



**ORIGINAL**  
**REAL ESTATE AND ASSET SALE AND PURCHASE AGR**  
**AND ESCROW INSTRUCTIONS**  
**Approximately 27 Acres Saint David Farm Land and Water Company Assets**

This Real Estate and Asset Sale and Purchase Agreement and Escrow Instructions (this "Agreement") is made and entered into by and between Harold W. Frarer and Mary E. Frarer, husband and wife (collectively, "Seller") and Enclave St. David, LLC, an Arizona limited liability company ("Purchaser").

WITNESSETH:

FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, Seller hereby agrees to sell and Purchaser hereby agrees to purchase and pay for all that certain property hereinafter described in accordance with the following terms and conditions.

**1. PROPERTY.**

1.1 Water Company Assets. Seller is (a) the owner and holder of a Certificate of Convenience and Necessity to operate a public service corporation pursuant to Arizona Corporation Commission Revision No. 46638 for the sale and distribution of water ("Water Company Franchise"); (b) the owner of a water well (Arizona Department of Water Resources registration No. W01-Water Use MU001) ("Well"); (c) the owner of a 12-inch well casing, a water tank of 10,000 to 15,000 gallons, an approximately 600-gallon pressure tank, a bowl pump, gear head, a Ford 300 engine, 6-water meters, miscellaneous distribution water pipe and connections in place (collectively, "Well Facilities"); (d) the owner of a well site comprised of approximately 1,711 square feet of land within which the Well is located as legally described on **Exhibit A** attached hereto and hereby incorporated by reference ("Well Site"); and (e) a party to certain contracts, such as maintenance, inspection, service or utility contracts relating to the water company business conducted by Seller (collectively, "Contracts"). All of the foregoing including without limitation the Water Company Franchise, the Well, the Well Facilities, Well Site and any of the contracts Purchaser elects to assume may be referred to herein collectively as the Water Company Assets.

1.2 Land, Improvements and Personal Property. The real property situated in the town of Saint David, Cochise County, Arizona, consisting of approximately 27 acres and legally described on **Exhibit B** attached hereto and hereby incorporated by reference ("Land"), together with (a) any right, title, and interest, if any, of Seller in and to any and all roads, easements, streets, and ways bounding the Land, and rights of ingress and egress thereto; (b) any mineral, water and irrigation rights running with or pertaining to the Land; (c) any rights or interests that may accrue to the benefit of Seller or the Land as a result of the abandonment of any road, street or alleyway adjoining the Land; (d) any improvements of any kind whatsoever situated upon the Land ("Improvements"); and (e) any personal property, tangible or intangible, installed, located and/or used in or about the Land and/or Improvements ("Personal Property").

**2. PURCHASE PRICE**

2.1 Payment. The "Purchase Price" for the Water Company Assets, the Land, the Improvements and

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- (a) any surveys of the Wells Site and/or the Land;
- (b) a Phase I environmental site assessment and other environmental reports or notices pertaining to the Well Site and/or the Land; provided that Purchaser acknowledges that a Phase I Report has been completed on the property and is in Purchaser's possession thereby satisfying this requirement;
- (c) all utility bills for the past three (3) years relating to the Water Company Assets and/or the Improvements;
- (d) copies of any contracts pertaining to the operation of the Water Company Assets;
- (e) copies of the books and records reflecting the income generated by and expense incurred with respect to the Water Company Assets for calendar years 2002, 2003, 2004 and year-to-date 2005;
- (f) copies of all orders and invoices reflecting repairs or replacements made to any of the Well Facilities or the Improvements and all inspection reports pertaining to the Well and the Well Facilities for calendar years 2002, 2003, 2004 and year-to-date 2005;
- (g) copies of all maintenance records relating to the Water Company Assets and the Improvements;
- (h) copies of all notices issued by the Arizona Corporation Commission, State or County Department of Health and/or the State Department of Water Resources and/or the State Department of Environmental Quality pertaining to the Water Company Assets;
- (i) copies of all policies of casualty and liability insurance maintained by Seller with respect to the Water Company Assets, the Land, the Improvements and the Personal Property;
- (j) a copy of the layout of the water distribution system comprising a portion of the Well Facilities, together with written confirmation that such system is within public rights-of-ways pursuant to a valid franchise and, if portions thereof are outside of a public right-of-way, valid and recorded easements pertaining thereto;
- (k) copies of all contracts for water service and a schedule identifying all water customers by names and addresses with complete billings for calendar years 2002, 2003, 2004 and year-to-date 2005;
- (l) an inventory of any and all personal property to be conveyed to Purchaser at Closing containing a description sufficient to identify the item, including without limitation the serial or identification number; and
- (m) a copy of the registration of the Well and all filings made in connection therewith with any governmental authority and any inspections thereof, and/or the well casing, pump and distribution system, any pump tests or servicings made thereof and copies of all water quality test results

(ii) that Purchaser has made, or will make, prior to Closing its own independent inspection, environmental audit and investigation of the Water Company Assets, the Land, the Improvements and the Personal Property, its atmospheric, surficial, subterranean, aquatic, engineering and other conditions, characteristics and requirements, including all zoning, American Disability Act compliance, and regulatory matters pertinent to the Water Company Assets, the Land, the Improvements and the Personal Property; (iii) that Purchaser is entering into this Agreement and purchasing the Water Company Assets, the Land, the Improvements and the Personal Property based upon its own inspection, environmental audit and investigation and not in reliance on any statement, representation, inducement or agreement of Seller; and (iv) that any engineering data, soils reports, environmental risk assessment or other information that Seller or any other party may have delivered to Purchaser was furnished without any representation or warranty whatsoever by Seller. Purchaser further acknowledges, represents, warrants and agrees that Seller shall have no responsibility, liability or obligation respecting the Water Company Assets, the Land, the Improvements and the Personal Property subsequent to Closing except to the extent of the falsity of any representation or warranty set forth herein.

## 11. CLOSING

(e) *Evidence that each of the contracts affecting the Water Company Assets, the Land, the Improvements and/or the Personal Property, if any, has been duly cancelled as of the Closing without liability to the Purchaser, unless otherwise instructed by Purchaser;*

11.6 *Possession. Possession of the Well Site and the Land shall be delivered to Purchaser by Seller at Closing except that Seller shall have the right to continue to reside on the Land and have continued use of all improvements associated therewith on a rent-free basis after the Closing. Seller shall have the right to sublease buildings and shall retain all proceeds from such rent, if any. Possession is subject to the following conditions (all of which shall survive the Closing):*

(a) *At Seller's sole expense, Seller shall operate, maintain and repair the Water Company Assets and the Land (except for individual items of maintenance and repair that cost more than \$500.00, for which Purchaser shall be responsible), and be entitled to collect and retain all net profits from the operation of the Water Company Assets during such time that Seller shall so operate, maintain and repair the Water Company Assets and the Land.*

(b) *Seller shall remove from the Well Site and the Land at no expense to Purchaser and at such time as Seller shall vacate the Land all of Seller's personal belongings and all debris. Purchaser shall have the right to exercise self-help to remove Seller's personal belongings and all debris from the Land in the event that Seller shall fail to do so within thirty (30) days after written notice by Purchaser that Seller do so.*

(c) *Purchaser shall be entitled to terminate Seller's occupation of the Land on at least twelve (12) months prior written notice if Purchaser shall require Seller to so vacate before the third anniversary of the Closing, and on at least thirty (30) days prior written notice if Purchaser shall require Seller to so vacate after the third anniversary of the Closing, and Seller shall so vacate the Land as required by Purchaser. Seller may terminate occupation of the Land on at least twelve (12) months prior written notice to Purchaser should the Seller desire to vacate before the third anniversary of the Closing.*

DOCKET# W-01898A-06-0326  
W-20460A-06-0326

IN WITNESS WHEREOF, the parties to this Agreement have duly executed as of the dates below indicated.

SELLER:

By: Harold W. Frarer

Harold W. Frarer

Date: 3/24, 2006

By: Mary E. Frarer

Mary E. Frarer

Date: 3/24, 2006

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Company Name: dba F & F Water Co.
ADEQ Public Water System Number:

**WATER COMPANY PLANT DESCRIPTION**

**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
DO NOT	6 cylinder	NEVER	APPROX.	12	3/4	1958
HAVE	FORD	MEASURED	300 FT			
ONE	WITH					
	BEAR					
	HEAD					

\* Arizona Department of Water Resources Identification Number

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
NO OTHER SOURCE USED		

**BOOSTER PUMPS**

Horsepower	Quantity
NONE	NONE

**FIRE HYDRANTS**

Quantity Standard	Quantity Other
NONE	NONE

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STORAGE TANKS	
Capacity	Quantity
1	10,000

PRESSURE TANKS	
Capacity	Quantity
1	APPROX 200 GALLONS

W-01848A-06-0324  
 W-20460A-06-0326

Company Name: dba F & F Water Co.
ADEQ Public Water System Number:

**WATER COMPANY PLANT DESCRIPTION CONTINUED**

**MAINS**

Size (in inches)	Material	Length (in feet)
2	ALL PIPE IS	APPROX.
3	BETWEEN 3/4	1500 -
4	AND 1 1/4	2000 FT
5		PIPE
6		
8		
10		
12		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	
3/4	2
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

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For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

NONE

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STRUCTURES:

ONE WATER STORAGE TANK - APPROXIMATELY 10,000 GALLON

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ONE WATER EXPANSION TANK

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ONE GAS ENGINE

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ONE ELECTRIC EXPANSION TANK MOTOR ATTACHED TO WATER TANK

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ONE WATER GEAR HEAD PUMP ATTACHED TO WELL & ENGINE

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OTHER:

NONE

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**WATER USE DATA SHEET**

Company Name: dba F & F Water Co.
ADEQ Public Water System Number:

MONTH/YEAR (Most recent 12 Months Available)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED* (Thousands)	GALLONS PURCHASED* (Thousands)
1.	THIS WATER COMPANY HAS BETWEEN 2 TO 3 CUSTOMERS			
2.	THE METERS ARE NOT READ. THERE IS NO METER			
3.	ON THE WELL. THIS WATER <sup>COMPANY</sup> WAS ESTABLISHED AS			
4.	A NECESSITY FOR SOME ELDERLY PEOPLE, IT WAS			
5.	ESTABLISHED BY GORDON STEPHENS. IN 1958. SINCE THE			
6.	START OF THIS WATER COMPANY METERS WERE NOT			
7.	REQUIRED AND NOT READ. THE WELL THAT IS UTILIZED			
8.	FOR THE WATER COMPANY IS ALSO AN IRRIGATION WELL			
9.	IT HAS ALWAYS HAD TWO PURPOSE.			
10.				
11.				
12.				
<b>TOTAL</b>	<b>N/A</b>			

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES  NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

YES  NO

If Yes, please provide the GPCD amount: \_\_\_\_\_

*Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.*

*\* The total of gallons pumped and gallons purchased should not equal or be less than the gallons sold.*