet;

Thence, S $00^{\circ} 10' 13''$ W, a distance of 40.00 feet;

Thence, N $89^{\circ} 57' 06''$ E, a distance of 40.90 feet, to the TRUE POINT OF BEGINNING;

Thence, continue N $89^{\circ} 57' 06''$ E, a distance of 75.00 feet;

Thence, S $00^{\circ} 10' 13''$ W, a distance of 75.00 feet;

Thence, S $89^{\circ} 57' 06''$ W, a distance of 75.00 feet;

Thence, N $00^{\circ} 10' 13''$ E, a distance of 75.00 feet to the TRUE POINT OF BEGINNING.

IN YAVAPAI COUNTY

20.03 POSSE GROUNDS WELL SITE

A parcel of land being situated within the Northeast quarter of Section 12, Township 17 North, Range 5 East, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a found half-inch rebar with tag stamped "RLS 14184" accepted as the Southeast corner of the Northwest quarter of the Southwest quarter of the Northeast quarter of

said Section 12, from which a found half-inch rebar with tag stamped "RLS 14184" lies South 89 degrees 59 minutes 01 seconds West (basis of bearings - results of survey plat prepared by Landmark Engineering and Surveying, job number 83012, sealed by Wm. Tod Graham on March 17, 1983), 658.20 feet, said rebar accepted as the Southwest corner of the Northwest quarter of the Southwest quarter of the Northeast quarter of said Section 12;
Thence North 89 degrees 59 minutes 01 seconds East, a distance of 100.00 feet to a point on the South line of the Northeast quarter of the Southwest quarter of the Northeast quarter of said Section 12;
Thence North 00 degrees 55 minutes 24 seconds East, a distance of 100.00 feet;
Thence South 89 degrees 59 minutes 01 seconds West, a distance of 100.00 feet to a point on the West line of the Northeast quarter of the Southwest quarter of the Northeast quarter of said Section 12;
Thence South 00 degrees 55 minutes 24 seconds West, a distance of 100.00 feet to the POINT OF BEGINNING.

20.04 WILLIAMS WELL SITE ADDITION

That part of TRACT O FAIRFIELD SEDONA, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 38 of Maps and Plats, Pages 42-43, described as follows:

Commencing at the Southeast corner of said Plat;
Thence North 89 degrees 56 minutes 18 seconds West along the South line of said Plat a distance of 167.26 feet to the POINT OF BEGINNING;
Thence North 89 degrees 56 minutes 18 seconds West 2.75 feet to an angle point on said South line;
Thence South 89 degrees 34 minutes 11 seconds West 26.36 feet to the Southeast corner of a well site as recorded as Book 206 of Official Records, Page 416;
Thence North 89 degrees 34 minutes 44 seconds West 50.25 feet to the Southwest corner of said well site;
Thence South 89 degrees 54 minutes 31 seconds West along the South line of said Subdivision Plat a distance of 3.51 feet;
Thence North 00 degrees 17 minutes 44 seconds West 52.28 feet;
Thence North 89 degrees 46 minutes 08 seconds East 57.60 feet;
Thence South 00 degrees 27 minutes 03 seconds East 13.35 feet;
Thence North 89 degrees 52 minutes 47 seconds East 25.27 feet;
Thence South 00 degrees 12 minutes 57 seconds East 39.38 feet to the POINT OF BEGINNING.

EXCEPT any portion that lies within a well site parcel as described in a document recorded as Book 206 of Official Records, Page 416.

SCHEDULE B

No.

\$ _____

ARIZONA WATER COMPANY

**General Mortgage Bond, 6.30% Series L,
due August 1, 2036**

ARIZONA WATER COMPANY, an Arizona corporation (hereinafter called the "Company"), FOR VALUE RECEIVED, promises to pay on August 1, 2036 to Mac & Co., as nominee, or registered assigns, on the surrender hereof, the principal sum of _____ Dollars (\$ _____), and to pay interest thereon from the date hereof at the rate of 6.30% per annum, until payment of said principal sum, such interest to be payable semi-annually on February 1 and August 1 in each year, commencing on February 1, 2007. This bond shall be dated as of the date of its authentication and interest shall accrue hereon from August 1, 2006 except that interest hereon for the period commencing August 1, 2006 to February 1, 2007 shall be paid by payment by the Company on February 1, 2007 of the interest accrued hereon from August 25, 2006 to February 1, 2007.

Both the principal hereof and the interest hereon shall be payable at the principal corporate trust office of U.S. Bank National Association at St. Paul, Minnesota or its successor as Trustee under the Indenture below-mentioned, in such coin or currency of the United States of America as at the time of payment shall constitute legal tender for the payment of public and private debts.

This bond is one of an authorized issue of General Mortgage Bonds of the Company, of a series designated as its General Mortgage Bonds, 6.30% Series L due August 1, 2036 (the "Series L Bonds"), limited as to this series to the aggregate principal amount of \$25,000,000, all issued under and in accordance with, and secured by the Indenture dated as of April 1, 1963, executed and delivered by the Company to U.S. Bank National Association (herein called the "Trustee"), the successor trustee to National Boulevard Bank of Chicago and Marshall A. Warshauer, as Trustees, as amended and supplemented by thirteen Supplemental Indentures thereto (hereinafter collectively called the "Indenture"). Reference to the Indenture is hereby made for a description of the property mortgaged and pledged; the nature and extent of the security; the rights of the registered owners of the Series L Bonds, of the Company, and of the Trustee in respect of the security, the terms and conditions governing the issuance and security of the Series L Bonds; and the terms and conditions upon which the Indenture may be modified or amended.

Prior to August 1, 2026, no portion of the Series L Bonds may be redeemed, except that all or any part of the Series L Bonds may be redeemed as provided in the Indenture at any time prior to maturity, whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at their principal amount,

SCHEDULE B

together with the accrued and unpaid interest on the principal amount of bonds called to the date fixed for redemption, and without any premium thereon, if redeemed through application of the proceeds of the sale or transfer of all or part of the property of the Company to a municipality or other public body or authority pursuant to condemnation proceedings or an agreement in lieu of condemnation.

All or any part of the Series L Bonds outstanding at any time may be redeemed as provided in the Indenture at the option of the Company at any time on or after August 1, 2026 (subject to the further provisions hereof), whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at a redemption price equal to the principal amount of the Series L Bonds to be redeemed plus the accrued and unpaid interest on such principal amount plus a premium (expressed as a percentage of the principal amount) determined as follows:

If redeemed on August 1, 2026, a premium of 6.300%, and if redeemed during the 12-month period ending August 1:

<u>Year</u>	<u>Premium</u>
2027	5.67%
2028	5.04%
2029	4.41%
2030	3.78%
2031	3.15%
2032	2.52%
2033	1.89%
2034	1.26%
2035	.63%
2036	None

Except as provided above, the Series L Bonds are not redeemable.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, the terms and provisions of the Indenture and the rights and obligations of the Company and of the registered owners of the bonds may be modified or altered with the consent of the holders of at least 66-2/3% in principal amount of the bonds then outstanding under the Indenture and in certain cases at least 66-2/3% in principal amount of one or more particular series (excluding bonds owned by the Company or by any person controlling or controlled by the Company); provided that no such modification or alteration intended to effect or permit the extension of the time for payment of interest thereon, or any other modification in the terms of payment of principal or interest or premium payable on the Series L Bonds, or the reduction in the amount periodically required to be paid by the Company under any sinking fund provided for in the Indenture, or the taking of certain other action as more fully set forth in the Indenture, shall be effective as to any bond the holder of which has not consented to such modification or alteration.

SCHEDULE B

In case of certain completed defaults specified in the Indenture, the principal of this bond may be declared, or may become, due and payable in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or the interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture or of any indenture supplemental thereto, to or against any incorporator, stockholder, officer or director, past, present or future, of the Company or of any successor corporation, either directly or through the Company or such successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers being waived and released by the registered owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture, all as more fully provided therein.

This bond is transferable by the registered owner either in person or by attorney duly authorized in writing at the principal corporate trust office of the Trustee upon surrender and cancellation of this bond.

This bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution of the Trustee, or its successor in trust under the Indenture, of the certificate endorsed hereon.

IN WITNESS WHEREOF, ARIZONA WATER COMPANY has caused this bond to be executed in its name by its President or one of its Vice Presidents, and has caused its corporate seal to be affixed, attested by its Secretary or one of its Assistant Secretaries, and this bond to be dated August 25, 2006.

ARIZONA WATER COMPANY

By _____
William M. Garfield, President

ATTEST:

Secretary

SCHEDULE B

(Form of)
TRUSTEE'S CERTIFICATE

This bond is one of the bonds referred to and described in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By _____

Date of Authentication

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Robert Geake, Esq.
Arizona Water Company
P.O. Box 29006
Phoenix, Arizona 85038-9006

THIRTEENTH SUPPLEMENTAL INDENTURE

ARIZONA WATER COMPANY

TO

U.S. BANK NATIONAL ASSOCIATION

TRUSTEE

THIRTEENTH SUPPLEMENTAL INDENTURE

Dated as of August 1, 2006

Supplementing Indenture Dated as of April 1, 1963
Creating General Mortgage Bonds, 6.30% Series L,
due August 1, 2036.

THIS THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of August 1, 2006, between ARIZONA WATER COMPANY, an Arizona corporation (hereinafter called the "Company"), party of the first part, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (hereinafter called the "Trustee"), party of the second part.

RECITALS

A. The Company heretofore executed and delivered to National Boulevard Bank of Chicago, a national banking association duly organized and existing under the laws of the United States of America, and Marshall A. Warshauer of the City of Chicago, as Trustees, its Indenture dated as of April 1, 1963 (hereinafter sometimes called the "Original Indenture") providing for the issuance of bonds of the Company limited to \$1,500,000 aggregate principal amount of General Mortgage 5-½% Bonds, due April 1, 1988 (hereinafter called the "Bonds of the 1988 Series"). Until October 18, 1976, the Original Indenture as supplemented, confirmed and amended and from time to time in effect (hereinafter referred to as the "Indenture"), constituted a general mortgage on substantially all properties of the Company and was subordinate to the lien of the Company's indenture dated as of March 1, 1955, to HARRIS TRUST AND SAVINGS BANK and G. N. Askew, as Trustees, as amended and supplemented (hereinafter called the "First Mortgage Indenture"). On October 18, 1976, all of the bonds secured by the First Mortgage Indenture were redeemed, and as of that date, the Indenture became a first mortgage on substantially all properties of the Company, subject to permitted liens as defined in the Original Indenture.

B. The Company, with the consent of the holder of all Bonds of the 1988 Series, thereafter executed and delivered a First Supplemental Indenture dated as of June 1, 1969, which amended the Indenture so as to permit the issuance of additional series of bonds thereunder not limited as to aggregate principal amount except insofar as bonds of any particular series may be so limited and which provided for the issuance of \$1,100,000 of General Mortgage 8-5/8% Bonds, due June 1, 1994.

C. The Company thereafter executed and delivered a Second Supplemental Indenture dated as of September 1, 1970, which provided for the issuance of an additional series of bonds designated General Mortgage 10-½% Bonds, due September 1, 1995, limited in aggregate principal amount to \$1,500,000.

D. The Company thereafter executed and delivered a Third Supplemental Indenture dated as of July 1, 1972, which amended the Indenture and provided for the issuance of an additional series of bonds designated General Mortgage 8-½% bonds, due July 1, 1997, limited in aggregate principal amount to \$2,000,000.

E. The Company thereafter executed and delivered a Fourth Supplemental Indenture dated as of October 1, 1973, which cured an ambiguity in the Indenture and provided for the issuance of an additional series of bonds designated General Mortgage 8-¼% Bonds, due October 1, 1998, limited in aggregate principal amount to \$2,000,000.

F. The Company thereafter executed and delivered a Fifth Supplemental Indenture dated as of July 1, 1975, which amended the Indenture, provided for issuance of an additional series of bonds designated General Mortgage Bonds, 11% Series, due July 1, 1995, limited in aggregate principal amount to \$2,000,000, and provided for certain covenants to the holders of all such bonds.

G. The Company thereafter executed and delivered a Sixth Supplemental Indenture dated as of February 1, 1977, which Sixth Supplemental Indenture complies with Section 6.06 of the Indenture.

H. The Company thereafter executed and delivered a Seventh Supplemental Indenture dated as of February 1, 1979, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 9-½% Series, due February 1, 2004, limited in aggregate principal amount to \$2,000,000.

I. The Company thereafter executed and delivered an Eighth Supplemental Indenture dated as of May 1, 1982 which provided for the issuance of an additional series of bonds designated General Mortgage Bonds 16-¾% Series, due July 1, 1995, limited in aggregate principal amount to \$3,000,000.

J. The Company thereafter executed and delivered a Ninth Supplemental Indenture dated as of August 1, 1986, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 9.25% Series I, due August 1, 2006, limited in aggregate principal amount to \$4,000,000.

K. The Company thereafter executed and delivered a Tenth Supplemental Indenture dated as of May 17, 1988, for the purpose of appointing Security Pacific Bank Arizona as Successor Trustee (the "Successor Trustee") under Section 9.02 of the Indenture and amending certain provisions of the Indenture for the purposes specified in, and in accordance with, Article XIII of the Indenture; the Trustee is the successor in interest to the Successor Trustee.

L. The Company thereafter executed and delivered an Eleventh Supplemental Indenture dated as of March 1, 1990, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 9.13% Series J, due March 1, 2015, limited in aggregate principal amount to \$6,000,000.

M. The Company thereafter executed and delivered a Twelfth Supplemental Indenture dated as of April 1, 2001, which provided for the issuance of an additional series of bonds designated General Mortgage Bonds, 8.04% Series K, due April 1, 2031, limited in aggregate principal amount to \$15,000,000.

N. The Company proposes to create and issue an additional series of bonds to be designated General Mortgage Bonds, 6.30% Series L, due August 1, 2036 (hereinafter sometimes called the "Series L Bonds"), limited in aggregate principal amount to \$25,000,000. The Company also proposes to mortgage and convey additional properties acquired or constructed by the Company since the date of the Twelfth Supplemental Indenture, all for the equal and proportionate benefit and security of all bonds issued and to be issued under the Indenture.

O. All acts and things necessary to make the Series L Bonds, when executed by the Company and authenticated and delivered by the Trustee as in the Indenture provided, the valid, binding and legal obligations of the Company equally and ratably secured with all other Bonds outstanding, and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution of this Thirteenth Supplemental Indenture and the issuance of the Series L Bonds have in all respects been duly authorized, and the Company, in the exercise of the legal right and power vested in it, executes this Thirteenth Supplemental Indenture and proposes to execute, deliver and issue the Series L Bonds.

NOW, THEREFORE, in consideration of the premises and of the sum of One Dollar, lawful money of the United States of America, duly paid by the Trustee to the Company, and of other good and valuable consideration, receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and interest on all bonds which are at any time outstanding under the Indenture, including specifically, but without limitation, the \$25,000,000 principal amount of the Series L Bonds to be presently issued and outstanding, and to secure the performance and observance of each and every one of the covenants and conditions contained in the Indenture, and without in any way limiting the generality or effect of the Indenture insofar as by any of the provisions thereof any of the properties therein or hereinafter referred to are subject to the lien and operation thereof, but to such extent confirming such lien and operation, the Company has executed and delivered this Thirteenth Supplemental Indenture and does hereby covenant and agree with the Trustee, its successors in the trust under the Indenture, and for the benefit of those who hold or shall hold the bonds issued or to be issued thereunder as follows:

ARTICLE ONE Mortgage of Property

§1.01. The Company in order to better secure the principal of and interest (and premium, if any) on all bonds of the Company at any time outstanding under the Indenture according to their tenor and effect and the performance of and compliance with the covenants and conditions in the Indenture contained, has granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed and by these presents does hereby grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto the Trustee, forever, all of the property, rights and franchises acquired or constructed by the Company since the date of the Twelfth Supplemental Indenture (except property of the character specifically excepted from the lien of the Indenture), including, without limitation, the properties described in Schedule A annexed hereto and incorporated herein by reference thereto. In trust, nevertheless, for the same purposes and upon the same conditions as are set forth in the Indenture.

ARTICLE TWO
General Mortgage Bonds, 6.30% Series L,
Due August 1, 2036

§2.01. There is hereby created for issuance under the Indenture, a series of bonds, limited to the aggregate principal amount of \$25,000,000, to be designated as "General Mortgage Bonds, 6.30% Series L, due August 1, 2036." Registered Series L Bonds without coupons shall be dated and shall bear interest from August 1, 2006. All Series L Bonds shall mature August 1, 2036, and shall bear interest at the rate of 6.30% per annum payable semi-annually on August 1 and February 1 yearly until the principal sum thereof shall be paid.

§2.02. Notwithstanding the provisions of the Indenture, this Thirteenth Supplemental Indenture or the Series L Bonds, it is expressly understood that interest on the Series L Bonds for the period commencing August 1, 2006 to February 1, 2007 shall be paid by payment by the Company on February 1, 2007 of the interest accrued on the Series L Bonds from the Closing Date, as defined in Section 2 of the Bond Purchase Agreement dated August 1, 2006 by and between the Company, Pacific Life Insurance Company and Pacific Life & Annuity Company, to February 1, 2007

§2.03. The Series L Bonds shall be issued only as fully registered bonds without coupons, in denominations of \$1,000 and/or multiples thereof, substantially in the form set forth in Schedule B hereto.

§2.04. Prior to August 1, 2026, no portion of the Series L Bonds may be redeemed, except that all or any part of the Series L Bonds may be redeemed as provided in the Indenture at any time prior to maturity, whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at their principal amount, together with the accrued and unpaid interest on the principal amount of bonds called to the date fixed for redemption, and without any premium thereon, if redeemed through application of the proceeds of the sale or transfer of all or part of the property of the Company to a municipality or other public body or authority pursuant to condemnation proceedings or an agreement in lieu of condemnation.

All or any part of the Series L Bonds outstanding at any time may be redeemed as provided in the Indenture at the option of the Company at any time on or after August 1, 2026 (subject to the further provisions hereof), whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at a redemption price equal to the principal amount of the Series L Bonds to be redeemed, plus the accrued and unpaid interest on such principal amount, plus a premium (expressed as a percentage of the principal amount) determined as follows:

If redeemed on August 1, 2026, a premium of 6.300%, and if redeemed during the 12-month period ending August 1

<u>Year</u>	<u>Premium</u>
2027	5.67%
2028	5.04%
2029	4.41%
2030	3.78%
2031	3.15%
2032	2.52%
2033	1.89%
2034	1.26%
2035	.63%
2036	None

Except as provided above, the Series L Bonds are not redeemable.

§2.05. The Series L Bonds shall be redeemed upon the notice, in the manner and with the effect provided in the Indenture, except that the registered bonds to be redeemed shall not be selected by lot but a pro rata portion of the bonds to be redeemed shall be redeemed from each registered owner in the proportion that the principal amount of Series L Bonds of each registered owner bears to the aggregate principal amount of Series L Bonds then outstanding, with appropriate adjustments from time to time, if necessary, so that bonds are redeemed only in multiples of \$1,000.

ARTICLE THREE

Issuance of General Mortgage Bonds, 6.30% Series L, due August 1, 2036

§3.01. After the execution and delivery of this Thirteenth Supplemental Indenture and upon compliance by the Company with the applicable provisions of the Indenture, the Company may execute and deliver to the Trustee and the Trustee shall authenticate and deliver upon the written order of the President or Vice President or Treasurer or Assistant Treasurer of the Company, not to exceed \$25,000,000 aggregate principal amount of the Series L Bonds registered in such names and in such denominations as shall be specified by the Company.

ARTICLE FOUR

Additional Covenants of the Company

§4.01. The Company covenants that in addition to the requirements contained elsewhere in the Indenture for the issuance of additional bonds, it will not issue, guarantee or become liable for payment of any Funded Debt, except the Series L Bonds and bonds issued for refunding purposes pursuant to Sections 2.17 and 2.18 of the Indenture or become liable as lessee under Long-Term Leases unless:

(1) Net Earnings of the Company for a period of 12 consecutive calendar months within the immediately preceding 15 calendar months were at least two times

the sum of (i) the aggregate annual interest charges on all Funded Debt and (ii) the aggregate Annual Interest Factor on Long-Term Leases, and

(2) the aggregate principal amount of all Funded Debt plus the capitalized value of Long-Term Leases (determined in accordance with generally accepted accounting principles) will not exceed 65% of Total Capitalization, determined on a pro forma basis.

For purposes of this §4.01:

(a) The term "Funded Debt" shall mean

(i) indebtedness of the Company, or indebtedness guaranteed by the Company, for borrowed money which has a stated maturity of more than 12 months from its date of origin or which may be renewed at the option of the obligor for a period or periods aggregating more than 12 months from the date of origin, plus

(ii) the aggregate principal amount of so-called "industrial development bonds" or "industrial revenue bonds," the interest on which is generally tax exempt to the holder thereof, issued by a governmental authority to finance the construction or acquisition of water utility facilities which are either leased to the Company as lessee or are to be purchased by the Company over a period of time substantially equivalent to the life of such bonds, except that any such bonds which are included in clause (i) above by reason of the Company's guarantee shall not also be included in this clause (ii).

(b) The term "Long-Term Leases" shall mean leases having a term of more than three years or renewable at the option of the lessee for a term or terms of more than three years; provided, however, there shall be excluded from Long-Term Leases leases of automotive and office equipment, leases of office space in the ordinary course of business and leases of water utility facilities constructed or acquired by means of the issuance of industrial development or industrial revenue bonds.

(c) The term "Annual Interest Factor on Long-Term Leases" shall mean an amount equal to one-third of the annual rental payments, except for the portion attributable to operation and maintenance expenses, on Long-Term Leases as of the date of determination thereof.

(d) The term "Net Earnings" shall mean the Net Income of the Company as defined in Section 4.02 of the Fifth Supplemental Indenture after adding thereto (i) interest charges and state and federal income taxes of the Company deducted in determining Net Income, (ii) interest charges on industrial development or revenue bonds included within the definition of Funded Debt, and (iii) the Annual Interest Factor on Long-Term Leases.

In case any property (acquired as an operating system, or substantially so) owned by the Company at the time of determination of Net Earnings shall not have been owned by it during any part of a period for which Net Earnings is being determined or shall have been owned by it during only a part of such period, then and in every such case the Net Earnings, or net loss, derived from such property during said period, or during such part thereof as shall have preceded the acquisition of said property by the Company, shall be included in computing the Net Earnings or net loss of the Company for such period. In case any property owned by the Company during any part of any such period shall not be owned by the Company at the time of determination of Net Earnings, the Net Earnings, or the net loss, of the Company derived from such property during such period shall be excluded in computing the Net Earnings or net loss of the Company.

(e) The term "Total Capitalization" shall mean the sum of (i) the total par or stated value of all classes of capital stock then issued and outstanding, (ii) all surplus other than surplus resulting from revaluation after May 31, 1975 of capital assets, (iii) all Funded Debt and (iv) the capitalized value of Long-Term Leases, all determined in accordance with generally accepted accounting principles consistently applied.

ARTICLE FIVE General Provisions

§5.01 All terms, conditions and covenants contained in the Indenture, except as restricted in the Indenture to bonds of another series, shall apply to and be deemed to be for the equal benefit, security and protection of the Series L Bonds and the holders thereof. All terms used in this Thirteenth Supplemental Indenture which are defined in the Indenture shall, unless the context otherwise requires, have the meanings set forth in the Indenture.

§5.02. All the covenants, stipulations and agreements contained in this Thirteenth Supplemental Indenture are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and of the owners and holders of the bonds outstanding under the Indenture.

§5.03. Whenever in this Thirteenth Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements contained in this Thirteenth Supplemental Indenture shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

§5.04. This Thirteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all such counterparts shall constitute but one and the same instrument.

STATE OF ARIZONA)
) ss.
County of Maricopa)

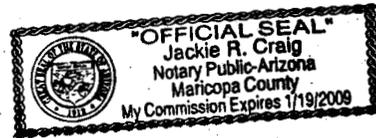
On this, the 14th day of August 2006, before me, the undersigned officer, personally appeared Robert L. Von Hess, who acknowledged himself to be a Vice President of U.S. BANK NATIONAL ASSOCIATION, a national banking association, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer.

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

Jackie R. Craig
Notary Public

My Commission Expires:

January 19, 2009



SCHEDULE A

Thirteenth Supplemental Indenture dated as of August 1, 2006

The following described real and personal property all located in the State of Arizona.

All the following lots, pieces or parcels of land and real estate, with the improvements thereon, situated in the counties in the State of Arizona indicated below:

IN COCHISE COUNTY

20.07 BISBEE NACO WELL NO.5

A parcel of land situated within the Northeast quarter of Section 13, Township 24 South, Range 23 East of the Gila and Salt River Base and Meridian, Cochise County, Arizona, more particularly described as follows:

Commencing at a brass cap monument in a hand-hole for the East quarter corner of said Section 13;

Thence N 41° 40' 52" W, 1568.80 feet to the POINT OF BEGINNING;

Thence N 54° 58' 00" W, 100.00 feet;

Thence N 35° 02' 00" E, 100.00 feet;

Thence S 54° 58' 00" E, 100.00 feet;

Thence S 35° 02' 00" W, 100.00 feet to the POINT OF BEGINNING.

SUBJECT TO current taxes, assessments, reservations in patents and all easements, rights-of-way, encumbrances, covenants, conditions, restrictions and all other matters affecting title as may appear of record.

IN GILA COUNTY

20.08 MIAMI PCG WELL NO.3

A parcel of land, containing a well facility, situate in the Northeast ¼ (NE1/4) of Section 32, Township 2 North, Range 15 East, G&SRB&M, Gila County, Arizona, more particularly described as follows:

Commencing at the East 1/4 (E1/4) corner of said Section 32;

Thence N.71° 08' 23"W., a distance of 1211.08 feet to the TRUE POINT OF BEGINNING;

Thence N.42° 01' 38"W., a distance of 38.08 feet;

Thence N.01° 47' 12"W., a distance of 67.82 feet;

Thence N.85° 24' 16"E., a distance of 121.94 feet;

Thence S.14° 10' 53"E., a distance of 53.71 feet;

Thence S.63° 20' 46"W., a distance of 119.84 feet to the TRUE POINT OF BEGINNING.

containing 0.2284 acres, more or less.

20.09 MIAMI PCG WELL NO.4

A parcel of land, containing a well facility, being situate in Section 29, Township 2 North, Range 15 East, G&SRB&M, Gila County, Arizona, having a boundary more particularly described as follows:

Commencing for a tie at the USFS aluminum cap marking the Southeast corner of said Section 29, from which the USFS aluminum cap marking the East ¼ (E1/4) corner of Section 29 bears N.00° 04' 54"E., a distance of 2639.96 feet;

Thence from said Southeast corner of Section 29, N.55° 43' 59"W., 1434.68 feet to a point on the southerly boundary of Well Site # 4 parcel and the POINT OF BEGINNING of the herein described parcel;

Thence N.85° 16' 37"W., a distance of 34.55 feet;

Thence N.05° 05' 34"E., a distance of 108.95 feet;

Thence S.83° 28' 26"E., a distance of 72.84 feet;

Thence S.03° 52' 38"W, a distance of 106.67 feet;

Thence N.85° 16' 37"W., 40.52 feet to the POINT OF BEGINNING.

containing an area of 0.183 acres.

IN MARICOPA COUNTY

20.02 PASQUALETTI WELL NO.8

A parcel of land being a portion of Lot 4, VALENCIA HEIGHTS, according to Book 21 of Maps, Page 31, records of Maricopa County, Arizona, said parcel being more particularly described as follows:

Commencing at the North quarter corner of Section 32, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Thence South 00 degrees 04 minutes 30 seconds East along the North-South mid-section line of said Section 32, a distance of 85.00 feet to a point;

Thence South 89 degrees 29 minutes 00 seconds East, a distance of 40.00 feet to the POINT OF BEGINNING;

Thence North 45 degrees 13 minutes 15 seconds East, a distance of 28.14 feet to a point;

Thence South 89 degrees 29 minutes 00 seconds East, a distance of 80.00 feet to a point;

Thence South 00 degrees 04 minutes 30 seconds East, a distance of 100.00 feet to a point;

Thence North 89 degrees 29 minutes 00 seconds West, a distance of 100.00 feet to a point;

Thence North 00 degrees 04 minutes 30 seconds West, a distance of 80.00 feet to the POINT OF BEGINNING.

IN PINAL COUNTY

20.01 PERALTA TRAILS BOOSTER STATION

Tract Q, of PERALTA TRAILS UNIT ONE, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded as Cabinet C, Slide 177.

EXCEPT 1/16th of all oil, gas, other hydrocarbon substances, helium or other substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description, together with all uranium, thorium, or any other materials which may be determined to be particularly essential to the production of fissionable materials as provided by ARS 37-231, as reserved in the Patent from the State of Arizona recorded in Docket 1619, Page 798.

20.05 STANFIELD WELL NO.1 ADDITION

The following described property situate in Pinal County, Arizona:

Lots 115 and 116, of STANFIELD, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Book 6 of Maps, Page 17.

Subject To: Existing taxes, assessments, covenants, conditions, restrictions, rights of way and easements of record.

20.06 MISSION ROYALE WELL SITE NO.1

That portion of the Northwest quarter of Section 25, Township 6 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northwest corner of said Section 25;
Thence South 00 degrees 28 minutes 41 seconds West, 1,519.84 feet along the West line of said Section 25;
Thence departing said West Section line, South 89 degrees 31 minutes 19 seconds East, 505.94 feet to the POINT OF BEGINNING;
Thence South 89 degrees 30 minutes 35 seconds East, 162.00 feet;
Thence South 00 degrees 29 minutes 25 seconds West, 149.63 feet;
Thence South 65 degrees 29 minutes 36 seconds West, 29.28 feet;
Thence North 89 degrees 30 minutes 35 seconds West 135.47 feet;
Thence North 00 degrees 29 minutes 25 seconds East, 162.00 feet to the POINT OF BEGINNING.

20.10 TAMARON WELL NO.26 ADDITION

A portion of the Southwest quarter of Section 15, Township 6 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows:

Commencing at the South quarter corner of said Section 15;

Thence North 89 Degrees 53 Minutes 00 Seconds West (record), North 89 Degrees 54 Minutes 02 seconds West (measured), along the southerly line of the Southwest quarter of Section 15, a distance of 493.74 feet to a point;

Thence North 00 Degrees 07 Minutes 00 Seconds East (record), North 00 Degrees 05 Minutes 58 Seconds East (measured), a distance of 150.00 feet to the Northeast corner of the Arizona Water Company parcel described in the Special Warranty Deed recorded April 03, 1973 in Docket 702, Page 382, Pinal County records, to the POINT OF BEGINNING;

Thence North 89 Degrees 53 Minutes 00 Seconds West (record), North 89 Degrees 54 Minutes 02 Seconds West (measured), a distance of 100.00 feet to the Northwest corner of said Arizona Water Company parcel;

Thence North 00 Degrees 05 Minutes 58 Seconds East (measured), a distance of 39.11 feet to a point;

Thence North 87 Degrees 10 Minutes 26 Seconds East (measured), a distance of 92.76 feet to a point;

Thence South 89 Degrees 52 Minutes 24 Seconds East (measured), a distance of 7.36 feet to a point;

Thence South 00 Degrees 05 Minutes 58 Seconds West (measured), a distance of 43.84 feet to the POINT OF BEGINNING.

20.11 TAMARON WELL NO.31

A portion of the Southwest quarter of Section 15, Township 6 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows:

Commencing at the South quarter corner of said Section 15;

Thence North 00 Degrees 21 Minutes 54 Seconds East, along the easterly line of said Southwest quarter of Section 15, a distance of 1,293.53 feet to the POINT OF BEGINNING;

Thence North 89 Degrees 37 Minutes 57 Seconds West, a distance of 70.00 feet to a point;

Thence North 13 Degrees 40 Minutes 09 Seconds West, a distance of 41.23 feet to a point on a line 80.00 feet West of and parallel with the easterly line of said Southwest quarter of Section 15;

Thence North 00 Degrees 21 Minutes 54 Seconds East, along said line, a distance of 139.53 feet to a point;

Thence North 19 Degrees 07 Minutes 47 Seconds East, a distance of 12.00 feet to a point on a non-tangent curve, concave northwesterly, the center of which bears North 19 Degrees 07 Minutes 47 Seconds East, having a radius of 50.00 feet;
Thence northeasterly along said curve through a central angle of 108 Degrees 45 Minutes 53 Seconds an arc length of 94.92 feet to a point;
Thence South 89 Degrees 38 Minutes 06 Seconds East, a distance of 10.06 feet to a point on the easterly line of said Southwest quarter of Section 15;
Thence South 00 Degrees 21 Minutes 54 Seconds West, along said line a distance of 238.24 feet to the POINT OF BEGINNING.

20.12 CAP TREATMENT PLANT SITE

That portion of the East half of the West half of Section 18, Township 6 South, Range 9 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona lying East of the New Florence-Casa Grande Canal.

EXCEPTING THEREFROM 50% of all oil and mineral rights, as reserved in instrument recorded in Docket 723, Page 735, Pinal County Records.

20.13 SADDLEBROOKE WELL NO.1

A parcel of land located in the Southwest quarter of the Northwest quarter of Section 5, T10S, R14E, Gila & Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the West quarter corner of said Section 5;
Thence N00° 39' 50"W, along the West line of said Section 5, 316.29 feet;
Thence N89° 20' 10"E, a distance of 144.06 feet to the TRUE POINT OF BEGINNING;
Thence N58° 41' 54"E, a distance of 50.00 feet;
Thence S31° 18' 06"E, a distance of 50.00 feet;
Thence S58° 41' 54"W, a distance of 50.00 feet;
Thence N31° 18' 06"W, a distance of 50.00 feet to the POINT OF BEGINNING.

20.14 SADDLEBROOKE WELL NO.2

A parcel of land located in the Northeast quarter of Section 8, Township 10 South, Range 14 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northeast corner of said Section 8;
Thence North 89 degrees 43 minutes 05 seconds West, along the North line of said Section 8, 1401.65 feet;

Thence leaving said North line, South 00 degrees 16 minutes 55 seconds West, 307.76 feet to the TRUE POINT OF BEGINNING;

Thence South 00 degrees 00 minutes 00 seconds East, 50.00 feet;

Thence North 90 degrees 00 minutes 00 seconds West, 50.00 feet;

Thence North 00 degrees 00 minutes 00 seconds East, 50.00 feet;

Thence North 90 degrees 00 minutes 00 seconds East, 50.00 feet to the TRUE POINT OF BEGINNING;

EXCEPT all oil, gas, other hydrocarbon substances of a gaseous nature, coal, metals, minerals, fossils, fertilizer of every name and description, together with all uranium, thorium or any other material which is or may be determined by the laws of the United States or of this State, or decisions of court, to be peculiarly essential to the production of fissionable materials, whether or not of commercial value pursuant to the provisions of Arizona Revised Statutes 37-231, as set forth in the Patent of said land at Fee No. 2002-42221.

20.15 MISSION ROYALE WELL SITE NO.2

That portion of the Northeast quarter of Section 36, Township 6 South, Range 6 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northeast corner of said Section 36;

Thence South 00° 49' 54" West, a distance of 1,741.31 feet along the East line of said Section 36;

Thence leaving said East line North 89° 10' 06" West, a distance of 1,481.90 feet to the POINT OF BEGINNING;

Thence South 59° 16' 57" East, a distance of 14.31 feet;

Thence South 16° 10' 42" East, a distance of 87.78 feet to the beginning of a tangent curve;

Thence southerly 11.82 feet along the arc of said curve, being concave to the West having a radius of 162.00 feet through a central angle of 04° 10' 50";

Thence South 33° 14' 57" West, a distance of 21.64 feet to the beginning of a non-tangent curve whose radius bears South 07° 59' 30" East a distance of 495.00 feet;

Thence westerly 6.95 feet along the arc of said curve, being concave to the South through a central angle of 00° 48' 16";

Thence South 81° 12' 14" West, a distance of 23.85 feet to the beginning of a tangent curve;

Thence westerly 18.94 feet along the arc of said curve, being concave to the North having a radius of 42.00 feet through a central angle of 25° 50' 31" to a point of reverse curvature;

Thence westerly 44.98 feet along the arc of said curve, being concave to the South having a radius of 58.00 feet through a central angle of 44° 26' 17";

Thence North 27° 23' 33" West, a distance of 127.02 feet to the beginning of a non-tangent curve whose radius bears North 02° 09' 35" West a distance of 705.00 feet;

Thence easterly 124.68 feet along the arc of said curve, being concave to the North through a central angle of 10° 07' 57" to the POINT OF BEGINNING.

20.16 MISSION ROYALE WELL SITE NO.3

That portion of the Northeast quarter of Section 25, Township 6 South, Range 6 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northeast corner of said Section 25;
Thence South $00^{\circ} 26' 06''$ West, a distance of 1,834.64 feet along the East line of said Section 25;
Thence leaving said East line North $89^{\circ} 33' 54''$ West, a distance of 1,268.10 feet to the POINT OF BEGINNING;
Thence South $01^{\circ} 41' 26''$ East, a distance of 18.38 feet;
Thence South $43^{\circ} 18' 34''$ West, a distance of 97.38 feet to the beginning of a tangent curve;
Thence southwesterly 19.42 feet along the arc of said curve, being concave to the Northwest having a radius of 960.00 feet through a central angle of $01^{\circ} 09' 32''$;
Thence North $45^{\circ} 31' 54''$ West, a distance of 105.24 feet;
Thence North $54^{\circ} 01' 26''$ East, a distance of 133.21 feet to the beginning of a non-tangent curve whose radius bears North $54^{\circ} 01' 26''$ East, a distance of 185.00 feet;
Thence southeasterly 34.60 feet along the arc of said curve, being concave to the Northeast through a central angle of $10^{\circ} 42' 52''$;
Thence South $46^{\circ} 41' 26''$ East, a distance of 33.25 feet to the POINT OF BEGINNING.

20.17 TUSCANY WELL SITE

A parcel of land lying in and being a part of the Northeast quarter of the Southeast quarter of Section 23, T6S-R6E, G&SRBM, Pinal County, Arizona, more particularly described as follows:

Commencing at the intersection of Doan Street and Pottebaum Street, from whence the East quarter corner of said Section 23 bears N $89^{\circ} 57' 06''$ E, a distance of 1320.87 feet;
Thence, S $00^{\circ} 10' 13''$ W, a distance of 40.00 feet;
Thence, N $89^{\circ} 57' 06''$ E, a distance of 40.90 feet, to the TRUE POINT OF BEGINNING;
Thence, continue N $89^{\circ} 57' 06''$ E, a distance of 75.00 feet;
Thence, S $00^{\circ} 10' 13''$ W, a distance of 75.00 feet;
Thence, S $89^{\circ} 57' 06''$ W, a distance of 75.00 feet;
Thence, N $00^{\circ} 10' 13''$ E, a distance of 75.00 feet to the TRUE POINT OF BEGINNING.

IN YAVAPAI COUNTY

20.03 POSSE GROUNDS WELL SITE

A parcel of land being situated within the Northeast quarter of Section 12, Township 17 North, Range 5 East, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a found half-inch rebar with tag stamped "RLS 14184" accepted as the Southeast corner of the Northwest quarter of the Southwest quarter of the Northeast quarter of

said Section 12, from which a found half-inch rebar with tag stamped "RLS 14184" lies South 89 degrees 59 minutes 01 seconds West (basis of bearings - results of survey plat prepared by Landmark Engineering and Surveying, job number 83012, sealed by Wm. Tod Graham on March 17, 1983), 658.20 feet, said rebar accepted as the Southwest corner of the Northwest quarter of the Southwest quarter of the Northeast quarter of said Section 12;
Thence North 89 degrees 59 minutes 01 seconds East, a distance of 100.00 feet to a point on the South line of the Northeast quarter of the Southwest quarter of the Northeast quarter of said Section 12;
Thence North 00 degrees 55 minutes 24 seconds East, a distance of 100.00 feet;
Thence South 89 degrees 59 minutes 01 seconds West, a distance of 100.00 feet to a point on the West line of the Northeast quarter of the Southwest quarter of the Northeast quarter of said Section 12;
Thence South 00 degrees 55 minutes 24 seconds West, a distance of 100.00 feet to the POINT OF BEGINNING.

20.04 WILLIAMS WELL SITE ADDITION

That part of TRACT O FAIRFIELD SEDONA, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 38 of Maps and Plats, Pages 42-43, described as follows:

Commencing at the Southeast corner of said Plat;
Thence North 89 degrees 56 minutes 18 seconds West along the South line of said Plat a distance of 167.26 feet to the POINT OF BEGINNING;
Thence North 89 degrees 56 minutes 18 seconds West 2.75 feet to an angle point on said South line;
Thence South 89 degrees 34 minutes 11 seconds West 26.36 feet to the Southeast corner of a well site as recorded as Book 206 of Official Records, Page 416;
Thence North 89 degrees 34 minutes 44 seconds West 50.25 feet to the Southwest corner of said well site;
Thence South 89 degrees 54 minutes 31 seconds West along the South line of said Subdivision Plat a distance of 3.51 feet;
Thence North 00 degrees 17 minutes 44 seconds West 52.28 feet;
Thence North 89 degrees 46 minutes 08 seconds East 57.60 feet;
Thence South 00 degrees 27 minutes 03 seconds East 13.35 feet;
Thence North 89 degrees 52 minutes 47 seconds East 25.27 feet;
Thence South 00 degrees 12 minutes 57 seconds East 39.38 feet to the POINT OF BEGINNING.

EXCEPT any portion that lies within a well site parcel as described in a document recorded as Book 206 of Official Records, Page 416.

SCHEDULE B

No.

\$ _____

ARIZONA WATER COMPANY

General Mortgage Bond, 6.30% Series L,
due August 1, 2036

ARIZONA WATER COMPANY, an Arizona corporation (hereinafter called the "Company"), FOR VALUE RECEIVED, promises to pay on August 1, 2036 to Mac & Co., as nominee, or registered assigns, on the surrender hereof, the principal sum of _____ Dollars (\$ _____), and to pay interest thereon from the date hereof at the rate of 6.30% per annum, until payment of said principal sum, such interest to be payable semi-annually on February 1 and August 1 in each year, commencing on February 1, 2007. This bond shall be dated as of the date of its authentication and interest shall accrue hereon from August 1, 2006 except that interest hereon for the period commencing August 1, 2006 to February 1, 2007 shall be paid by payment by the Company on February 1, 2007 of the interest accrued hereon from August 25, 2006 to February 1, 2007.

Both the principal hereof and the interest hereon shall be payable at the principal corporate trust office of U.S. Bank National Association at St. Paul, Minnesota or its successor as Trustee under the Indenture below-mentioned, in such coin or currency of the United States of America as at the time of payment shall constitute legal tender for the payment of public and private debts.

This bond is one of an authorized issue of General Mortgage Bonds of the Company, of a series designated as its General Mortgage Bonds, 6.30% Series L due August 1, 2036 (the "Series L Bonds"), limited as to this series to the aggregate principal amount of \$25,000,000, all issued under and in accordance with, and secured by the Indenture dated as of April 1, 1963, executed and delivered by the Company to U.S. Bank National Association (herein called the "Trustee"), the successor trustee to National Boulevard Bank of Chicago and Marshall A. Warshauer, as Trustees, as amended and supplemented by thirteen Supplemental Indentures thereto (hereinafter collectively called the "Indenture"). Reference to the Indenture is hereby made for a description of the property mortgaged and pledged; the nature and extent of the security; the rights of the registered owners of the Series L Bonds, of the Company, and of the Trustee in respect of the security, the terms and conditions governing the issuance and security of the Series L Bonds; and the terms and conditions upon which the Indenture may be modified or amended.

Prior to August 1, 2026, no portion of the Series L Bonds may be redeemed, except that all or any part of the Series L Bonds may be redeemed as provided in the Indenture at any time prior to maturity, whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at their principal amount,

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together with the accrued and unpaid interest on the principal amount of bonds called to the date fixed for redemption, and without any premium thereon, if redeemed through application of the proceeds of the sale or transfer of all or part of the property of the Company to a municipality or other public body or authority pursuant to condemnation proceedings or an agreement in lieu of condemnation.

All or any part of the Series L Bonds outstanding at any time may be redeemed as provided in the Indenture at the option of the Company at any time on or after August 1, 2026 (subject to the further provisions hereof), whether or not such time be an interest payment date, at the principal corporate trust office of the Trustee, at a redemption price equal to the principal amount of the Series L Bonds to be redeemed plus the accrued and unpaid interest on such principal amount plus a premium (expressed as a percentage of the principal amount) determined as follows:

If redeemed on August 1, 2026, a premium of 6.300%, and if redeemed during the 12-month period ending August 1:

<u>Year</u>	<u>Premium</u>
2027	5.67%
2028	5.04%
2029	4.41%
2030	3.78%
2031	3.15%
2032	2.52%
2033	1.89%
2034	1.26%
2035	.63%
2036	None

Except as provided above, the Series L Bonds are not redeemable.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, the terms and provisions of the Indenture and the rights and obligations of the Company and of the registered owners of the bonds may be modified or altered with the consent of the holders of at least 66-2/3% in principal amount of the bonds then outstanding under the Indenture and in certain cases at least 66-2/3% in principal amount of one or more particular series (excluding bonds owned by the Company or by any person controlling or controlled by the Company); provided that no such modification or alteration intended to effect or permit the extension of the time for payment of interest thereon, or any other modification in the terms of payment of principal or interest or premium payable on the Series L Bonds, or the reduction in the amount periodically required to be paid by the Company under any sinking fund provided for in the Indenture, or the taking of certain other action as more fully set forth in the Indenture, shall be effective as to any bond the holder of which has not consented to such modification or alteration.

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In case of certain completed defaults specified in the Indenture, the principal of this bond may be declared, or may become, due and payable in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or the interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture or of any indenture supplemental thereto, to or against any incorporator, stockholder, officer or director, past, present or future, of the Company or of any successor corporation, either directly or through the Company or such successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers being waived and released by the registered owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture, all as more fully provided therein.

This bond is transferable by the registered owner either in person or by attorney duly authorized in writing at the principal corporate trust office of the Trustee upon surrender and cancellation of this bond.

This bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution of the Trustee, or its successor in trust under the Indenture, of the certificate endorsed hereon.

IN WITNESS WHEREOF, ARIZONA WATER COMPANY has caused this bond to be executed in its name by its President or one of its Vice Presidents, and has caused its corporate seal to be affixed, attested by its Secretary or one of its Assistant Secretaries, and this bond to be dated August 25, 2006.

ARIZONA WATER COMPANY

By _____
William M. Garfield, President

ATTEST:

Secretary

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(Form of)
TRUSTEE'S CERTIFICATE

This bond is one of the bonds referred to and described in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION

By _____

Date of Authentication