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MEMORANDUM

TO: Docket Control
 Arizona Corporation Commission

FROM: Ernest G. Johnson
 Director
 Utilities Division

Date: December 15, 2006

RE: ADDENDUM TO STAFF REPORT FOR PERKINS MOUNTAIN UTILITY COMPANY AND PERKINS MOUNTAIN WATER COMPANY - APPLICATIONS FOR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WASTEWATER AND WATER SERVICES (DOCKET NOS. SW-20379A-05-0489 AND W-20380A-05-0490)

Attached is the Amended Staff Report for Perkins Mountain Utility Company and Perkins Mountain Water Company applications for Certificates of Convenience and Necessity for wastewater and water services. Staff is recommending approval with conditions.

EGJ:BNC:red

Originator: Blessing Chukwu

Attachment: Original and 13 copies

Arizona Corporation Commission
DOCKETED
 DEC 15 2006

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| <i>WJH</i> | <i>NR</i> |

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Service List for: Perkins Mountain Utility Company and Perkins Mountain Water Company
Docket Nos. SW-20379A-05-0489 and W-20380A-05-0490

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**ADDENDUM TO STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**PERKINS MOUNTAIN UTILITY COMPANY
AND
PERKINS MOUNTAIN WATER COMPANY**

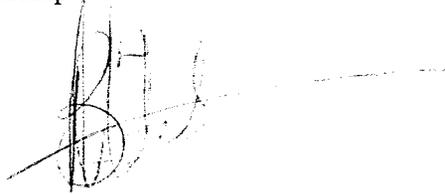
**DOCKET NOS. SW-20379A-05-0489
AND
W-20380A-05-0490**

**APPLICATIONS FOR CERTIFICATES OF
CONVENIENCE AND NECESSITY**

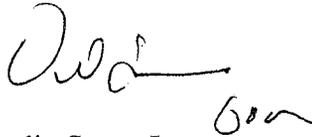
DECEMBER 15, 2006

STAFF ACKNOWLEDGMENT

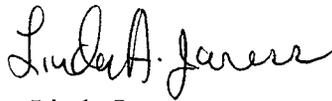
This Addendum to the November 10, 2005 Staff Report for Perkins Mountain Utility Company and Perkins Mountain Water Company (Docket Nos. SW-20379A-05-0489 and W-20380A-05-0490) was the responsibility of the Staff members signed below. Blessing Chukwu prepared the Addendum. Marlin Scott, Jr. prepared the Field Inspection Report and Staff's Engineering Reports for water and wastewater. Linda Jaress prepared the report on Staff's evaluation of the revised current ownership structure.



Blessing Chukwu
Executive Consultant III



Marlin Scott, Jr.
Utilities Engineer



Linda Jaress
Executive Consultant III

EXECUTIVE SUMMARY
PERKINS MOUNTAIN UTILITY COMPANY AND
PERKINS MOUNTAIN WATER COMPANY
DOCKET NOS. SW-20379A-05-0489 AND W-20380A-05-0490

On July 7, 2005, Perkins Mountain Utility Company (“PMUC” or “Wastewater Company”) and Perkins Mountain Water Company (“PMWC” or “Water Company”) collectively referred to as (“The Utilities”) filed applications with the Arizona Corporation Commission (“ACC” or “Commission”) for Certificates of Convenience and Necessity (“CC&N”) to provide wastewater and water services in portions of Mohave County, Arizona. On September 14, 2005, the Utilities filed an amendment to the applications to include a revised legal description. On November 10, 2005, Utilities Division Staff (“Staff”) filed its Staff Report in the docket. On March 31, 2006, the Water Company filed a second Amendment to its Application for a CC&N. The second Amendment requested a CC&N for a portion of the service area originally requested and an Order Preliminary for the remainder of the service area originally requested

Based on the information provided in this docket and from Staff’s review of other available materials regarding the Utilities and related affiliates, Staff has reevaluated its prior recommendations made in its initial Staff Report. Staff believes that the ultimate obligation of the Commission is to protect the public interest, to that end the imposition of reasonable conditions to ensure the Utilities are conducting their business operations in a manner which will not compromise the interests of its customers should be required.

Water Service – CC&N

Staff recommends the Commission approve PMWC’s application for a CC&N for Phases 1, 2, 3, 7 and part of Phase 4 for Golden Valley South within portions of Mohave County, Arizona, to provide water service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMWC’s property devoted to water service is \$2,406,039.
2. That the Commission approve Staff’s rates as shown on Water Schedule REL-5-Rate Design in the Rate Analyst Report, attached to the November 10, 2005 Staff Report. In addition to collection of its regular rates, PMWC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMWC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMWC to notify Docket Control, as compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require PMWC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.

6. That the Commission require PMWC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
7. That the Commission require PMWC to use the depreciation rates recommended by Staff.
8. That the Commission require PMWC to seek other means of financing that do not include contributions.
9. That the Commission require PMWC's charge for minimum deposit be as per A.A.C. R14-2-403(B)(7).
10. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the Approval to Construct ("ATC") for phase 1 of for Golden Valley South project when received by the Company, but no later than 3 years after the effective date of the order granting this application.
11. That the Commission require PMWC to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.
12. That the Commission require PMWC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision in this matter.
13. That the Commission require PMWC to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a backflow prevention tariff within 30 days of the decision in this matter. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.
14. That the Commission require PMWC to provide an irrevocable letter of credit or a performance bond of \$2,500,000. The bond or letter of credit shall remain in place until further Order of the Commission, but at least until the Commission's decision on PMWC's first rate case. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond letter of credit shall be filed semi-annually on June 30th and December 31st covering the preceding six month period.
15. That the Commission require PMWC to finance at least 50-percent of its plant with equity.
16. That the Commission require PMWC to file with Docket Control, as a compliance in this docket, semi-annual reports on the status of all pending litigation against Mr. Rhodes and all the Utilities' affiliates. Such semi-annual report shall be filed within

60 days after the end of each calendar semi-annual period and shall continue until further Order of the Commission.

17. That the Commission require PMWC to notify the Commission within 15 days, as a compliance item, of any change in the ownership of the Water Company.
18. That the Commission require PMWC to file with Docket Control, as a compliance in this docket, a copy of Arizona Department of Water Resources (“ADWR”) Letter of Adequate Water Supply for each individual Subdivision in the requested area, when received by the Company, but no later than 15 days after receipt.

Staff further recommends that the Commission’s Decision granting the requested CC&N to PMWC be considered null and void, after due process, should PMWC fail to meet Conditions Nos. 3, 10, 11, 12, and 13, listed above within the time specified.

Water Service – Order Preliminary

Staff also recommends the Commission issue an Order Preliminary to PMWC for a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills within portions of Mohave County, Arizona, to provide water service, subject to compliance with the following conditions:

1. That conditions to approval of water service CC&N are hereby incorporated by reference and apply equally to the issuance to the Order Preliminary.
2. That the Commission require PMWC to file with Docket Control, as a compliance item, an amended legal description for The Villages at White Hills CC&N area including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting the Order Preliminary.
3. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 for The Villages at White Hills project when received by the Water Company, but no later than 3 years after the effective date of the order granting the Order Preliminary.
4. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the ADWR Analysis of Adequate Water Supply demonstrating the availability of adequate water for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills when received by PMWC, but no later than 3 years after the effective date of the order granting the Order Preliminary.
5. That the Commission require PMWC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
6. That after PMWC complies with above requirements 2, 3, 4, and 5. PMWC shall make a filing stating so. Within 60 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as

possible after Staff's filing that confirms PMWC's compliance with items 2, 3, 4, and 5.

Wastewater Service – CC&N

Staff recommends the Commission approve PMUC's application for a CC&N for Phases 1, 2, 3, 7 and part of Phase 4 for Golden Valley South within portions of Mohave County, Arizona, to provide wastewater service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMUC's property devoted to wastewater service is \$2,581,198.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule REL-5-Rate Design in the Rate Analyst Report, attached to the November 10, 2005 Staff Report. In addition to collection of its regular rates, PMUC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMUC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMUC to notify Docket Control, as compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require PMUC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require PMUC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require PMUC to use the depreciation rates recommended by Staff.
8. That the Commission require PMUC to seek other means of financing that do not include contributions.
9. That the Commission require PMUC's charge for minimum deposit be as per A.A.C. R14-2-603(B)(7) and (8).
10. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 for Golden Valley South project when received by PMUC, but no later than 3 years after the effective date of the order granting this application.
11. That the Commission require PMUC to file with Docket Control, as a compliance item, a copy of APP for the Golden Valley South project when received by PMUC, but no later than 3 years after a decision is issued in this proceeding.

12. That the Commission require PMUC to obtain Section 208 approval from Arizona Department of Environmental Quality (“ADEQ”) within 3 years from the effective date of the decision in this matter and file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating the Section 208 approval for the Golden Valley South project when received by PMUC, but no later than 3 years from the effective date of the decision in this matter.
13. That the Commission require PMUC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision in this matter.
14. That the Commission require PMUC to provide an irrevocable letter of credit or a performance bond of \$2,500,000. The bond or letter of credit shall remain in place until further Order of the Commission, but at least until the Commission’s decision on PMUC’s first rate case. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond letter of credit shall be filed semi-annually on June 30th and December 31st covering the preceding six month period.
15. That the Commission require PMUC to finance at least 50-percent of its plant with equity.
16. That the Commission require PMUC to file with Docket Control, as a compliance item in this docket, semi-annual reports on the status of all pending litigation against Mr. Rhodes and all the Utilities’ affiliates. Such semi-annual report shall be filed within 60 days after the end of each calendar semi-annual period and shall continue until further Order of the Commission.
17. That the Commission require PMUC to notify the Commission within 15 days, as a compliance item, of any change in the ownership of the Wastewater Company.

Staff further recommends that the Commission’s Decision granting the requested CC&N to PMUC be considered null and void, after due process, should PMUC fail to meet the Conditions Nos. 3, 10, 11, 12, and 13, listed above within the time specified.

Wastewater Service – Order Preliminary

Staff also recommends the Commission issue an Order Preliminary to PMUC for a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills within portions of Mohave County, Arizona, as amended, to provide wastewater service, subject to compliance with the following conditions:

1. That conditions to approval of wastewater service CC&N are hereby incorporated by reference and apply equally to the issuance to the Order Preliminary.
2. That the Commission require PMUC to file with Docket Control, as a compliance item, an amended legal description for The Villages at White Hills CC&N area

including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting the Order Preliminary.

3. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 for The Villages at White Hills project when received by PMUC, but no later than 3 years after the effective date of the order granting the Order Preliminary.
4. That the Commission require PMUC to file with Docket Control, as a compliance item, a copy of APP for The Villages at White Hills project within 3 years from the effective date of the order granting the Order Preliminary.
5. That the Commission require PMUC to obtain Section 208 approval from ADEQ within 3 years from the effective date of the decision in this matter and file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating the Section 208 approval for The Villages at White Hills project within 3 years from the effective date of the decision granting the Order Preliminary.
6. That the Commission require PMUC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
7. That the Water Company be granted a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills.
8. That after PMUC complies with above requirements 2, 3 4, 5, and 6, and 7 transpires PMUC shall make a filing stating so. Within 60 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms PMUC's compliance with items 2, 3, 4, 5, and 6, and 7 has transpired.

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Introduction

On July 7, 2005, Perkins Mountain Utility Company (“PMUC” or “Wastewater Company”) and Perkins Mountain Water Company (“PMWC” or “Water Company”) collectively referred to as (“The Utilities”) filed applications with the Arizona Corporation Commission (“ACC” or “Commission”) for Certificates of Convenience and Necessity (“CC&N”) to provide wastewater and water services in portions of Mohave County, Arizona. On September 14, 2005, the Utilities filed an amendment to the applications to include a revised legal description.

On November 10, 2005, Utilities Division Staff (“Staff”) filed its Staff Report in the docket.

On December 5, 2005, a hearing was convened.

On March 31, 2006, the Water Company filed a second Amendment to its Application for a CC&N. The second Amendment requested a CC&N for a portion of the service area originally requested and an Order Preliminary for the remainder of the service area originally requested.

Background

PMUC and PMWC are Nevada Corporations, in good standing with the ACC Corporations Division, formed to provide wastewater and water utility services to all of the residents and businesses in the Golden Valley South and The Villages at White Hills master-planned communities, seeking CC&Ns for these areas.

Golden Valley South is a master planned community which includes an active retiree community with an 18-hole golf course, an interconnected community for all age groups, an industrial/business park area and community commercial areas. Golden Valley South is nine square-miles (approximately 5,750 acres) and is located approximately five miles southwest of Kingman, Arizona. The development is expected to be comprised of more than 33,000 dwelling units at build-out.

The Villages at White Hills is planned as a self-contained community to provide affordable homes for commuters to the Las Vegas metropolitan area. The development is four and one half square-miles (approximately 2,700 acres) and is located approximately 40 miles northwest of Kingman. The Villages at White Hills is expected to serve both residents and travelers and be comprised of more than 20,000 dwelling units.

Rhodes Home Arizona, LLC (“Rhodes Homes”) is the developer for Golden Valley South and The Villages at White Hills.

Second Amendment to the Application

On March 31, 2006, the Water Company filed a second Amendment to its Application for a CC&N. In this Amendment, PMWC revised its Golden Valley South plans by removing Phases 5, 6 and part of Phase 4 from the original CC&N area application. PMWC requests a CC&N for only Phases 1, 2, 3, 7 and part of Phase 4 for Golden Valley South (6-1/8 square-miles). In addition, PMWC requests an Order Preliminary to a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills.

The Proposed Wastewater System

Using a 20-year planning period, for Golden Valley South, PMUC is proposing to construct an 8.0 million gallon per day (“MGD”) activated sludge wastewater treatment plant (“WWTP”) and approximately 100,000 lineal feet of collection system at a total projected cost of \$53.1 million. PMUC is projecting to serve 152 customers in the first year and 2,042 customers by the fifth year. A reclaimed water system is also being proposed that will consist of pump station/storage sites and 58,000 lineal feet of force mains for beneficial use at an estimated cost of \$9.9 million for irrigation of large landscaped areas or golf course if ultimately included in the land use plan.

Using a 20-year planning period, for The Villages at White Hills, PMUC is proposing to construct a 6.0 MGD activated sludge WWTP and approximately 41,000 lineal feet of collection system at a total projected costs of \$48.1 million. PMUC is projecting to serve zero customers in the first year and 1,025 customers by the fifth year. A reclaimed water system is also being proposed that will consist of pump station/storage sites and 25,000 lineal feet of force mains for beneficial use for irrigation of large landscaped areas or golf course if ultimately included in the land use plan.

The Wastewater Company has not received its Arizona Department of Environmental Quality (“ADEQ”) Certificate of Approval to Construct (“ATC”) for construction of the facilities. Staff recommends that the Wastewater Company file with Docket Control copies of the ATC for Phase 1 of each project when received by the Company, but no later than 3 years after the effective date of the order granting this application.

Staff also recommends that PMUC file with Docket Control copies of the APP and Section 208 Plan Amendment for each project within 3 years after a decision is issued in this proceeding

The Proposed Water System

Using a 20-year planning period, for Golden Valley South, PMWC is proposing to construct 15 wells (each producing at 1,200 gallons per minute (“GPM”)), 10 million gallons of storage (three sites minimum), booster systems, and approximately 133,000 lineal feet of

transmission/distribution main at a total cost of \$41.4 million. PMWC is projecting to serve 150 customers in the first year and 2,040 customers by the fifth year.

Using a 20-year planning period, for The Villages at White Hills, PMWC is proposing to construct 25 wells (each producing at 500 GPM), five tank/pumping sites (tanks ranging from 0.3 MG to 3.0 MG) and approximately 56,000 lineal feet of transmission/distribution main at a total cost of \$28.6 million. PMWC is projecting to serve zero customers in the first year and 1,025 customers by the fifth year.

The Water Company has not received its ADEQ Certificate of Approval to Construct for construction of the facilities. However, Rhodes Homes Arizona, L.L.C, the developer, has been issued ATCs for a transmission water line (March 30, 2006), 1.0 million gallon storage tank (April 27, 2006) and well (April 28, 2006). The well is known as Golden Valley Ranch Well No. 1 ("Well GV No. 1"). All these planned facilities are located outside the northern boundary of the requested CC&N area. At the appropriate time, the developer will convey these utility infrastructures to the water provider.

The arsenic levels for the Golden Valley Ranch Well No. 1 is at 7.8 parts per billion ("ppb") and Well No. 2 (under design) is at 7.2 ppb and meet the new arsenic standard. The Villages at White Hills developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL for The Villages at White Hills development, the ATC will resolve this issue.

Staff recommends that the Water Company file with Docket Control copies of the ATC for Phase 1 for each project when received by the Water Company, but no later than 3 years after the effective date of the final decision in this case.

Water Adequacy

The Water Company will not be located in an Active Management Area ("AMA") and will not be subject to any AMA reporting and conservation requirements.

On October 19, 2005, Arizona Department of Water Resources ("ADWR") issued an Analysis of Adequate Water Supply letter finding that 9,000 acre-feet per year of groundwater was physically available for Golden Valley South. This 9,000 acre-feet is less than the Water Company's initial projected build-out demands for all seven phases of the development of 15,911 acre-feet per year for approximately 33,200 dwelling units.

Based on the ADWR letter, the Water Company filed an amendment to its CC&N application. PMWC has amended its request for a CC&N to limit the CC&N area to that portion of Golden Valley South that can be served with the 9,000 acre-feet per year that ADWR has determined is currently physically available. The Water Company is now requesting a CC&N to serve approximately 24,100 dwelling units with 8,735 acre-feet per year of groundwater. In addition, the Water Company seeks an Order Preliminary to a CC&N for the remainder of the

Golden Valley South with the issuance of the CC&N for those areas at such time as the Developer obtains an Analysis of Adequate Water Supply from ADWR and submits such evidence to the Commission.

On August 14, 2006, ADWR issued an Analysis of Adequate Water Supply letter finding that an additional 2,895.69 acre-feet per year of treated effluent will be physically available at build-out. This 2,895.69 acre-feet, along with the 9,000 acre-feet, totals to 11,895.69 acre-feet per year, which is less than PMWC's projected build-out demands for the Golden Valley South development (including system losses) of 12,196.11 acre-feet per year.

The Villages at White Hills is projected for approximately 20,000 dwelling units with the Analysis of Adequate Water Supply determination pending with ADWR. PMWC seeks an Order Preliminary to a CC&N with the issuance of the CC&N for those areas at such time as the Developer obtains an Analysis of Adequate Water Supply from ADWR and submits such evidence to the Commission.

Staff recommends that PMWC file with Docket Control the ADWR Analysis of Adequate Water Supply demonstrating the availability of adequate water for the requested Order Preliminary areas within 3 years after the effective date of the decision in this case.

Staff further recommends that PMWC file with Docket Control, as a compliance in this docket, a copy of the ADWR Letter of Adequate Water Supply for each individual Subdivision in Golden Valley South and in The Villages at White Hills developments, when received by the Company, but no later than 30 days of the receipt.

Field Inspection of Golden Valley South Development

On September 21, 2006, Staff, accompanied by ADEQ employees (Karen Berry and Andy Wilson) conducted a field inspection of PMWC and the Rhodes Homes Arizona, LLC construction sites for the Golden Valley South development. The purpose of this inspection was to determine the status of construction activity. Staff noted that all water system construction activities (transmission water line, storage tank, and Well GV No. 1) have been issued ADEQ Certificates of Approval to Construct and are located outside the requested CC&N area. No water system plant facilities had been installed or constructed within the requested CC&N area.

The status of the construction activities as of the date of the field inspection are contained in Attachment C.

Aquifer Study

There are three groundwater basins or aquifers in Mohave County, Arizona, namely: the Detrital Valley, Sacramento Valley, and Hualapai Valley. (See Attachment F, a map of the basins). According to the Utilities' Response to Staff's Data Requests, the Golden Valley South

development will withdraw groundwater entirely from the Sacramento Valley Basin, while The Villages at White Hills will withdraw groundwater entirely from the Detrital Valley Basin.

Staff contacted the United States Geological Survey (“USGS”), Arizona Geological Survey (“AGS”), and ADWR inquiring if any groundwater aquifer studies have been conducted for Mohave County. All three indicated no studies were conducted. However, ADWR indicated that in conjunction with USGS, it has initiated studies in the northern Mohave County area and the final report is expected to be completed by the end of 2008.

Competing Water Projects

In response to Staff’s Data Request, the Mohave County Planning and Zoning Department (“MCPZD”) provided a list of proposed subdivisions in Mohave County. Some of the subdivisions, such as the Sterling and The Ranch at White Hills, are massive in size and will withdraw water from the same aquifers as The Villages at White Hills and the Golden Valley South developments. (See MCPZD’s response to Staff’s Data Request filed in the docket on March 29, 2006, for a list of the proposed subdivisions.) Sterling and The Ranch at White Hills will withdraw water from the Sacramento Valley Basin and the Detrital Valley Basin, respectively.

Valley Pioneers Water Company, during a discussion with Staff in May 2006, regarding its Application for a CC&N extension in Docket No. W-02033A-06-0262, informed Staff that Mineral Park Mine, one of its customers, is proposing to expand its operations and wants to triple its water usage to 6,500 acre-feet per year. According to Valley Pioneers Water Company’s response to Staff Insufficiency Letter, Valley Pioneers Water Company pumps water from the Sacramento Valley Aquifer.

Ownership Structure

In connection with the issuance of additional discovery requests related to determining if the Water Company has an adequate water supply to serve the proposed CC&N area, the ownership of the Utilities was changed from Mr. James Rhodes to a wholly-owned subsidiary of Mr. Rhodes, Rhodes Homes Arizona, LLC.

On July 3, 2006, Mr. Rhodes executed a Stock Transfer Agreement which transferred all of the shares of the Utilities to Rhodes Homes Arizona, LLC which is 100 percent owned by The Rhodes Companies, LLC (“Rhodes Companies”), which is in turn 100 percent owned by Sagebrush Enterprises, Inc. (“Sagebrush”). Sagebrush is 100 percent owned by Mr. Rhodes. Thus, the ultimate parent of the Utilities remains Mr. Rhodes. See Schedule LAJ-1 of Attachment D for an ownership diagram for a portion of companies in which Mr. Rhodes has an ownership interest.

Staff’s review of some of the affiliates’ financial records which were provided under a protective agreement, resulted in the following conclusions:

1. Sagebrush has substantial assets and received an unqualified opinion from its external auditors for the year ended December 31, 2005. Sagebrush had substantial net income for the years 2004 and 2005.
2. Rhodes Companies has received Corporate Family rating of B1 by Moody's Investors Service ("Moody's"). See Exhibit A of Attachment D. The Rhodes Companies also received debt ratings from Moody's of Ba3 (investment grade) for \$450 million five-year senior secured first lien term loan, and B1 (below investment grade) \$150 million six-year senior secured second lien term loan.
3. As of June 30, 2006, Rhodes Homes was generating profits and had assets equal to approximately 4.4 percent of the total assets of Sagebrush.

These conclusions are based upon the audited balance sheet and income statement for Sagebrush for 2004 and 2005, a Moody's Investor Services press release for the Rhodes Companies, LLC and the unaudited balance sheets and income statements for Rhodes Homes Arizona, LLC for the periods ending December 31, 2005 and June 30, 2006.

Although the bond ratings of the affiliates could be stronger, the fact that the Utilities will be affiliated with entities which are large enough to receive bond ratings is somewhat reassuring. Most new water and wastewater utilities are affiliated with developers who have far less financial backing.

Based on the information provided by the Utilities, Staff has reevaluated its prior recommendations made in its initial November 10, 2005 Staff Report. Although the balance sheets illustrated on Schedules REL-1 for water and REL-1 for wastewater attached to the November 10, 2005 Staff Report show the infusion of paid-in-capital into the Utilities in place of the funds which would be generated by the requested hook-up fee, Staff did not specifically address or recommend capital structures for the proposed utilities. It is Staff's practice to recommend, and the Commission has adopted, specific capital structures for new utilities. To further ensure that the Utilities invest the paid-in-capital shown in the November 10, 2005 Staff Report, Staff recommends that the Commission require the Utilities to finance at least 50-percent of its plant with equity. This will ensure that the Utilities are substantially financed by the owner, and that the owner has a significant investment at risk. Staff believes this recommendation, in this and other cases involving new CC&Ns, motivates the utility owners to protect their investment by applying proper maintenance and installing quality plant, furthering the public interest.

Fit and Proper

The ACC is required by the Arizona Statutes § 40-281 et seq. to investigate all applicants for a CC&N and to issue a CC&N only upon a showing that the issuance to a particular applicant would serve the public interest. In determining whether or not the issuance of a CC&N to a

particular applicant is in the public interest, Staff considers whether the applicant is a fit and proper entity to own and operate a water and/or wastewater utility.

In response to Staff's Data Request, the Utilities submitted lists of litigation involving officers, directors, Rhodes Homes, the Utilities and/or their related entities. The litigation mentioned include, but are not limited to, alleged breach of contract, alleged construction defects, and illegal campaign contributions. Approximately 45 litigation items were mentioned on the lists. (See Attachment G for copies of judgments). Staff reserves the right to supplement its Staff Report with additional information.

During its review, Staff came upon numerous articles discussing commendable philanthropic efforts of Mr. Rhodes and/or affiliated entities as well as articles discussing questionable business practices of Mr. Rhodes and/or affiliated entities. Staff recognizes that news reports can be subjective in nature and generally are not conclusive on any point. However news reports may provide information, or raise issues which may lead to relevant information. It is Staff's intention to provide the Commission with relevant information. Therefore, Staff has attached for INFORMATIONAL PURPOSES ONLY articles which it found during its review. Staff is satisfied that the Commission will accord this information appropriate weight as it considers this matter. (See Attachment H for copies of the articles.)

Staff realizes that anyone who conducts business on the scale that Mr. Rhodes does is likely to encounter business disputes. In this case, it is the tenor and sheer number of the lawsuits that makes them unusual. Staff believes that the ultimate obligation of the Commission is to protect the public interest, to that end the imposition of reasonable conditions to ensure the Utilities are conducting their business operations in a manner which will not compromise the interests of its customers should be required.

In recent Commission Decisions,¹ performance bonds have been required for new CC&Ns where a substantial number of customer deposits or advances may be held by a regulated utility, the company has no prior experience in operating a water or wastewater facility, or where the financial strength of the entity could be in jeopardy due to inadequate funding, pending law suits, etc. Performance bonds or letters of credit provide the customers security in the event a new utility files for bankruptcy.

Based on the information provided in this docket and from Staff's review of other available materials regarding the Utilities and related affiliates, Staff concludes that:

- The Utilities have no prior operating experience,
- There is evidence of negative determinations or questionable business practices regarding Mr. Rhodes and/or affiliated entities, and
- The financial capability of its two immediate parent companies is not secure.

¹ Such as Decision Nos. 68235, 68236, 68237.

Therefore, Staff recommends that the Utilities provide a performance bond or irrevocable letter of credit which is adequate to secure the first four years of the estimated operating expenses.

Staff recommends that PMWC provide an irrevocable letter of credit or a performance bond of \$2,500,000. The bond or letter of credit shall remain in place until further Order of the Commission, but at least until the Commission's decision on PMWC's first rate case. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond letter of credit shall be filed semi-annually on June 30th and December 31st covering the preceding six month period.

Staff also recommends that PMUC provide an irrevocable letter of credit or a performance bond of \$2,500,000. The bond or letter of credit shall remain in place until further Order of the Commission, but at least until the Commission's decision on PMUC's first rate case. Proof of the performance bond letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond or letter of credit shall be filed semi-annually on June 30th and December 31st covering the preceding six month period.

As new utilities with no prior operating experience, Staff recommends that the Utilities be required to finance at least 50-percent of its plant with equity, to insure that the Utilities are substantially financed by the owner, and that the owner has a significant investment at risk.

Because of the tenor of the lawsuits involving affiliated individuals and entities related to the Utilities and the sheer number of lawsuits, in order to protect the Utilities' customers against potential detrimental impact that may occur as a result of a judgment against Mr. Rhodes and/or the Utilities' affiliates, Staff recommends that PMWC and PMUC file with Docket Control, as a compliance item in this docket, semi-annual reports, on the status of all pending litigation against Mr. Rhodes and all the Utilities' affiliates. Such semi-annual report shall be filed within 60 days after the end of each calendar semi-annual period and shall continue until further Order of the Commission.

Due to the sudden change in the ownership of the Utilities, from Mr. Rhodes to a wholly-owned subsidiary of Mr. Rhodes, Rhodes Homes Arizona, LLC, in connection with the issuance of additional discovery requests, Staff believes that the Utilities should be required to notify the Commission of any change in the ownership structure of the Utilities in the interest of the general public. Therefore, Staff recommends that the Utilities, as a compliance item in this docket, notify the Commission within 15 days of any change in the ownership of the Utilities.

Recommendations

Water Service – CC&N

Staff recommends the Commission approve PMWC's application for a CC&N for Phases 1, 2, 3, 7 and part of Phase 4 for Golden Valley South within portions of Mohave County, Arizona, to provide water service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMWC's property devoted to water service is \$2,406,039.
2. That the Commission approve Staff's rates as shown on Water Schedule REL-5-Rate Design in the Rate Analyst Report, attached to the November 10, 2005 Staff Report. In addition to collection of its regular rates, PMWC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMWC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMWC to notify Docket Control, as compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require PMWC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require PMWC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Water Utilities.
7. That the Commission require PMWC to use the depreciation rates recommended by Staff.
8. That the Commission require PMWC to seek other means of financing that do not include contributions.
9. That the Commission require PMWC's charge for minimum deposit be as per A.A.C. R14-2-403(B)(7).
10. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the Approval to Construct ("ATC") for phase 1 of for Golden Valley South project when received by the Company, but no later than 3 years after the effective date of the order granting this application.

11. That the Commission require PMWC to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a curtailment tariff within 90 days after the effective date of any decision and order pursuant to this application. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.
12. That the Commission require PMWC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision in this matter.
13. That the Commission require PMWC to file with Docket Control, as a compliance item, for review and approval by the Director of the Utilities Division, a backflow prevention tariff within 30 days of the decision in this matter. The tariff shall generally conform to the sample tariff found posted on the Commission's web site (www.cc.state.az.us/utility) or available upon request from Commission Staff.
14. That the Commission require PMWC to provide an irrevocable letter of credit or a performance bond of \$2,500,000. The bond or letter of credit shall remain in place until further Order of the Commission, but at least until the Commission's decision on PMWC's first rate case. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond letter of credit shall be filed semi-annually on June 30th and December 31st covering the preceding six month period.
15. That the Commission require PMWC to finance at least 50-percent of its plant with equity.
16. That the Commission require PMWC to file with Docket Control, as a compliance in this docket, semi-annual reports, on the status of all pending litigation against Mr. Rhodes and all the Utilities' affiliates. Such semi-annual report shall be filed within 60 days after the end of each calendar semi-annual period and shall continue until further Order of the Commission.
17. That the Commission require PMWC to notify the Commission within 15 days, as a compliance item, of any change in the ownership of the Water Company.
18. That the Commission require PMWC to file with Docket Control, as a compliance in this docket, a copy of Arizona Department of Water Resources ("ADWR") Letter of Adequate Water Supply for each individual Subdivision in the requested area, when received by the Company, but no later than 15 days after receipt.

Staff further recommends that the Commission's Decision granting the requested CC&N to PMWC be considered null and void, after due process, should PMWC fail to meet Conditions Nos. 3, 10, 11, 12, and 13, listed above within the time specified.

Water Service – Order Preliminary

Staff also recommends the Commission issue an Order Preliminary to PMWC for a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills within portions of Mohave County, Arizona, to provide water service, subject to compliance with the following conditions:

1. That conditions to approval of water service CC&N are hereby incorporated by reference and apply equally to the issuance to the Order Preliminary.
2. That the Commission require PMWC to file with Docket Control, as a compliance item, an amended legal description for The Villages at White Hills CC&N area including the entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting the Order Preliminary.
3. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 for The Villages at White Hills project when received by the Water Company, but no later than 3 years after the effective date of the order granting the Order Preliminary.
4. That the Commission require PMWC to file with Docket Control, as a compliance item, copies of the ADWR Analysis of Adequate Water Supply demonstrating the availability of adequate water for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills when received by PMWC, but no later than 3 years after the effective date of the order granting the Order Preliminary.
5. That the Commission require PMWC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
6. That after PMWC complies with above requirements 2, 3, 4, and 5. PMWC shall make a filing stating so. Within 60 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms PMWC's compliance with items 2, 3, 4, and 5.

Wastewater Service – CC&N

Staff recommends the Commission approve PMUC's application for a CC&N for Phases 1, 2, 3, 7 and part of Phase 4 for Golden Valley South within portions of Mohave County, Arizona, to provide wastewater service, subject to the following conditions:

1. That the Commission find that the fair value rate base of PMUC's property devoted to wastewater service is \$2,581,198.
2. That the Commission approve Staff's rates as shown on Wastewater Schedule REL-5-Rate Design in the Rate Analyst Report, attached to the November 10, 2005 Staff Report. In addition to collection of its regular rates, PMUC may collect from its customers a proportionate share of any privilege, sales or use tax.
3. That the Commission require PMUC to file with Docket Control, as a compliance item, a tariff consistent with the rates and charges authorized by the Commission within 30 days of the decision in this matter.
4. That the Commission require PMUC to notify Docket Control, as compliance item in this docket, within 15 days of providing service to its first customer.
5. That the Commission require PMUC to file a rate application no later than six-months following the fifth anniversary of the date it begins providing service to its first customer.
6. That the Commission require PMUC to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Wastewater Utilities.
7. That the Commission require PMUC to use the depreciation rates recommended by Staff.
8. That the Commission require PMUC to seek other means of financing that do not include contributions.
9. That the Commission require PMUC's charge for minimum deposit be as per A.A.C. R14-2-603(B)(7) and (8).
10. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 for Golden Valley South project when received by PMUC, but no later than 3 years after the effective date of the order granting this application.
11. That the Commission require PMUC to file with Docket Control, as a compliance item, a copy of APP for the Golden Valley South project when received by PMUC, but no later than 3 years after a decision is issued in this proceeding.
12. That the Commission require PMUC to obtain Section 208 approval from Arizona Department of Environmental Quality ("ADEQ") within 3 years from the effective date of the decision in this matter and file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating the Section 208 approval for the Golden Valley

South project when received by PMUC, but no later than 3 years from the effective date of the decision in this matter.

13. That the Commission require PMUC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision in this matter.
14. That the Commission require PMUC to provide an irrevocable letter of credit or a performance bond of \$2,500,000. The bond or letter of credit shall remain in place until further Order of the Commission, but at least until the Commission's decision on PMUC's first rate case. Proof of the performance bond or letter of credit shall be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, the proof of the performance bond letter of credit shall be filed semi-annually on June 30th and December 31st covering the preceding six month period.
15. That the Commission require PMUC to finance at least 50-percent of its plant with equity.
16. That the Commission require PMUC to file with Docket Control, as a compliance in this docket, semi-annual reports, on the status of all pending litigation against Mr. Rhodes and all the Utilities' affiliates. Such semi-annual report shall be filed within 60 days after the end of each calendar semi-annual period and shall continue until further Order of the Commission.
17. That the Commission require PMUC to notify the Commission within 15 days, as a compliance item, of any change in the ownership of the Wastewater Company.

Staff further recommends that the Commission's Decision granting the requested CC&N to PMUC be considered null and void, after due process, should PMUC fail to meet the Conditions Nos. 3, 10, 11, 12, and 13, listed above within the time specified.

Wastewater Service – Order Preliminary

Staff also recommends the Commission issue an Order Preliminary to PMUC for a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills within portions of Mohave County, Arizona, as amended, to provide wastewater service, subject to compliance with the following conditions:

1. That conditions to approval of wastewater service CC&N are hereby incorporated by reference and apply equally to the issuance to the Order Preliminary.
2. That the Commission require PMUC to file with Docket Control, as a compliance item, an amended legal description for The Villages at White Hills CC&N area including the

entire 440 acres of land that is owned by Sports Entertainment no later than 15 days after the effective date of the order granting the Order Preliminary.

3. That the Commission require PMUC to file with Docket Control, as a compliance item, copies of the ATC for phase 1 for The Villages at White Hills project when received by PMUC, but no later than 3 years after the effective date of the order granting the Order Preliminary.
4. That the Commission require PMUC to file with Docket Control, as a compliance item, a copy of APP for The Villages at White Hills project within 3 years from the effective date of the order granting the Order Preliminary.
5. That the Commission require PMUC to obtain Section 208 approval from ADEQ within 3 years from the effective date of the decision in this matter and file with Docket Control, as a compliance item in this docket, a Notice of Filing indicating the Section 208 approval for The Villages at White Hills project within 3 years from the effective date of the decision granting the Order Preliminary.
6. That the Commission require PMUC to file with Docket Control, as a compliance item in this docket, a copy of all related franchise agreements for the requested area within 3 years of the decision granting the Order Preliminary.
7. That the Water Company be granted a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills.
8. That after PMUC complies with above requirements 2, 3 4, 5, and 6, and 7 transpires PMUC shall make a filing stating so. Within 30 days of this filing, Staff shall file a response. The Commission should schedule this item for a vote to grant the CC&N as soon as possible after Staff's filing that confirms PMUC's compliance with items 2, 3, 4, 5, and 6, and 7 has transpired.

MEMORANDUM

DATE: December 13, 2006

TO: Blessing Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: **AMENDMENT TO THE APPLICATION FOR**
Perkins Mountain Water Company
Docket No. W-20380A-05-0490 (CC&N – Water)

Introduction

On March 31, 2006, Perkins Mountain Water Company (“Perkins Mtn. Water” or “Company”) submitted an amendment to its Certificate of Convenience and Necessity (“CC&N”) application to provide water service to two proposed master-planned communities in Mohave County. One requested area which would provide service to the Golden Valley South development (nine square-miles) is approximately five miles southwest of Kingman and the other requested area which would provide serve to The Villages at White Hills development (4-1/2 square-miles) is approximately 40 miles northwest of Kingman.

The Company revised its Golden Valley South plans by removing Phases 5, 6 and part of Phase 4 from the original CC&N area application. The Company now requests a CC&N for only Phases 1, 2, 3, 7 and part of Phase 4 for Golden Valley South (6-1/8 square-miles). In addition, the Company requests an order preliminary to a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills.

Company’s Proposed Water SystemsGolden Valley South

Using a 20-year planning period, the Company is proposing to construct 15 wells (each at 1,200 gallons per minute (“GPM”)), 10 million gallons of storage (three sites minimum), booster systems and approximately 133,000 lineal feet of transmission/distribution main at a total projected cost of \$41.4 million. The Company is projecting to serve 150 customers in the first year and 2,040 customers by the fifth year.

The Villages at White Hills

Using a 20-year planning period, the Company is proposing to construct 25 wells (each at 500 GPM), five tank/pumping sites (tanks ranging from 0.3 MG to 3.0 MG) and approximately 56,000 lineal feet of transmission/distribution main at a total projected cost of \$28.6 million. The Company is projecting to serve zero customers in the first year and 1,025 customers by the fifth year.

Cost Analysis

The Company submitted an estimated total plant-in-service spreadsheet for the first five years by the National Association of Regulatory Utility Commissioners ("NARUC") plant account which combined the two development projects (see attached Company's Schedule A-11):

| | |
|---------|--------------|
| Year 1: | \$4,812,375 |
| Year 2: | \$9,932,275 |
| Year 3: | \$11,980,317 |
| Year 4: | \$15,058,359 |
| Year 5: | \$19,424,751 |

Staff has reviewed the proposed total plant-in-service along with the Company's engineering reports and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. However, Rhodes Homes Arizona, the developer, has been issued ATCs for a transmission water line (March 30, 2006), 1.0 million gallon storage tank (April 27, 2006) and well (April 28, 2006). The well is known as Golden Valley Ranch Well #1. All these planned facilities are located outside the northern boundary of the requested CC&N area. At the appropriate time, the developer will convey these utility infrastructures to the water provider.

Staff recommends that the Company file with Docket Control copies of the ATC for Phase 1 when received by the Company, but no later than 3 years after the effective date of the decision in this case.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL was January 23, 2006.

The arsenic levels for the Golden Valley Ranch Well #1 is at 7.8 ppb and Well #2 (under design) is at 7.2 ppb. The Villages at White Hills developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL for The Villages at White Hills development, the ATC will resolve this issue.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Company will not be located in an Active Management Area ("AMA") and will not be subject to any AMA reporting and conservation requirements.

Golden Valley South – Adequate Water Supply

On October 19, 2005, ADWR issued an Analysis of Adequate Water Supply letter finding that 9,000 acre-feet per year of groundwater was available for Golden Valley South. This 9,000 acre-feet is less than the Company's initial projected build-out demands for all seven phases of the development of 15,911 acre-feet per year for approximately 33,200 dwelling units.

Based upon this ADWR letter, the Company has filed this amendment. The Company has amended its request for a CC&N to limit the CC&N area to that portion of Golden Valley South that can be served with the 9,000 acre-feet that ADWR has already determined is physically available. The Company is now requesting a CC&N to serve approximately 24,100 dwelling units with 8,735 acre-feet per year of groundwater. In addition, the Company seeks an order preliminary to a CC&N for the remainder of the Golden Valley South with the issuance of the CC&N for those areas at such time as the Developer obtains an analysis of adequate water supply from ADWR.

On August 14, 2006, ADWR issued an Analysis of Adequate Water Supply letter finding that an additional 2,895.69 acre-feet per year of treated effluent will be physically available at build-out. This 2,895.69 acre-feet, along with the 9,000 acre-feet, totals to 11,895.69 acre-feet per year, which is less than the Company's projected build out demands for the development (including system losses) of 12,196.11 acre-feet per year.

The Villages at White Hills – Adequate Water Supply

White Hills is projected to serve approximately 20,000 dwelling units with the analysis of adequate water supply determination pending with ADWR. The Company seeks an order preliminary to a CC&N with the issuance of the CC&N areas as the Developer obtains an analysis of adequate water supply from ADWR.

Staff recommends that the Company file with Docket Control the ADWR Analysis of Adequate Water Supply demonstrating the availability of adequate water for the requested Order Preliminary areas within 3 years after the effective date of the decision in this case.

Letter of Adequate Water Supply

Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Letter of Adequate Water Supply for each individual Subdivision in Golden Valley South and in The Villages at White Hills developments, when received by the Company, but no later than 15 days after receipt.

Aquifer Study

Staff contacted the United States Geological Survey (“USGS”), Arizona Geological Survey and ADWR inquiring if any groundwater aquifer studies have been conducted for Mohave County. All three indicated no studies were conducted. However, ADWR indicated that in conjunction with USGS, it has initiated studies in the northern Mohave County area and the final report is expected to be completed by the end of 2008.

Water Depreciation Rates

The Company has adopted Staff’s typical and customary Water Depreciation Rates. These rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in the attached Table A.

Summary

Conclusions

- A. Staff concludes that the Company’s proposed water systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the proposed plant facilities and cost are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.

- C. The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.
- D. Rhodes Homes Arizona, the developer, has been issued ATCs for a transmission water line (March 30, 2006), storage tank (April 27, 2006) and well (April 28, 2006). The well is known as Golden Valley Ranch Well #1. All these planned facilities are located outside the northern boundary of the requested CC&N area. At the appropriate time, the developer will convey these utility infrastructures to the water provider.
- E. The arsenic levels for the Golden Valley Ranch Well #1 is at 7.8 ppb and Well #2 (under design) is at 7.2 ppb and meet the new arsenic standard. The Villages at White Hills developments' well sources are unknown at this time. If the arsenic levels need to be lowered to meet the new MCL for The Villages at White Hills development, the ATC will resolve this issue.
- F. The Company will not be located in an AMA and will not be subject to any AMA reporting and conservation requirements.
- G. On October 19, 2005, ADWR issued an Analysis of Adequate Water Supply letter finding that 9,000 acre-feet per year of groundwater was available for Golden Valley South. The Company is requesting a CC&N to serve approximately 24,100 dwelling units with 8,735 acre-feet per year of groundwater.

On August 14, 2006, ADWR issued an Analysis of Adequate Water Supply letter finding that an additional 2,895.69 acre-feet per year of treated effluent will be physically available at build-out. This 2,895.69 acre-feet, along with the 9,000 acre-feet, totals to 11,895.69 acre-feet per year, which is less than the Company's projected build out demands for the development, including system losses, of 12,196.11 acre-feet per year.
- H. Staff contacted the United States Geological Survey ("USGS"), Arizona Geological Survey and ADWR inquiring if any groundwater aquifer studies have been conducted for Mohave County. All three indicated no studies were conducted. However, ADWR indicated that in conjunction with USGS, it has initiated studies in the northern Mohave County area and the final report is expected to be completed within four years.

Recommendations

1. Staff recommends that the Company use the water depreciation rates by individual NARUC category as delineated in the attached Table A.

2. Staff recommends that the Company file with Docket Control a copy of the ATC for Phase 1 for the Golden Valley South project when received by the Company, but no later than 3 years after the effective date of the decision in this case.
3. Staff recommends that the Company file with Docket Control, as a compliance in this docket, a copy of the ADWR Letter of Adequate Water Supply for each individual Subdivision in Golden Valley South and the Villages at White Hills, when received by the Company, but no later than 15 days after receipt.

The Company seeks an order preliminary to a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills. Staff recommends submission of the following before the CC&N is final:

For Golden Valley South:

4. Staff recommends that the Company file with Docket Control the ADWR Analysis of Adequate Water Supply demonstrating the availability of adequate water for the requested Order Preliminary areas within 3 years after the effective date of the decision in this case.

For The Villages at White Hills:

5. A copy of the ATC for Phase 1 for the The Villages at White Hills project when received by the Company, but no later than 3 years after the effective date of the Decision in this case.
6. Staff recommends that the Company file with Docket Control the ADWR Analysis of Adequate Water Supply demonstrating the availability of adequate water for the requested Order Preliminary areas within 3 years after the effective date of the decision in this case.

Table A. Water Depreciation Rates

| NARUC Account No. | Depreciable Plant | Average Service Life (Years) | Annual Accrual Rate (%) |
|----------------------|--------------------------------------|------------------------------------|-------------------------------|
| 304 | Structures & Improvements | 30 | 3.33 |
| 305 | Collecting & Impounding Reservoirs | 40 | 2.50 |
| 306 | Lake, River, Canal Intakes | 40 | 2.50 |
| 307 | Wells & Springs | 30 | 3.33 |
| 308 | Infiltration Galleries | 15 | 6.67 |
| 309 | Raw Water Supply Mains | 50 | 2.00 |
| 310 | Power Generation Equipment | 20 | 5.00 |
| 311 | Pumping Equipment | 8 | 12.5 |
| 320 | Water Treatment Equipment | | |
| 320.1 | Water Treatment Plants | 30 | 3.33 |
| 320.2 | Solution Chemical Feeders | 5 | 20.0 |
| 330 | Distribution Reservoirs & Standpipes | | |
| 330.1 | Storage Tanks | 45 | 2.22 |
| 330.2 | Pressure Tanks | 20 | 5.00 |
| 331 | Transmission & Distribution Mains | 50 | 2.00 |
| 333 | Services | 30 | 3.33 |
| 334 | Meters | 12 | 8.33 |
| 335 | Hydrants | 50 | 2.00 |
| 336 | Backflow Prevention Devices | 15 | 6.67 |
| 339 | Other Plant & Misc Equipment | 15 | 6.67 |
| 340 | Office Furniture & Equipment | 15 | 6.67 |
| 340.1 | Computers & Software | 5 | 20.00 |
| 341 | Transportation Equipment | 5 | 20.00 |
| 342 | Stores Equipment | 25 | 4.00 |
| 343 | Tools, Shop & Garage Equipment | 20 | 5.00 |
| 344 | Laboratory Equipment | 10 | 10.00 |
| 345 | Power Operated Equipment | 20 | 5.00 |
| 346 | Communication Equipment | 10 | 10.00 |
| 347 | Miscellaneous Equipment | 10 | 10.00 |
| | | | |

Perkins Mountain Water Company
 Plant Additions - Summary
 By NARUC Plant Account

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 301 Organization | \$ - | \$ - | \$ - | \$ - | \$ - |
| 302 Franchises | - | - | - | - | - |
| 303 Land and Land Rights | 130,000 | 130,000 | - | - | 15,000 |
| 304 Structures and Improvements | - | - | - | - | - |
| 305 Collecting and Impounding Reservoirs | - | - | - | - | - |
| 306 Lake, River and Other Intakes | - | - | - | - | - |
| 307 Wells and Springs | 800,000 | 600,000 | - | - | 300,000 |
| 308 Infiltration Galleries and Tunnels | - | - | - | - | - |
| 309 Supply Mains | - | - | - | - | - |
| 310 Power Generation Equipment | - | - | - | - | - |
| 311 Pumping Equipment | 800,000 | 600,000 | - | - | 300,000 |
| 320 Water Treatment Equipment | 40,000 | 540,000 | - | - | 520,000 |
| 330 Distribution Reservoirs and Standpipes | 700,000 | 700,000 | - | 825,000 | 825,000 |
| 331 Transmission and Distribution Mains | 2,139,975 | 2,251,600 | 1,597,542 | 1,719,942 | 1,783,692 |
| 333 Services | 68,700 | 109,200 | 153,500 | 182,300 | 197,300 |
| 334 Meters and Meter Installations | 30,000 | 77,400 | 141,000 | 166,000 | 198,600 |
| 335 Hydrants | 68,700 | 109,200 | 153,500 | 182,300 | 197,300 |
| 336 Backflow Prevention Devices | - | - | - | - | - |
| 339 Other Plant and Miscellaneous Equipment | - | - | - | - | - |
| 340 Office Furniture and Equipment | - | - | - | - | - |
| 340.1 Computers and Software | 2,500 | - | - | - | 2,500 |
| 341 Transportation Equipment | 22,000 | - | - | - | 24,000 |
| 342 Stores Equipment | - | - | - | - | - |
| 343 Tools, Shop and Garage Equipment | 10,000 | 2,500 | 2,500 | 2,500 | 2,500 |
| 344 Laboratory Equipment | - | - | - | - | - |
| 345 Power Operated Equipment | - | - | - | - | - |
| 346 Communications Equipment | 500 | - | - | - | 500 |
| 347 Miscellaneous Equipment | - | - | - | - | - |
| 348 Other Tangible Plant | - | - | - | - | - |
| Totals | \$ 4,812,375 | \$ 5,119,900 | \$ 2,048,042 | \$ 3,078,042 | \$ 4,366,392 |
| Projected CWIP | | | | | |
| CWIP Balance | \$ 1,023,980 | \$ 409,608 | \$ 615,608 | \$ 873,278 | \$ 360,000 |
| Change in CWIP Balance | \$ 1,023,980 | \$ (614,372) | \$ 206,000 | \$ 257,670 | \$ (513,278) |

MEMORANDUM

DATE: June 26, 2006

TO: Blessing Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. *MSJ*
Utilities Engineer

RE: **AMENDMENT TO APPLICATION FOR**
Perkins Mountain Utility Company
Docket No. SW-20379A-05-0489 (CC&N – Wastewater)

Introduction

On March 31, 2006, Perkins Mountain Utility Company (“Perkins Mtn. Utility” or “Company”) submitted an amendment to its Convenience and Necessity (“CC&N”) application to provide wastewater service to two proposed master-planned communities in Mohave County. One requested area which would provide service to the Golden Valley South development (nine square-miles) is approximately five miles southwest of Kingman and the other requested area which would provide service to The Villages at White Hills development (4-1/2 square-miles) is approximately 40 miles northwest of Kingman.

The Company revised its Golden Valley South plans by removing Phases 5, 6 and part of Phase 4 from the original CC&N area application. The Company now requests a CC&N for only Phases 1, 2, 3, 7 and part of Phase 4 for Golden Valley South (6-1/8 square-miles). In addition, the Company requests an order preliminary to a CC&N for Phases 5, 6 and the remaining portion of Phase 4 of Golden Valley South, and all of The Villages at White Hills.

Company’s Proposed Wastewater Systems

Golden Valley South

Using a 20-year planning period, the Company is proposing to construct an 8.0 million gallon per day (“MGD”) activated sludge wastewater treatment plant (“WWTP”) and approximately 100,000 lineal feet of collection system at a total projected costs of \$53.1 million. The Company is projecting to serve 152 customers in the first year and 2,042 customers by the fifth year. A reclaimed water system is also being proposed that will consist of pump station/storage sites and 58,000 lineal feet of force mains for beneficial

use at an estimated cost of \$9.9 million for irrigation of large landscaped areas or golf course if ultimately included in the land use plan.

The Villages at White Hills

Using a 20-year planning period, the Company is proposing to construct a 6.0 MGD activated sludge WWTP and approximately 41,000 lineal feet of collection system at a total projected costs of \$48.1 million. The Company is projecting to serve zero customers in the first year and 1,025 customers by the fifth year. A reclaimed water system is also being proposed that will consist of pump station/storage sites and 25,000 lineal feet of force mains for beneficial use at an estimated cost of \$5.6 million for irrigation of large landscaped areas or golf course if ultimately included in the land plan.

Cost Analysis

The Company submitted an estimated total plant-in-service spreadsheet for the first five years by the National Association of Regulatory Utility Commissioners ("NARUC") plant account which combined the two development projects (see attached Company's Schedule A-11):

| | |
|---------|--------------|
| Year 1: | \$4,548,325 |
| Year 2: | \$7,937,725 |
| Year 3: | \$9,541,950 |
| Year 4: | \$16,915,025 |
| Year 5: | \$19,024,350 |

Staff has reviewed the proposed total plant-in-service along with the Company's engineering reports and found the plant facilities and cost to be reasonable and appropriate. However, approval of this CC&N application does not imply any particular future treatment for determining the rate base. No "used and useful" determination of the proposed plant-in-service was made, and no conclusions should be inferred for rate making or rate base purposes in the future.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Approval to Construct

The Company has not received its ADEQ Certificate of Approval to Construct ("ATC") for construction of the facilities. Staff recommends that the Company file with Docket

Control copies of the ATC for Phase 1 when received by the Company, but no later than 3 years after the effective date of the order granting this application.

Aquifer Protection Permit and Section 208 Plan Amendment

Since an Aquifer Protection Permit ("APP") and the Section 208 Plan Amendment ("Amendment") represent fundamental authority for the designation of a wastewater service area and a wastewater provider, Staff recommends that the Company file with Docket Control copies of the APP and Section 208 Plan Amendment within 3 years after a decision is issued in this proceeding

Wastewater Depreciation Rates

The Company has adopted Staff's typical and customary Wastewater Depreciation Rates. These rates are presented in Table A and it is recommended that the Company use these depreciation rates by individual NARUC category as delineated in the attached Table A.

Summary

Conclusions

- A. Staff concludes that the Company's proposed wastewater systems will have adequate infrastructure to serve the requested areas.
- B. Staff concludes that the proposed plant facilities and cost are reasonable and appropriate. However, no "used and useful" determination of this plant-in-service was made, and no particular future treatment should be inferred for rate making or rate base purposes in the future.
- C. The Company does not have any plant facilities at this time; therefore, an ADEQ compliance status is not applicable at this time.

Recommendations

- 1. Staff recommends that the Company file with Docket Control as a compliance item in this docket, copies of the ATC for Phase 1 for the Golden Valley South project and Phase 1 for The Villages at White Hills project when received by the Company, but no later than 3 years after the effective date of the order granting this application.
- 2. Staff recommends that the Company file with Docket Control a Notices of Filing indicating approval of both the Golden Valley South and The Villages at White Hills APP and Section 208 Plan Amendment within 3 years after a decision is issued in this proceeding.

3. Staff recommends that the Company use the wastewater depreciation rates by individual NARUC category as delineated in the attached Table A.

Table A. Wastewater Depreciation Rates

| NARUC Acct. No. | Depreciable Plant | Average Service Life (Years) | Annual Accrual Rate (%) |
|--------------------|--|------------------------------------|-------------------------------|
| 354 | Structures & Improvements | 30 | 3.33 |
| 355 | Power Generation Equipment | 20 | 5.00 |
| 360 | Collection Sewers – Force | 50 | 2.0 |
| 361 | Collection Sewers- Gravity | 50 | 2.0 |
| 362 | Special Collecting Structures | 50 | 2.0 |
| 363 | Services to Customers | 50 | 2.0 |
| 364 | Flow Measuring Devices | 10 | 10.0 |
| 365 | Flow Measuring Installations | 10 | 10.00 |
| 366 | Reuse Services | 50 | 2.00 |
| 367 | Reuse Meters & Meter Installations | 12 | 8.33 |
| 370 | Receiving Wells | 30 | 3.33 |
| 371 | Pumping Equipment | 8 | 12.50 |
| 374 | Reuse Distribution Reservoirs | 40 | 2.50 |
| 375 | Reuse Transmission & Distribution System | 40 | 2.50 |
| 380 | Treatment & Disposal Equipment | 20 | 5.0 |
| 381 | Plant Sewers | 20 | 5.0 |
| 382 | Outfall Sewer Lines | 30 | 3.33 |
| 389 | Other Plant & Miscellaneous Equipment | 15 | 6.67 |
| 390 | Office Furniture & Equipment | 15 | 6.67 |
| 390.1 | Computers & Software | 5 | 20.0 |
| 391 | Transportation Equipment | 5 | 20.0 |
| 392 | Stores Equipment | 25 | 4.0 |
| 393 | Tools, Shop & Garage Equipment | 20 | 5.0 |
| 394 | Laboratory Equipment | 10 | 10.0 |
| 395 | Power Operated Equipment | 20 | 5.0 |
| 396 | Communication Equipment | 10 | 10.0 |
| 397 | Miscellaneous Equipment | 10 | 10.0 |
| | | | |

Perkins Mountain Utility Company
 Plant Additions - Summary
 By NARUC Plant Account

Schedule A-11
 Page 1

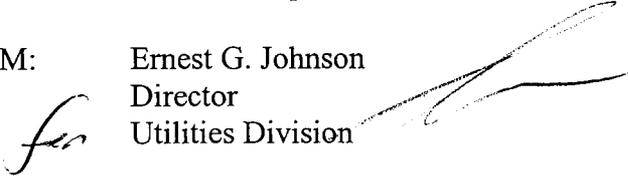
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|--------------|--------------|--------------|--------------|--------------|
| 351 Organization | \$ - | \$ - | \$ - | \$ - | \$ - |
| 352 Franchises | - | - | - | - | - |
| 353 Land and Land Rights | - | 225,000 | - | 300,000 | - |
| 354 Structures and Improvements | - | - | - | 250,000 | - |
| 355 Power Generation Equipment | 50,000 | 50,000 | - | 100,000 | 100,000 |
| 360 Collection Sewers - Force Mains | - | - | - | - | - |
| 361 Collection Sewers - Gravity Mains | 1,228,225 | 1,796,700 | 1,448,225 | 1,585,025 | 1,656,275 |
| 362 Special Collecting Structures | - | - | - | - | - |
| 363 Services to Customers | 69,100 | 109,200 | 153,500 | 182,300 | 197,300 |
| 364 Flow Measuring Devices | - | - | - | - | - |
| 365 Flow Measuring Installations | - | - | - | - | - |
| 366 Reuse Services | 2,000 | - | - | - | - |
| 367 Reuse Meters and Meter Installations | 4,000 | - | - | - | - |
| 370 Receiving Wells | - | - | - | - | - |
| 371 Pumping Equipment | 650,000 | - | - | 400,000 | - |
| 374 Reuse Distribution Reservoirs | - | - | - | - | - |
| 375 Reuse Transmission and Distribution Sys. | 550,000 | 256,000 | - | 128,250 | 128,250 |
| 380 Treatment and Disposal Equipment | 1,950,000 | 950,000 | - | 4,125,000 | - |
| 381 Plant Sewers | - | - | - | 25,000 | 25,000 |
| 382 Outfall Sewer Lines | - | - | - | 250,000 | - |
| 389 Other Plant and Miscellaneous Equipment | - | - | - | - | - |
| 390 Office Furniture and Equipment | 5,000 | - | - | - | - |
| 390.1 Computers and Software | 2,500 | - | - | 2,500 | - |
| 391 Transportation Equipment | 22,000 | - | - | 22,000 | - |
| 392 Stores Equipment | - | - | - | - | - |
| 393 Tools, Shop and Garage Equipment | 10,000 | 2,500 | 2,500 | 2,500 | 2,500 |
| 394 Laboratory Equipment | 5,000 | - | - | - | - |
| 395 Power Operated Equipment | - | - | - | - | - |
| 396 Communications Equipment | 500 | - | - | 500 | - |
| 397 Miscellaneous Equipment | - | - | - | - | - |
| 398 Other Tangible Plant | - | - | - | - | - |
| Totals | \$ 4,548,325 | \$ 3,389,400 | \$ 1,604,225 | \$ 7,373,075 | \$ 2,109,325 |

Projected CWIP

| | | | | | |
|------------------------|------------|--------------|--------------|----------------|-------------|
| CWIP Balance | \$ 677,880 | \$ 320,845 | \$ 1,474,615 | \$ 421,865 | \$ 400,000 |
| Change in CWIP Balance | \$ 677,880 | \$ (357,035) | \$ 1,153,770 | \$ (1,052,750) | \$ (21,865) |

MEMORANDUM

TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
Director
Utilities Division 

DATE: December 15, 2006

RE: **REVISED - STAFF FIELD INSPECTION OF GOLDEN VALLEY RANCH DEVELOPMENT** – Perkins Mountain Water Company
Docket No. W-20380A-05-0490 (CC&N – Water) and Perkins Mountain Utility Company, Docket No. SW-20379A-05-0489 (CC&N – Wastewater)

This Staff Field Inspection Report replaces the one docketed on October 12, 2006.

Introduction

On September 21, 2006, Staff conducted a field inspection of Perkins Mountain Water Company (“Perkins Mtn. Water” or “Company”) and the Rhodes Homes Arizona construction sites for the Golden Valley Ranch development. The purpose of this inspection was to determine the status of construction activity. This inspection team consisted of Staff members; Marlin Scott, Jr., Engineering, and Brad Morton, Consumer Service, accompanied by ADEQ members; Andy Wilson, Environmental Engineering Specialist, and Karen Berry, Drinking Water Field Inspector, and Rhodes Homes representatives; Kirk Brynjulson, Vice President of Operations, and Christopher Stephens, Executive Vice President.

Arizona Department of Environmental Quality (“ADEQ”) Permits

Approval To Construct

Rhodes Homes Arizona, the developer, has been issued the Certificates of Approval To Construct for, 1) a transmission water line (issued March 30, 2006), 2) a 1.0 million gallon storage tank (issued April 27, 2006) and 3) Well #1 (issued April 28, 2006). The well is known as Golden Valley Ranch Well #1 (“Well GV#1”). All these facilities are located outside the northern boundary of the requested CC&N area.

Status of Construction

1. Transmission Water Line: Approximately 25,150 feet of transmission main have been installed from the northern boundary of the requested CC&N area, northerly to a proposed Well Site #2 (“Well GV #2”) and the above mentioned storage tank site.
2. 1.0 Million Gallon (“MG”) Storage Tank Site: This tank site is approximately 2-1/2 miles north of the requested CC&N area. Construction is under way for the tank site grading, padding and piping installation. Three 1.0 MG storage tanks are proposed for this site with the one 1.0 MG tank approved for construction at this time.
3. Well GV #1: This well site is located approximately 1/2-mile north of the requested CC&N area. The well is constructed with a 16-inch casing that is 1,100 feet deep and equipped with a 700 Horsepower turbine pump that pumps 1,700 GPM into a 100 feet by 100 feet holding pond (“Pond #1”). A portable pump then pumps water from the pond using an above-ground pump line to deliver the water to the Aztec Ball Park and to two other holding ponds (Pond #2 and #3) located within the requested CC&N area. Water pumped from Pond #1 is delivered into the southern section of the Transmission Water Line and transported approximately 1/2-mile to the northern boundary of the requested CC&N area and is then connected to another above-ground pump line/portable pump that delivers water to Pond #2 and #3 located in the requested CC&N area.
4. Well GV #2: This well is located approximately two miles north of the requested CC&N area and one mile west of the tank site. The well is also constructed with a 16-inch casing to a depth of 1,100 feet. This well is capped and surrounded by 100 feet by 100 feet of chain link fencing.

Other Plant Facilities and Construction Activity

5. Well GV #4: This well is located approximately in the center of the requested CC&N area. The well is constructed with a 16-inch casing to a depth of 980 feet and is capped.
6. Well GV #3: This well is located approximately two miles southwest of GV #4 and is outside the requested CC&N area. The well is also constructed with a 16-inch casing to a depth of 980 feet and is capped.
7. Construction within the Requested CC&N Area: Earth moving operations are currently taking place. Heavy equipment was grading the topography for preparation of subdivisions and a golf course. Two holding ponds are on site that store water pumped from GV #1 and used for dust suppression, compaction and watering of palm trees.

8. Designer Homes: Two sets of designer homes have been constructed. The first set, consisting of two homes, is located approximately 1/2-mile north of the requested CC&N area and adjacent to the Aztec Ball Park. The second set, also consisting of two homes, is located approximately 3/4-mile north of the requested CC&N area. All four homes are being served by hauled water and portable toilets.

The designer homes are maintained by "Reservationists", not sales people. The Reservationists advised Staff that 750 reservations had been placed as of September 21, 2006. Each reservation requires a \$2,000 deposit be paid to hold the property.

Summary

All water system construction activities have been issued ADEQ Certificates of Approval To Construct and are located outside the requested CC&N area.

No water system plant facilities have been installed or constructed within the requested CC&N area.

EGJ:MSJ:mfs

Originator: Marlin Scott, Jr.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III

FROM: Linda A. Jaress *LAJ*
Executive Consultant III
Utilities Division

DATE: December 15, 2006

RE: ADDENDUM TO STAFF REPORT FOR PERKINS MOUNTAIN WATER COMPANY AND PERKINS MOUNTAIN UTILITY COMPANY – APPLICATIONS FOR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WATER AND WASTEWATER SERVICE (DOCKET NOS. W-20380A-05-0490 AND SW-20379A-05-0489)

Introduction

This Staff Report amends the report of Public Utilities Analyst Ronald E. Ludders which was attached to the Staff Report on this matter filed on November 10, 2005. It provides further information on the ownership of Perkins Mountain Water Company (“Perkins Water”) and Perkins Mountain Utility Company (“Perkins Wastewater”) (collectively, “the Companies”) and adds a Staff recommendation.

Ownership Structure

To assure the entity which requests a Certificate of Convenience and Necessity (CC&N”) is fit and proper to provide utility service, the Staff of the Arizona Corporation Commission (“the Commission”) often looks to the experience and financial capacity of the owner. A recent change in the ownership of the Companies came to the Commission’s and Staff’s attention causing Staff to request relevant information about the existence of affiliates, and the affiliates’ financial health as it relates to the Companies.

On July 3, 2006, Mr. James Rhodes, who owned the Companies, executed a Stock Transfer Agreement which transferred all of the shares of the Companies to Rhodes Homes Arizona, LLC which is 100 percent owned by the Rhodes Companies, LLC. The Rhodes Companies, LLC is, in turn, 100-percent owned by Sagebrush Enterprises, Inc. (“Sagebrush”). Sagebrush is a corporation and 100-percent owned by Mr. Rhodes. Thus, the ultimate parent of Perkins Water and Perkins Wastewater remains Mr. Rhodes. See Schedule LAJ-1 for an ownership diagram for a portion of the affiliated companies in which Mr. Rhodes holds an ownership interest.

Staff's review of some of the affiliates' financial records which were provided under a protective agreement, resulted in the following conclusions:

1. Sagebrush has substantial assets and received an unqualified opinion from its external auditors for the year ended December 31, 2005. Sagebrush had substantial net income for the years 2004 and 2005.
2. The Rhodes Companies, LLC has received a Corporate Family rating of B1 from Moody's Investors Service ("Moody's"). Moody's discussion of the rating is attached as Exhibit A. The Rhodes Companies, LLC also received debt ratings from Moody's of Ba3 (investment grade) for a \$450 million five-year senior secured first lien term loan, and B1 (below investment grade) for a \$150 million six-year senior secured second lien term loan.
3. As of June 30, 2006, Rhodes Homes, LLC, was generating profits and had assets equal to approximately 4.4 percent of the total assets of Sagebrush.

These conclusions are based upon the audited balance sheet and income statement for Sagebrush for 2004 and 2005, a Moody's Investor Services press release for the Rhodes Companies, LLC and the unaudited balance sheets and income statements for Rhodes Homes Arizona, LLC for the periods ending December 31, 2005 and June 30, 2006.

In conclusion, although the bond ratings of the affiliates could be stronger, the fact that Perkins Water and Perkins Wastewater will be affiliated with entities which are large enough to receive bond ratings is somewhat reassuring. Most new water and wastewater utilities are affiliated with developers who have far less financial backing.

Equity

Staff has reviewed its prior recommendations made in its initial November 10, 2005 Staff Report. Although the balance sheets illustrated on Schedules REL-1 for water and REL-1 for wastewater attached to the original Staff Report show the infusion of paid-in-capital into the Companies in place of the funds which would be generated by the requested hook-up fee, Staff did not specifically address or recommend capital structures for the proposed utilities. It is Staff's practice to recommend, and the Commission has adopted, specific capital structures for new utilities. To further ensure that the Companies invest the paid-in-capital shown in the Staff Report, Staff recommends that the Commission require the Companies to finance at least 50-percent of its plant with equity. This will ensure that the Companies are substantially financed by the owner, and that the owner has a significant investment at risk. Staff believes this recommendation, in this and other cases involving new CC&Ns, motivates the utility owners to protect their investment by applying proper maintenance and installing quality plant, furthering the public interest.

Performance Bond and/or Irrevocable Letter of Credit

In recent Commission Decisions, performance bonds have been required for new CC&Ns when customer deposits or advances may be held by the regulated utilities, especially utilities with no prior experience in operating a water or wastewater facility. Performance bonds or letters of credit also provide the customers security in the event a new utility files for bankruptcy.

In this case, the Companies have no experience operating water or wastewater utilities. The Companies may ultimately serve 53,000 businesses and residences resulting in a significant amount of customer deposits and developer advances to be held and repaid by the Companies. Although Staff believes its proposed rates will be adequate to assure the financial integrity of the Companies, the revenues, expenses, and plant upon which the rates are based are estimates and a change in the expected timing of plant installation and revenues generated by the plant could cause financial stress. Therefore, Staff recommends that Perkins Water and Perkins Wastewater each provide a performance bond or an irrevocable letter of credit of \$2.5 million each. The \$2.5 million amount equals the total of the first four years' estimated operating expenses.

Staff recommends that evidence of the performance bond or letter of credit be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, evidence of the bond or letter of credit should be filed semi-annually on June 30th and December 31st.

Staff Recommendations

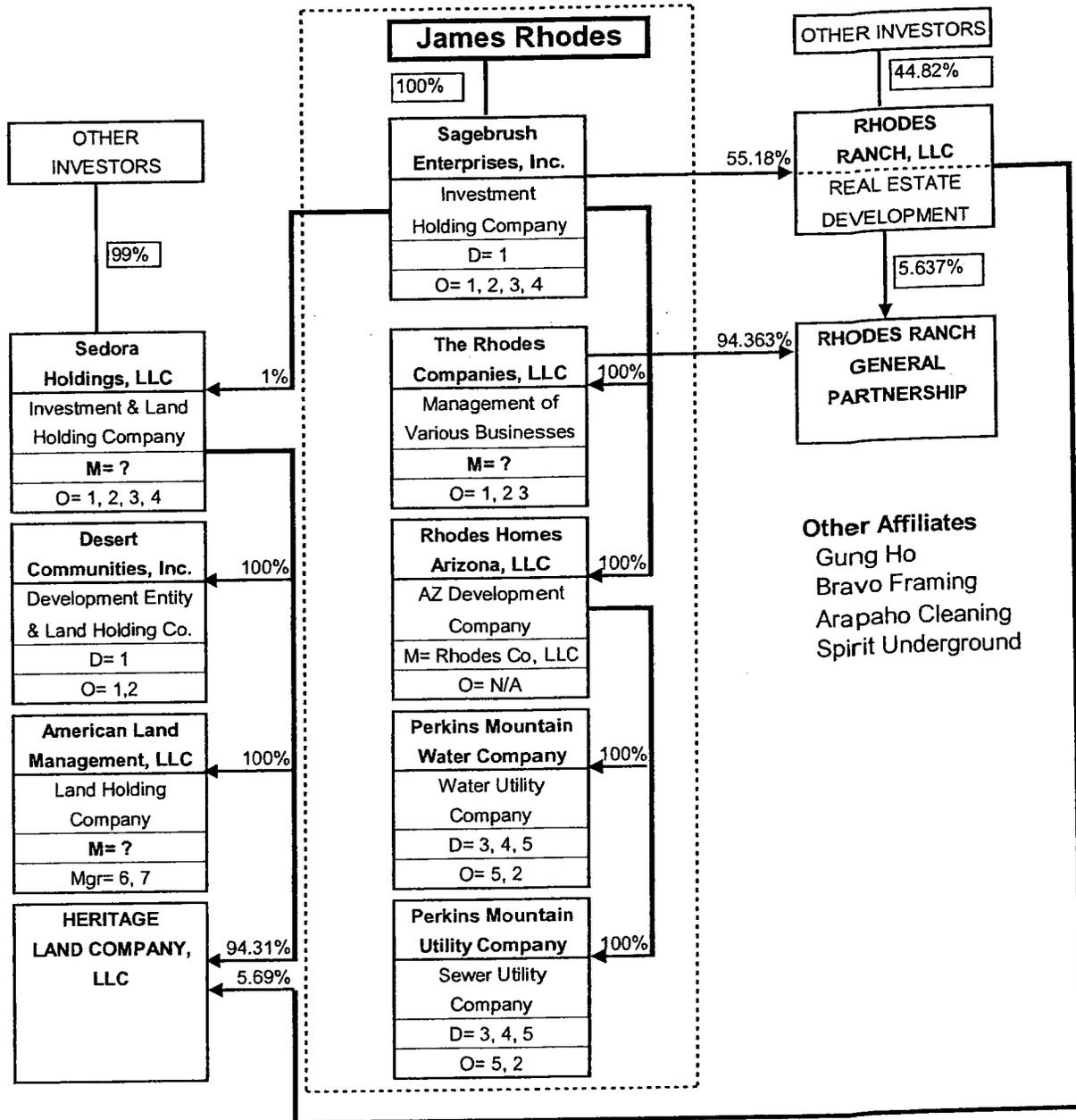
Staff recommends the Companies be ordered to finance at least 50-percent of its plant with equity.

Staff also recommends that Perkins Water and Perkins Wastewater each provide a performance bond or an irrevocable letter of credit of \$2.5 million. The bond or letter of credit should be maintained until further order of the Commission, but at least until a Commission decision in the Companies' first rate case.

Staff recommends that evidence of the performance bond or letter of credit be filed in this docket, as a compliance item, prior to service being provided to any customer. Thereafter, evidence of the bond or letter of credit should be filed semi-annually on June 30th and December 31st.

EGJ:LAJ:red

Originator: Linda A. Jaress



Other Affiliates
 Gung Ho
 Bravo Framing
 Arapaho Cleaning
 Spirit Underground

- 1 Jim Rhodes, President & CEO
- 2 Paul Huygens, Treasurer & CFO
- 3 Kieth Mosley, Secretary
- 4 Fredereck Chin, COO
- 5 Kirk Brynjulson, President
- 6 Charles Sakura
- 7 Gary Fuchs

D= Directors
 M= Members
 O= Officers
 Mgr= Managers

EXHIBIT A



Moody's Investors Service

Global Credit Research

Rating Action

7 OCT 2005

Save as PDF 

Rating Action: Rhodes Companies, LLC (The)

MOODY'S ASSIGNS FIRST-TIME RATINGS TO THE RHODES COMPANIES, LLC

Approximately \$600 Million of Bank Loans Affected

New York, October 07, 2005 – Moody's Investors Service assigned first-time ratings to The Rhodes Companies, LLC ("Rhodes Homes"), including a B1 Corporate Family Rating, a Ba3 rating on the proposed \$450 million senior secured first lien term loan, and a B1 rating on the proposed \$150 million senior secured second lien term loan. The ratings outlook is stable.

The stable ratings outlook is based on Moody's expectation that 1) the company will maintain generally level collateral coverage through 2007 before beginning gradually to reduce debt/total net value in 2008 and beyond, and 2) the estimated \$280+ million of cash on hand after the close of the transaction will be used largely for seasonal working capital needs and for future land purchases which will be added to the collateral package.

The ratings reflect the company's aggressive pro forma adjusted debt leverage (as measured by adjusted debt/capitalization and adjusted debt/EBITDA), relatively small size and scale, limited geographic reach and product diversity, some prior indications of speculative excess in the Las Vegas housing market, and the cyclical nature of the homebuilding and land development industries.

At the same time, the ratings recognize the significant collateral in the structure (as represented by the Cushman & Wakefield asset appraisal of \$1.6 billion), the ongoing strength of the Las Vegas housing market, the company's reasonably strong historical track record, and the considerable infrastructure spending completed to date in the Rhodes Homes master planned communities.

The following ratings were assigned:

B1 Corporate Family Rating

Ba3 rating on the \$450 million five-year senior secured first lien term loan

B1 rating on the \$150 million six-year senior secured second lien term loan

All of Rhodes Homes' debt is guaranteed by substantially all the company's material operating subsidiaries, except entities that hold unentitled land.

Pro forma for the takedown of \$600 million of first and second lien term loans, repayment of \$211 million of existing debt, addition of \$275 million to the company's cash balances, payment of a \$100 million dividend to the owners, and funding of \$13.5 million of transaction fees and expenses, the debt leverage metrics as of year-end 2005 are expected to be approximately as follows: 85% debt/capitalization, 5.9x debt/EBITDA, 28.5% first lien debt/total net value, and 38.3% total debt/total net value. Adjusted debt metrics as of the same date, after adding \$89.5 million to the consolidated debt totals for specific performance options that the company has in its Tuscan master planned community, would be approximately as follows: 86% debt/capitalization, 6.7x debt/EBITDA, 34.2% first lien debt/total net value, and 44% total debt/total net value. The debt/cap and debt/EBITDA metrics, by which traditional homebuilders are measured, are aggressive for the rating. The debt/net value calculations, by which land developers are measured, are reasonably strong for the rating.

Founded in 1992, Rhodes Homes conducts land development and homebuilding operations in two master planned communities and one planned area development in Las Vegas and is building a base for developing a Las Vegas bedroom community in Kingman, AZ. This geographic concentration, plus the company's relatively limited product and price point diversity as well as its overall small relative size, make the company more susceptible to a cyclical industry downturn and/or regional downturn than its much larger competitors.

The Las Vegas housing market has experienced very rapid price appreciation in recent years, most significantly in the past two years. As a result, speculative buying and flipping have increased, leading to an increase in the number of resales on the market that are competing with new home sales and causing at least one homebuilder (Pulte) to

have to give back some of its 2004 price increases in order to drive cancellation rates back down to more normal levels. Rhodes Homes was affected by the fallout from the Pulte action, saw its own cancellation rates soar, and had fewer deliveries and lower revenues and EBITDA in 2004 as compared to 2003. The company has since instituted offer underwriting and down payment requirements and has seen a strong recovery in year-to-date 2005 results.

On the plus side, Rhodes Homes' land and home inventory was valued by Cushman & Wakefield in September 2005 at a Total Net Value of approximately \$1.6 billion. As a result, substantial collateral protection for both the first and second lien term loans.

Las Vegas has consistently been one of the strongest residential housing markets in the country with lot supply being constrained by the timing of land sales by the Bureau of Land Management, which is the dominant land owner in the area.

The company's two largest master planned communities, Rhodes Ranch and Tuscany, have been under development since the mid-1990's. To date, the company has invested approximately \$335 million in land, infrastructure buildup, and amenities.

Rhodes Homes' pre-transaction metrics were very strong for the ratings, with interest coverage rising from 4x to 11x, debt/capitalization falling from 77% to 62%, debt/EBITDA declining from 3.8x to 3.4x, and gross margins soaring from 37% to 49% over the three-year period 2002-2004.

The \$450 million senior secured first lien term loan will mature in 2010 and will benefit from a first lien on substantially all the property of The Rhodes Companies, LLC and its co-borrowers, excepting entities that hold unentitled land. In addition, there will be a 100% excess cash flow sweep in place until half of the total debt outstanding at closing is repaid and total debt/total net value falls below 30% (i.e., when the "trigger date" is reached), at which point the excess cash flow sweep drops down to a 50% rate. A tight restricted payments basket, which permits distributions to pay the taxes of the owners plus up to an additional \$2.5 million per year until the trigger date is reached (after which distributions can be up to half of excess cash flow), offers additional protection. The \$150 million senior secured second lien term loan will mature in 2011 and benefit from a second lien on substantially all of the property of The Rhodes Companies, LLC and its co-borrowers, excepting entities that hold unentitled land. In addition, there will be additional financial covenants, governing both loans, in the form of first lien debt and total debt/total net value tests and a Cash EBITDA/Cash Interest coverage test. These additional covenants are still being negotiated.

Going forward, the ratings and outlook would be strengthened by a significant build-up in the company's equity base, successful diversification into other markets, and/or a permanent reduction in the company's debt leverage metrics. The ratings and outlook would be stressed by a misstep in the company's expansion process, a significant increase in debt leverage, or use of the \$280+ million current cash balances for anything other than seasonal working capital needs and additional land purchases that would be added to the collateral package.

Headquartered in Las Vegas, Nevada, The Rhodes Companies, LLC and its co-borrowers (Heritage Land Company, LLC and Rhodes Ranch General Partnership) comprise the largest private community developer and homebuilder in Las Vegas. Projected revenues and EBITDA for the year that will end December 31, 2005 are \$262 million and \$103 million, respectively.

New York
Tom Marshella
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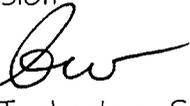
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MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: April 7, 2006

RE: **PERKINS MOUNTAIN WATER COMPANY (DOCKET NO. W-20380A-05-0490)**
PERKINS MOUNTAIN UTILITY COMPANY (DOCKET NO. SW-20379A-05-0489)
2ND AMENDED LEGAL DESCRIPTION

The area requested by Perkins Mountain for a CC#N for water has been plotted using a second amended legal description, which has been docketed. This legal description separates a request for a CC#N and a request for an Order Preliminary for a CC#N. The entire correct legal description is attached and should be used in place of the original description submitted with the application.

Also attached are copies of the maps for your files.

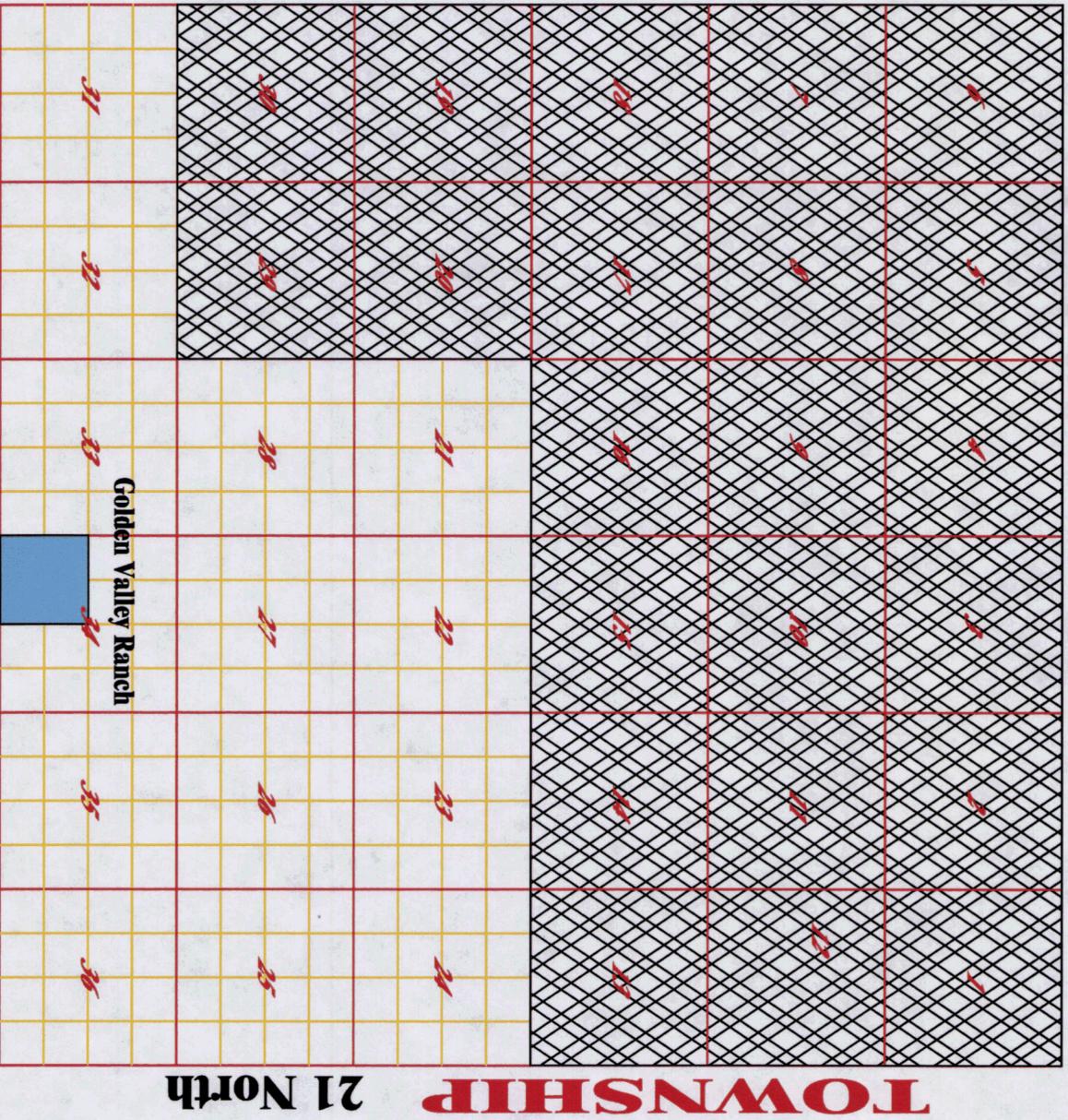
:bsw

Attachments

cc: Docket Control
Ms. Kimberly Grouse
Ms. Deb Person (Hand Carried)
File

COUNTY: Mohave

RANGE 18 West



TOWNSHIP 21 North



W-2033 (2)

Valley Pioneer's Water Company, Inc.



W-20380 (4)

Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N for Water - Amended
(Request for Order Preliminary)



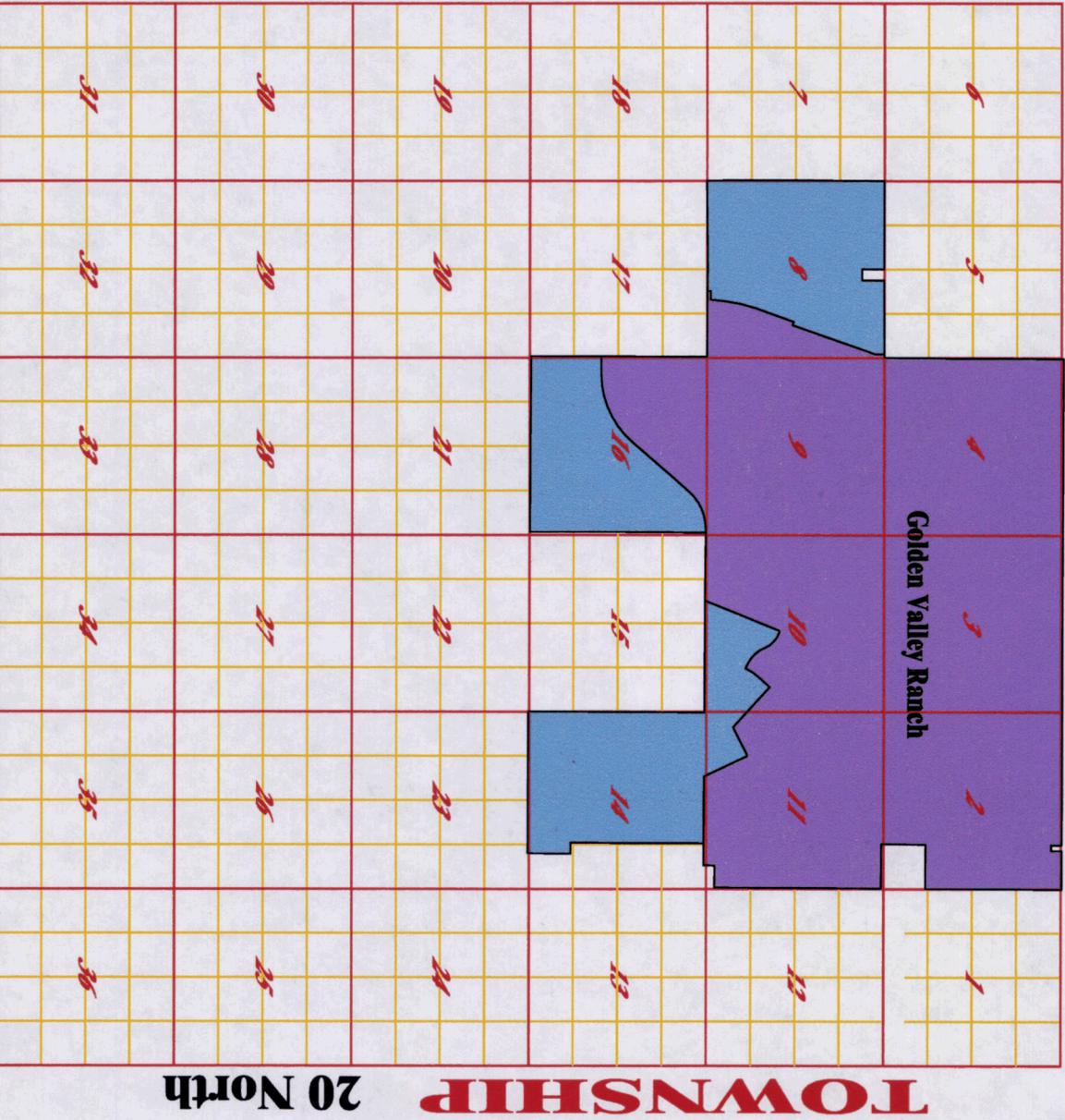
SW-20379 (4)

Perkins Mountain Utility Company
Docket No. SW-20379A-05-0489
Application for CC&N for Sewer - Amended
(Request for Order Preliminary)

Golden Valley Ranch

COUNTY: Mohave

RANGE 18 West



TOWNSHIP 20 North

W-20380 (4)

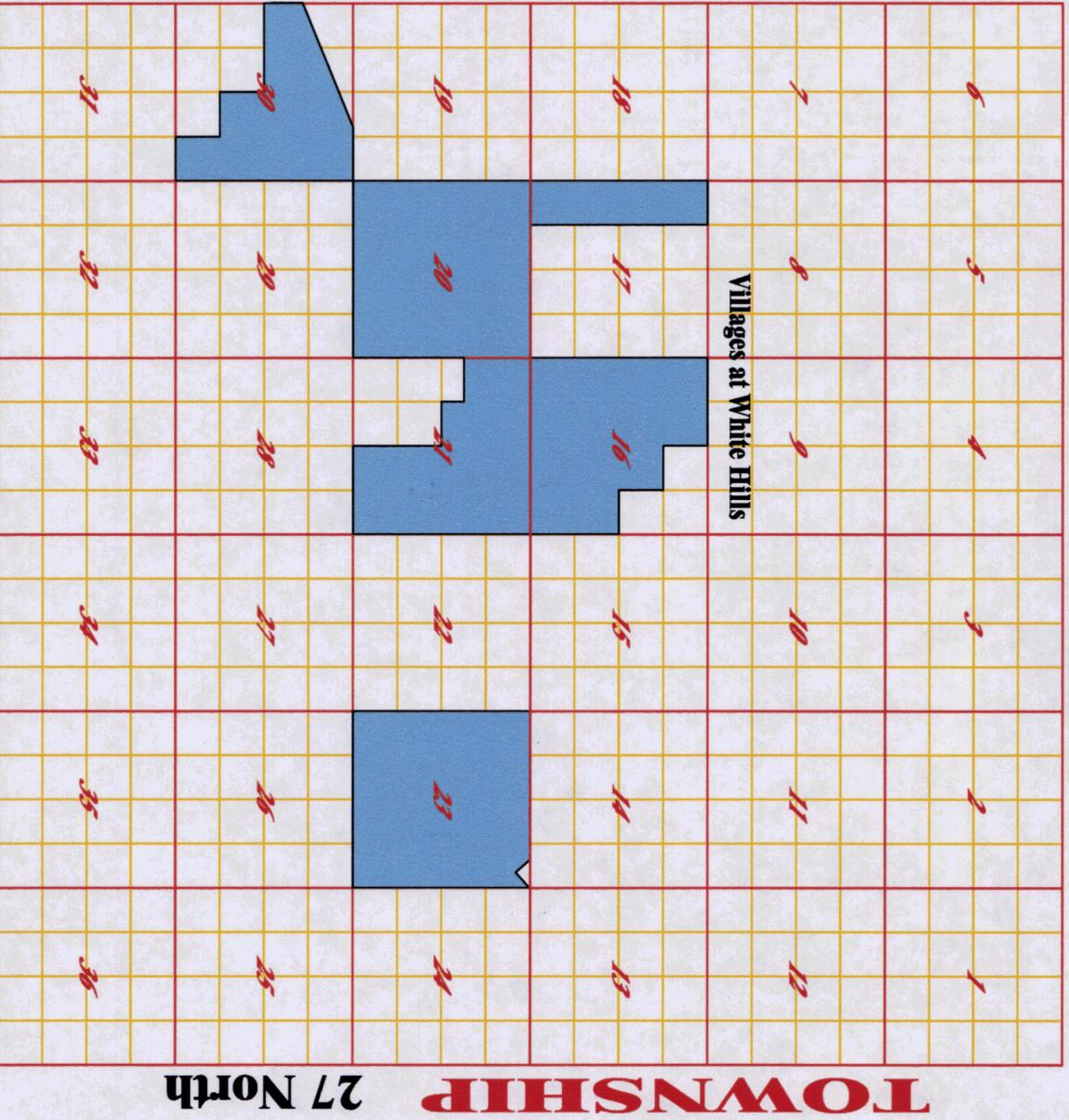
Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N for Water - Amended

W-20380 (4)

Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N for Water - Amended
(Request for Order Preliminary)

COUNTY: Mohave

RANGE 20 West



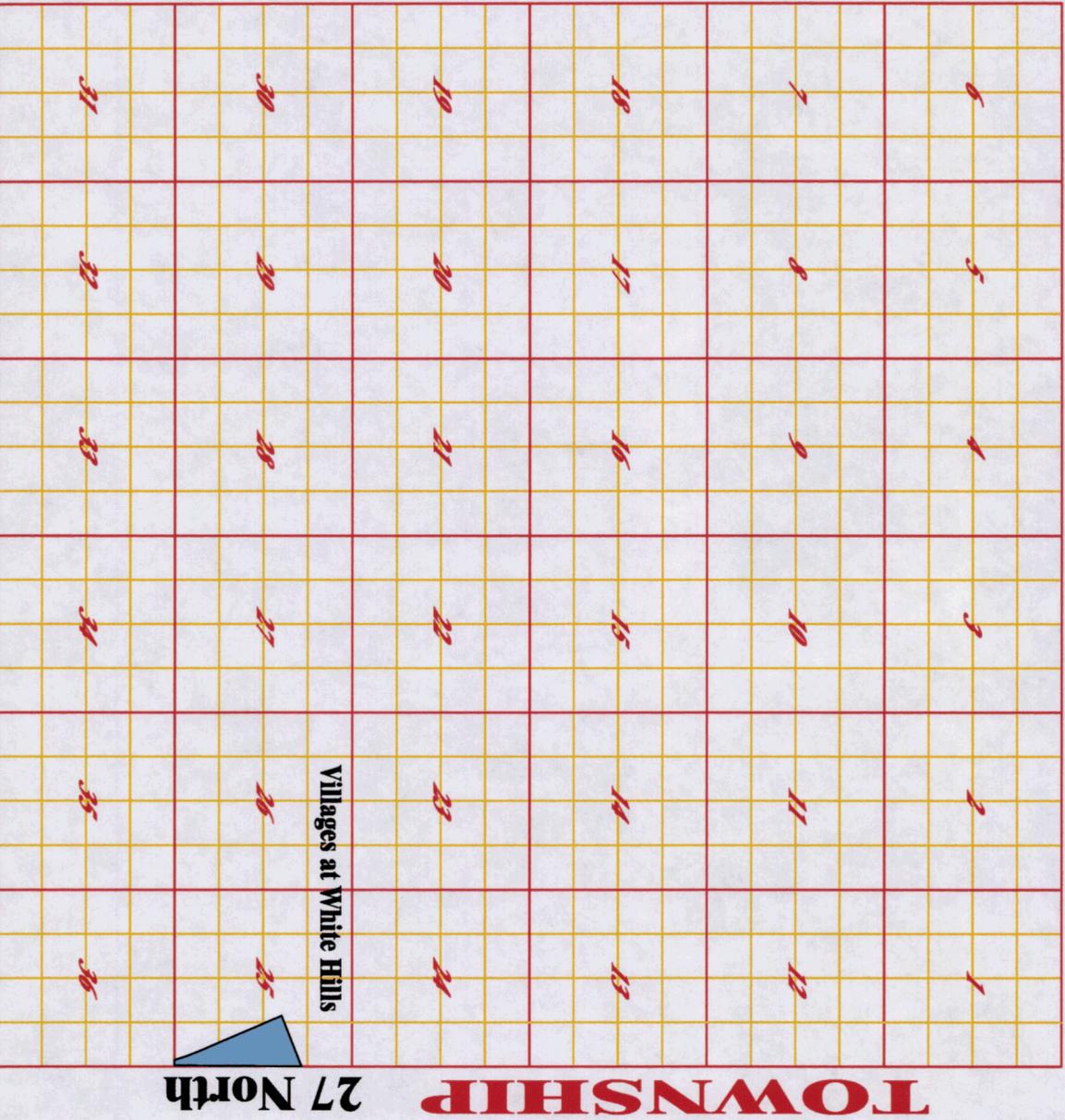
W-20380 (4)

Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N for Water - Amended
(Request for Order Preliminary)

TOWNSHIP 27 North

COUNTY: Mohave

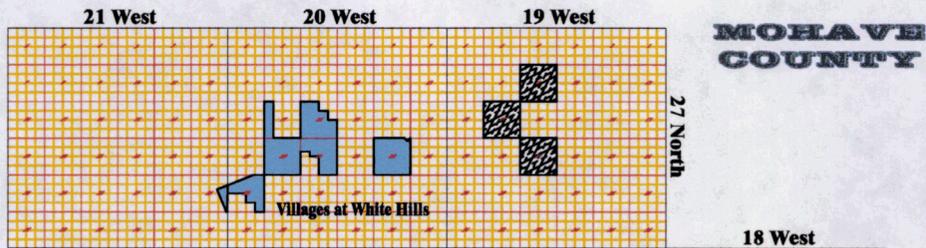
RANGE 21 West



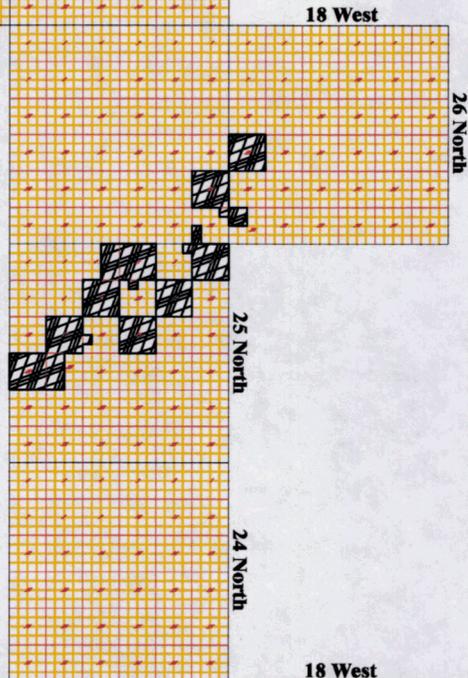
TOWNSHIP 27 North

W-20380 (4)

Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N for Water - Amended
(Request for Order Preliminary)

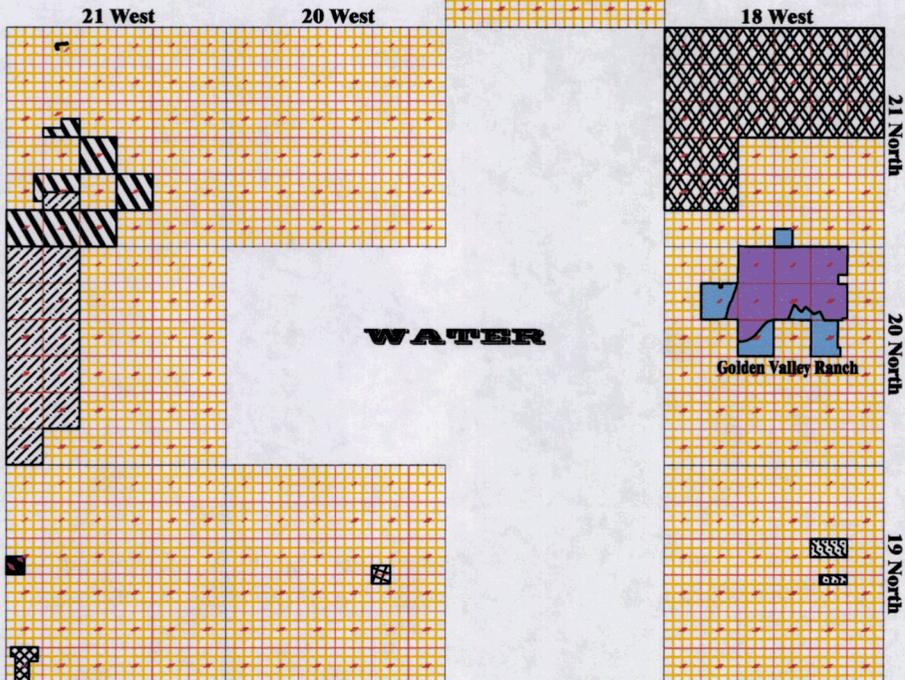
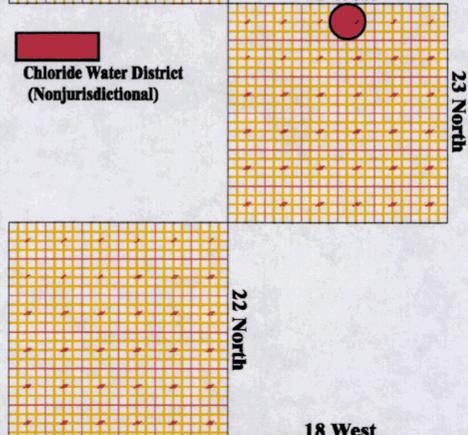


-  WS-1303
Arizona-American Water Company
-  W-1812
Bermuda Water Company, Inc.
-  W-1751
Katherine Resort Water Company
-  W-2105
Mt. Tipton Water Company, Inc.
-  W-2259
North Mohave Valley Corporation
-  W-4069
Oatman Water Company, LLC
-  WS-3586
Sunrise Vistas Utilities Company
-  Sewer WS-3586
Sunrise Vistas Utilities Company
-  W-1798
Sunset Water Company
-  W-2033
Valley Pioneer's Water Company, Inc.
-  W-1982
White Hills Water Company, Inc.



 Chloride Water District
(Nonjurisdictional)

-  W-20380
Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N for Water - Amended
-  W-20380
Perkins Mountain Water Company
Docket No. W-20380-A-05-0490
Application for CC&N for Water - Amended
(Request for Order Preliminary)



March 2, 2006

GOLDEN VALLEY RANCH
CC & N BOUNDARY

LEGAL DESCRIPTION

A BOUNDARY WITHIN SECTIONS 2 THROUGH 4, 9 THROUGH 11, AND 16,
TOWNSHIP 20 NORTH, RANGE 18 WEST, OF THE GILA AND SALT RIVER MERIDIAN,
MOHAVE COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGINNING AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER (SW ¼)
OF SECTION 4, SAID POINT BEING THE POINT OF BEGINNING;

THENCE NORTH 00° 15' 42" EAST, 2639.49 FEET;

THENCE NORTH 00° 15' 21" EAST, 2705.86 FEET;

THENCE SOUTH 89° 51' 20" EAST, 288.72 FEET;

THENCE SOUTH 89° 50' 10" EAST, 2642.09 FEET;

THENCE SOUTH 89° 47' 54" EAST, 2634.02 FEET;

THENCE SOUTH 89° 49' 17" EAST, 2643.71 FEET;

THENCE SOUTH 89° 50' 16" EAST, 2643.70 FEET;

THENCE SOUTH 89° 51' 00" EAST, 2644.39 FEET;

THENCE SOUTH 89° 51' 10" EAST, 1013.19 FEET;

THENCE SOUTH 00° 14' 07" WEST, 316.69 FEET;

THENCE SOUTH 89° 49' 08" EAST, 164.74 FEET;

THENCE NORTH 00° 14' 08" EAST, 316.78 FEET;

THENCE SOUTH 89° 51' 10" EAST, 1153.17 FEET;

THENCE SOUTH 00° 14' 17" WEST, 2738.94 FEET;

THENCE SOUTH 00° 14' 41" WEST, 1320.32 FEET;

THENCE NORTH 89° 47' 35" WEST, 1317.62 FEET;

THENCE SOUTH 00° 14' 18" WEST, 1320.50 FEET;

THENCE SOUTH 89° 48' 02" EAST, 1317.48 FEET;

THENCE SOUTH 00° 14' 29" WEST, 2642.53 FEET;

THENCE SOUTH 00° 14' 35" WEST, 2312.32 FEET;

THENCE NORTH 89° 49' 05" WEST, 659.66 FEET;

THENCE SOUTH 00° 15' 13" WEST, 330.35 FEET;

THENCE NORTH 89° 48' 25" WEST, 2645.05 FEET;

THENCE NORTH 25° 28' 02" WEST, 1391.01 FEET TO THE BEGINNING OF A NON-

TANGENTIAL CURVE, CONCAVE NORTHERLY, FROM WHICH A RADIAL LINE

BEARS NORTH 64° 32' 05" EAST, THROUGH A CENTRAL ANGLE OF 91° 21' 09",

HAVING A RADIUS OF 45.00 FEET, (CHORD BEARING AND DISTANCE BEING,

NORTH 71° 08' 29" WEST, 64.39 FEET);

THENCE ALONG THE ARC OF SAID CURVE 71.75 FEET;

THENCE SOUTH 63° 10' 56" WEST, 907.70 FEET;

THENCE NORTH 47° 51' 46" WEST, 1624.88 FEET;

THENCE SOUTH 42° 08' 14" WEST, 383.80 FEET TO THE BEGINNING OF A CURVE,

CONCAVE WESTERLY, THROUGH A CENTRAL ANGLE OF 15° 43' 36", HAVING A

RADIUS OF 1959.08 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 34° 16'

25" WEST, 536.05 FEET);

THENCE ALONG THE ARC OF SAID CURVE 537.74 FEET;

R. Michael Cummock, R.L.S.
Land Surveyor
Stanley Consultants, Inc.
702.765.6300 Ph.

March 2, 2006

THENCE NORTH 62° 28' 43" WEST, 196.25 FEET TO THE BEGINNING OF A CURVE, CONCAVE NORTHERLY, THROUGH A CENTRAL ANGLE OF 40° 06' 43", HAVING A RADIUS OF 937.00 FEET, (CHORD BEARING AND DISTANCE BEING, NORTH 42° 25' 21" WEST, 642.66 FEET);

THENCE ALONG THE ARC OF SAID CURVE 655.98 FEET TO THE BEGINNING OF REVERSE CURVATURE, CONCAVE SOUTHERLY, FROM WHICH A RADIAL LINE BEARS NORTH 67° 28' 38" EAST, THROUGH A CENTRAL ANGLE OF 49° 11' 14", HAVING A RADIUS OF 773.44 FEET, (CHORD BEARING AND DISTANCE BEING, NORTH 47° 06' 58" WEST, 643.78 FEET);

THENCE ALONG THE ARC OF SAID CURVE 663.98 FEET TO THE BEGINNING OF COMPOUND CURVATURE, CONCAVE SOUTHERLY, FROM WHICH A RADIAL LINE BEARS NORTH 22° 00' 59" EAST, THROUGH A CENTRAL ANGLE OF 90° 00' 00", HAVING A RADIUS OF 45.00 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 67° 00' 59" WEST, 63.64 FEET);

THENCE ALONG THE ARC OF SAID CURVE 70.69 FEET;

THENCE SOUTH 22° 00' 59" WEST, 2353.03 FEET;

THENCE NORTH 89° 37' 16" WEST, 2152.69 FEET TO THE BEGINNING OF A NON-TANGENTIAL CURVE, CONCAVE NORTHERLY, FROM WHICH A RADIAL LINE BEARS NORTH 00° 20' 43" EAST, THROUGH A CENTRAL ANGLE OF 49° 33' 22", HAVING A RADIUS OF 1460.00 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 65° 34' 02" WEST, 1223.79 FEET);

THENCE ALONG THE ARC OF SAID CURVE 1262.78 FEET;

THENCE SOUTH 40° 47' 21" WEST, 2201.27 FEET TO THE BEGINNING OF A CURVE, CONCAVE SOUTHERLY, THROUGH A CENTRAL ANGLE OF 49° 12' 39", HAVING A RADIUS OF 2713.00 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 65° 23' 40" WEST, 2259.21 FEET);

THENCE ALONG THE ARC OF SAID CURVE 2330.17 FEET;

THENCE NORTH 90° 00' 00" WEST, 524.13 FEET;

THENCE NORTH 00° 14' 26" EAST, 504.85 FEET;

THENCE NORTH 00° 12' 53" EAST, 2641.50 FEET;

THENCE NORTH 89° 36' 48" WEST, 1964.20 FEET;

THENCE NORTH 00° 23' 13" EAST, 100.00 FEET;

THENCE SOUTH 89° 36' 48" EAST, 261.69 FEET;

THENCE NORTH 06° 00' 50" EAST, 379.86 FEET TO THE BEGINNING OF A CURVE, CONCAVE SOUTHERLY, THROUGH A CENTRAL ANGLE OF 13° 31' 34", HAVING A RADIUS OF 4155.00 FEET, (CHORD BEARING AND DISTANCE BEING, NORTH 12° 46' 37" EAST, 978.62 FEET);

THENCE ALONG THE ARC OF SAID CURVE 980.90 FEET;

THENCE NORTH 19° 32' 24" EAST, 1202.26 FEET;

THENCE SOUTH 66° 18' 35" EAST, 100.26 FEET;

THENCE NORTH 19° 32' 24" EAST, 2609.28 FEET;

THENCE NORTH 00° 15' 46" EAST, 286.15 FEET;

THENCE SOUTH 89° 36' 25" EAST, 100.00 FEET TO THE POINT OF BEGINNING;

CONTAINING 4003.40 ACRES

R. Michael Cummock, R.L.S.
Land Surveyor
Stanley Consultants, Inc.
702.765.6300 Ph.

March 2, 2006

GOLDEN VALLEY RANCH
"ORDER PRELIMINARY" AREA

LEGAL DESCRIPTION

A PORTION OF SECTION 34, TOWNSHIP 21 NORTH, RANGE 18 WEST, TOGETHER WITH A PORTION OF SECTIONS 8, 10, 11, 14, & 16, TOWNSHIP 20 NORTH, RANGE 18 WEST, ALL IN THE GILA AND SALT RIVER MERIDIAN, MOHAVE COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS;

PARCEL I

THE SOUTHWEST QUARTER (SW ¼) OF SAID SECTION 34;

CONTAINING 156.49 ACRES

PARCEL II

BEGINNING AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER (SW ¼) OF SAID SECTION 8, SAID POINT BEING THE POINT OF BEGINNING;
THENCE NORTH 00° 16' 25" EAST, 2640.36 FEET;
THENCE NORTH 00° 16' 15" EAST, 2640.41 FEET;
THENCE SOUTH 89° 35' 60" EAST, 2639.40 FEET;
THENCE SOUTH 00° 14' 54" WEST, 660.15 FEET;
THENCE SOUTH 89° 36' 22" EAST, 329.92 FEET;
THENCE NORTH 00° 15' 07" EAST, 660.15 FEET;
THENCE SOUTH 89° 36' 23" EAST, 2209.74 FEET;
THENCE SOUTH 00° 15' 46" WEST, 286.15 FEET;
THENCE SOUTH 19° 32' 24" WEST, 2609.28 FEET;
THENCE NORTH 66° 18' 35" WEST, 100.26 FEET;
THENCE SOUTH 19° 32' 24" WEST, 1202.26 FEET TO THE BEGINNING OF A CURVE, CONCAVE WESTERLY, THROUGH A CENTRAL ANGLE OF 13° 31' 34", HAVING A RADIUS OF 4155.00 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 12° 46' 37" WEST, 978.62 FEET);
THENCE ALONG THE ARC OF SAID CURVE 980.90 FEET;
THENCE SOUTH 06° 00' 50" WEST, 379.86 FEET;
THENCE NORTH 89° 36' 48" WEST, 261.69 FEET;
THENCE SOUTH 00° 23' 13" WEST, 100.00 FEET;
THENCE NORTH 89° 36' 48" WEST, 676.01 FEET;
THENCE NORTH 89° 35' 26" WEST, 2641.60 FEET TO THE POINT OF BEGINNING;

CONTAINING 518.96 ACRES

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March 2, 2006

PARCEL III

COMMENCING AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER (SW ¼) OF SAID SECTION 16;

THENCE NORTH 00° 14' 26" EAST, 42.00 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 00° 14' 26" EAST, 2093.77 FEET;

THENCE NORTH 90° 00' 00" EAST, 524.13 FEET TO THE BEGINNING OF A CURVE, CONCAVE EASTERLY, THROUGH A CENTRAL ANGLE OF 49° 12' 39", HAVING A RADIUS OF 2713.00 FEET, (CHORD BEARING AND DISTANCE BEING, NORTH 65° 23' 40" EAST, 2259.21 FEET);

THENCE ALONG THE ARC OF SAID CURVE 2330.17 FEET;

THENCE NORTH 40° 47' 21" EAST, 2201.27 FEET TO THE BEGINNING OF A CURVE, CONCAVE SOUTHERLY, THROUGH A CENTRAL ANGLE OF 49° 33' 22", HAVING A RADIUS OF 1460.00 FEET, (CHORD BEARING AND DISTANCE BEING, NORTH 65° 34' 02" EAST, 1223.79 FEET);

THENCE ALONG THE ARC OF SAID CURVE 1262.78 FEET;

THENCE SOUTH 89° 37' 16" EAST, 117.50 FEET;

THENCE SOUTH 00° 26' 15" WEST, 2639.10 FEET;

THENCE SOUTH 00° 02' 37" WEST, 2602.64 FEET;

THENCE NORTH 89° 35' 19" WEST, 2589.15 FEET;

THENCE NORTH 89° 38' 24" WEST, 2645.56 FEET TO THE POINT OF BEGINNING;

CONTAINING 408.89 ACRES

PARCEL IV

BEGINNING AT THE NORTHWEST CORNER OF THE NORTHWEST QUARTER (NW ¼) OF SAID SECTION 14, SAID POINT BEING THE POINT OF BEGINNING;

THENCE NORTH 89° 43' 43" WEST, 100.00 FEET;

THENCE NORTH 89° 41' 12" WEST, 2588.30 FEET;

THENCE NORTH 89° 37' 05" WEST, 646.98 FEET;

THENCE NORTH 22° 00' 59" EAST, 2353.03 FEET TO THE BEGINNING OF A CURVE, CONCAVE SOUTHERLY, THROUGH A CENTRAL ANGLE OF 90° 00' 00", HAVING A RADIUS OF 45.00 FEET, (CHORD BEARING AND DISTANCE BEING, NORTH 67° 00' 59" EAST, 63.64 FEET);

THENCE ALONG THE ARC OF SAID CURVE 70.69 FEET TO THE BEGINNING OF COMPOUND CURVATURE, CONCAVE SOUTHERLY, FROM WHICH A RADIAL LINE BEARS NORTH 18° 17' 25" EAST, THROUGH A CENTRAL ANGLE OF 49° 11' 14", HAVING A RADIUS OF 773.44 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 47° 06' 58" EAST, 643.78 FEET);

THENCE ALONG THE ARC OF SAID CURVE 663.98 FEET TO THE BEGINNING OF REVERSE CURVATURE, CONCAVE NORTHERLY, FROM WHICH A RADIAL LINE BEARS SOUTH 67° 37' 60" WEST, THROUGH A CENTRAL ANGLE OF 40° 06' 43", HAVING A RADIUS OF 937.00 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 42° 25' 21" EAST, 642.66 FEET);

THENCE ALONG THE ARC OF SAID CURVE 655.98 FEET;

R. Michael Cummock, R.L.S.
Land Surveyor
Stanley Consultants, Inc.
702.765.6300 Ph.

March 2, 2006

THENCE SOUTH 62° 28' 43" EAST, 196.25 FEET TO THE BEGINNING OF A NON-TANGENTIAL CURVE, CONCAVE SOUTHERLY, FROM WHICH A RADIAL LINE BEARS NORTH 63° 35' 23" WEST, THROUGH A CENTRAL ANGLE OF 15° 43' 36", HAVING A RADIUS OF 1959.08 FEET, (CHORD BEARING AND DISTANCE BEING, NORTH 34° 16' 25" EAST, 536.05 FEET);
THENCE ALONG THE ARC OF SAID CURVE 537.74 FEET;
THENCE NORTH 42° 08' 14" EAST, 383.80 FEET;
THENCE SOUTH 47° 51' 46" EAST, 1624.88 FEET;
THENCE NORTH 63° 10' 56" EAST, 907.70 FEET TO THE BEGINNING OF A CURVE, CONCAVE WESTERLY, THROUGH A CENTRAL ANGLE OF 91° 21' 09", HAVING A RADIUS OF 45.00 FEET, (CHORD BEARING AND DISTANCE BEING, SOUTH 71° 08' 29" EAST, 64.39 FEET);
THENCE ALONG THE ARC OF SAID CURVE 71.75 FEET;
THENCE SOUTH 25° 28' 02" EAST, 1391.01 FEET;
THENCE SOUTH 89° 48' 25" EAST, 1985.34 FEET;
THENCE SOUTH 00° 16' 07" WEST, 2642.87 FEET;
THENCE SOUTH 00° 12' 33" WEST, 1321.67 FEET;
THENCE SOUTH 89° 46' 06" EAST, 329.56 FEET;
THENCE SOUTH 00° 12' 12" WEST, 1279.71 FEET;
THENCE NORTH 89° 45' 41" WEST, 4235.95 FEET;
THENCE NORTH 00° 17' 31" EAST, 2600.40 FEET;
THENCE NORTH 00° 14' 49" EAST, 2641.92 FEET TO THE POINT OF BEGINNING;

CONTAINING 636.59 ACRES

R. Michael Cummock, R.L.S.
Land Surveyor
Stanley Consultants, Inc.
702.765.6300 Ph.

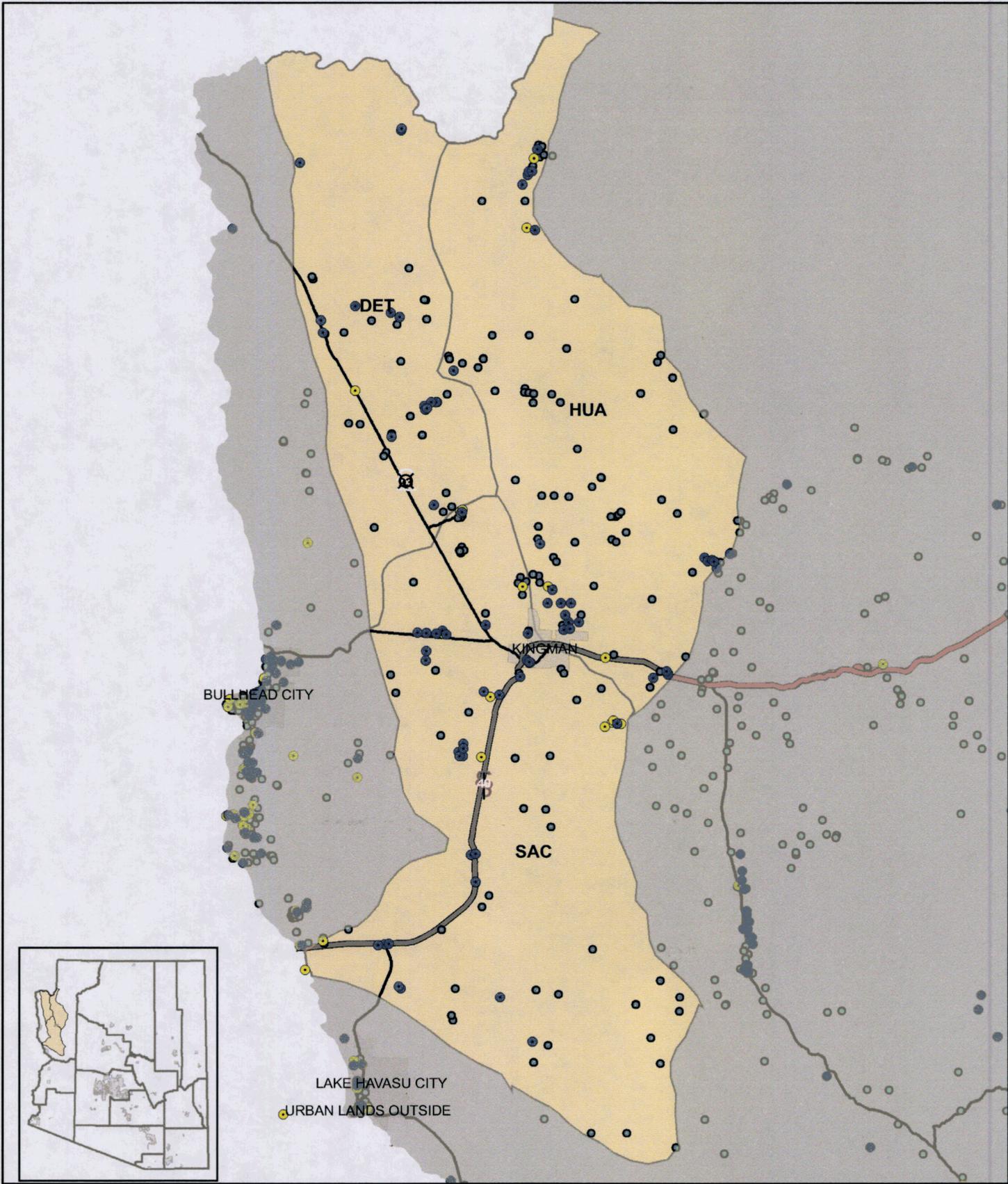
THE VILLAGES AT WHITE HILLS
CC & N SEWER/WATER BOUNDARY

LEGAL DESCRIPTION

[Revised 8-3-05]

TOWNSHIP 27 NORTH, RANGE 20 WEST, G. & S.R.M., MOHAVE COUNTY, AZ;
SECTION 16, EXCEPT THE NW4 NE4, & THE E2 NE4;
W2 W2 SECTION 17;
SECTION 20;
SECTION 21, EXCEPT THE SW4, & THE S2 SW4 NW4;
SECTION 23, EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:
COMMENCING AT THE NORTHEAST CORNER OF SECTION 23; THENCE NORTH
89°37'39" WEST, 26.97 FEET TO THE POINT OF BEGINNING; THENCE SOUTH 41°25'03"
EAST, 35.78 FEET; THENCE SOUTH 48°34'57" WEST, 599.97 FEET; THENCE NORTH
41°25'03" WEST, 572.03 FEET; THENCE SOUTH 89°37'39" EAST, 804.69 FEET TO THE
POINT OF BEGINNING;
ALL OF SECTION 30 LYING SOUTHERLY OF THE CENTERLINE OF WHITE HILLS
ROAD (O.R. 274/50-97) OF WHICH THE CENTERLINE IS DESCRIBED AS FOLLOWS:
COMMENCING AT THE NORTHWEST CORNER OF THE NORTHWEST QUARTER (NW
¼) OF SECTION 30; THENCE SOUTH 00°28'34" WEST, ALONG THE WESTERLY LINE
THEREOF, 1,493.03 FEET TO THE POINT OF BEGINNING; THENCE NORTH 68°20'45"
EAST, DEPARTING SAID WESTERLY LINE, 223.94 FEET; THENCE NORTH 67°59'58"
EAST, 3,686.73 FEET TO THE POINT OF TERMINATION, SAID POINT BEING ON THE
NORTHERLY LINE OF THE NORTHEAST QUARTER (NE ¼) OF SECTION 30, EXCEPT
THE SW4, & THE SW4 SE4;

TOWNSHIP 27 NORTH, RANGE 21 WEST, G. & S.R.M., MOHAVE COUNTY, AZ;
A PORTION OF THE E2 SECTION 25 DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHEAST CORNER OF THE SOUTHEAST QUARTER (SE ¼)
OF SAID SECTION 25; THENCE SOUTH 00°28'58" WEST, ALONG THE EASTERLY LINE
THEREOF, 2,643.95 FEET TO THE SOUTHEAST CORNER OF SAID SOUTHEAST
QUARTER (SE ¼); THENCE NORTH 89°33'42" WEST, ALONG THE SOUTHERLY LINE
THEREOF, 164.23 FEET TO THE POINT OF CURVE OF A NON TANGENT CURVE TO
THE LEFT, OF WHICH THE RADIUS POINT LIES SOUTH 74°14'59" WEST, A RADIAL
DISTANCE OF 5,821.58 FEET, SAID POINT BEING ON THE EASTERLY RIGHT-OF-
WAY LINE OF U.S. HIGHWAY 95; THENCE NORTHERLY ALONG THE ARC, ALONG
SAID EASTERLY RIGHT-OF-WAY LINE, THROUGH A CENTRAL ANGLE OF 07°34'58",
770.46 FEET; THENCE NORTH 23°19'59" WEST, CONTINUING ALONG SAID
EASTERLY RIGHT-OF-WAY LINE, 2,685.36 FEET TO THE CENTERLINE OF WHITE
HILLS ROAD (O.R. 274/50-97); THENCE NORTH 68°20'45" EAST, ALONG SAID
CENTERLINE, 1,632.40 FEET TO THE EASTERLY LINE OF THE NORTHEAST
QUARTER (NE ¼) OF SAID SECTION 25; THENCE SOUTH 00°28'34" WEST, ALONG
SAID EASTERLY LINE, 1,151.09 FEET TO THE POINT OF BEGINNING.



Legend

- ! Active PWS well
- ! Inactive PWS well
- Active Private well
- City
- Groundwater Basin

2

Title: Registered PWS and Private Wells
Hualapai, Detrital and Sacramento Groundwater Basins

Location: D:\myfiles\myarcmap1

| | | | |
|---|-------------|------------------|--------------------|
|  ADEQ Arizona Department of Environmental Quality | Drafted by: | sdc | Figure 1 |
| | File: | Joan-3-28-06.mxd | |
| | Date: | 3-28-06 | |



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

VIA FIRST CLASS MAIL

OCT 3 2005

Richard A. Wright, Esq.
Wright, Judd & Winckler
300 South 4th Street
Suite 701
Las Vegas, NV 89101

RE: MUR 5305
James M. Rhodes, Rhodes Design
and Development Corporation,
Bravo, Inc. d/b/a/ Rhodes Framing,
Rhodes Ranch General Partnership

Dear Mr. Wright:

On September 20, 2005, the Federal Election Commission accepted the signed conciliation agreement and the civil penalty check for \$148,000 submitted on behalf of your clients, James M. Rhodes, Rhodes Design and Development Corporation, Bravo, Inc. d/b/a/ Rhodes Framing, and Rhodes Ranch General Partnership, in settlement of violations of 2 U.S.C. §§ 441a(a)(1)(A), 441b(a) and 441f, provisions of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter as it pertains to your clients.

The Commission reminds you that the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) still apply, and that this matter is still open with respect to other respondents. The Commission will notify you when the entire file has been closed.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact me at (202) 694-1650.

Sincerely,

Marianne Abely
Marianne Abely
Attorney

Enclosure
Conciliation Agreement

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BEFORE THE FEDERAL ELECTION COMMISSION

| | | |
|-------------------------------------|---|----------|
| In the Matter of |) | |
| |) | |
| James M. Rhodes |) | MUR 5305 |
| Rhodes Design and Development Corp. |) | |
| Bravo Inc. d/b/a Rhodes Framing |) | |
| Rhodes Ranch General Partnership |) | |
| |) | |

CONCILIATION AGREEMENT

This matter was initiated by a complaint filed by Donald F. McGahn, II, General Counsel of the National Republican Congressional Committee. The Federal Election Commission ("Commission") found reason to believe that Respondents James M. Rhodes and Rhodes Design and Development Corporation violated sections 441b(a), 441a(a)(1)(A), and 441f of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Commission further found reason to believe that Respondents Bravo Inc. d/b/a Rhodes Framing, and Rhodes Ranch General Partnership knowingly and willfully violated sections 441b(a), 441a(a)(1)(A), and 441f. During its investigation, the Commission concluded that James M. Rhodes and Rhodes Design and Development Corporation also knowingly and willfully violated the Act.

NOW, THEREFORE, the Commission and Respondents, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

- I. The Commission has jurisdiction over Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

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II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:¹

Parties

1. James M. Rhodes is a Las Vegas, Nevada real estate developer and a partner in Rhodes Ranch General Partnership. He is the President of Rhodes Design and Development Corporation and is the owner of Bravo Inc. d/b/a Rhodes Framing. He contributed \$30,000 between 1997 and 2002 to various candidate and other committees. In 1998, Mr. Rhodes received a refund from the Jim Hansen Committee after making an excessive contribution.

2. Rhodes Ranch General Partnership ("Rhodes Ranch") is a Las Vegas, Nevada company that has elected to be treated as a partnership for tax purposes. Rhodes Ranch owns and/or operates various real estate enterprises. James M. Rhodes has a substantial equity interest in Rhodes Ranch.

3. Rhodes Design and Development Corporation ("RDDC") is a Las Vegas, Nevada real estate development company, owning and operating several real estate enterprises. James M. Rhodes has a substantial equity interest in RDDC.

¹ All of the facts recounted in this agreement occurred prior to the effective date of the Bipartisan Campaign Reform Act of 2002 ("BCRA"), Pub. L. 107-155, 116 Stat. 81 (2002). Accordingly, unless specifically noted to the contrary, all citations to the Federal Election Campaign Act of 1971, as amended (the "Act"), herein are to the Act as it read prior to the effective date of BCRA and all citations to the Commission's regulations herein are to the 2002 edition of Title 11, Code of Federal Regulations, which was published prior to the Commission's promulgation of any regulations under BCRA. All statements of the law in this agreement that are written in the present tense shall be construed to be in either the present or the past tense, as necessary, depending on whether the statement would be modified by the impact of BCRA or the regulations thereunder.

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4. Bravo Inc. d/b/a Rhodes Framing ("Bravo") is a Las Vegas, Nevada construction framing company wholly owned by James M. Rhodes.

5. Nadine Giudicessi is corporate controller at Rhodes Design and Development Corporation. Her responsibilities include monitoring cash-flow at the various entities that make up RDDC and preparing the corporation's financial statements.

6. James Bevan is the Chief Financial Officer at Rhodes Design and Development Corporation. He is Nadine Giudicessi's supervisor.

7. Twelve employees or former employees of RDDC, Rhodes Ranch, or Bravo, and two of their spouses, were solicited to deliver contributions to Nadine Giudicessi and/or James Bevan. These individuals are collectively referred to as the "conduit contributors."

8. Herrera for Congress ("Herrera Committee") was the principal campaign committee of Dario Herrera, a candidate in the 2002 election for Nevada's 3rd Congressional District.

9. Friends for Harry Reid ("Reid Committee") is the principal campaign committee of Harry Reid, a U.S. Senator from Nevada.

Applicable Law

10. Under the Federal Election Campaign Act of 1971, as amended (the "Act"), it is unlawful for corporations to make contributions or expenditures from their general treasury funds in connection with any election of any candidate for federal office. It is also unlawful for corporate officers and directors to consent to such contributions or expenditures. 2 U.S.C. § 441b(a).

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11. The Act further makes it unlawful for any person to make a contribution in the name of another, or for any person knowingly to permit his or her name to be used to make such a contribution. Moreover, no person may knowingly help or assist any person in making a contribution in the name of another. 2 U.S.C. § 441f; 11 C.F.R. § 110.4(b)(1)(iii).

12. The Act and the Commission's regulations prohibit any person from making contributions to any candidate and his or her authorized political committees with respect to any election for federal office which, in the aggregate, exceed \$1,000. 2 U.S.C. § 441a(a)(1)(A); 11 C.F.R. § 110.1(b)(1). The Act prohibits any person from making federal political contributions totaling in excess of \$25,000 per calendar year. 2 U.S.C. § 441a(a)(3).

13. A partnership is a "person" under the Act and thus may make federal political contributions. 2 U.S.C. § 431(11). Partnership contributions are treated as counting towards both the contribution limit of the partnership and the specific partners to whom portions of the contribution are attributed. 11 C.F.R. § 110.1(e).

14. Reason to believe is a preliminary finding and a statutory prerequisite to an investigation as to whether there is probable cause to believe a violation occurred. 2 U.S.C. § 437g.

15. The Act addresses violations of law that are knowing and willful. *See* 2 U.S.C. § 437g(a)(5)(B).

Contributions to the Herrera Committee

16. During the 2002 election cycle, James M. Rhodes asked RDDC employees, James A. Bevan and Nadine Giudicessi, to make contributions to the Herrera Committee and to ask management-level staff at RDDC, Rhodes Ranch, and Bravo to do the same.

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17. Rhodes told Giudicessi and Bevan that any management-level staff member who contributed to the Herrera Committee would be reimbursed for his or her contribution. Rhodes also specified the amounts each employee should contribute.

18. In response to Rhodes's request, Nadine Giudicessi and James A. Bevan asked the conduit contributors to contribute to the Herrera Committee. Each was told that his or her contributions would be reimbursed.

19. Nadine Giudicessi also asked one particular conduit contributor to obtain a contribution check from her husband. The individual complied and submitted a \$1,000 contribution check to the Herrera Committee in her husband's name.

20. Ms. Giudicessi also submitted a \$2,000 check to the Herrera Committee in her husband's name.

21. James M. Rhodes made a \$2,000 contribution in his own name to the Herrera Committee.

22. Together, Rhodes and the conduit contributors contributed a total of \$27,000 to the Herrera Committee.

23. The conduit contributors' contributions to the Herrera Committee were spread over four dates, from April 2001 to March 2002; \$15,000 of the Herrera contributions were written on June 30, 2001. The candidate, Dario Herrera, picked these checks up in person from RDDC's office after being told that they were available.

24. Giudicessi and Bevan distributed reimbursement checks to the conduit contributors for the conduits' contributions to the Herrera Committee.

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25. The Herrera Committee reported the conduit contributors' contributions to the Federal Election Commission as contributions from Rhodes and the individual conduit contributors.

Contributions to the Reid Committee

26. In addition to the contributions to the Herrera Committee, James M. Rhodes also asked Nadine Giudicessi and James A. Bevan to find management-level staff to contribute to the Reid Committee. Rhodes told Giudicessi and Bevan that any management-level staff who contributed would be reimbursed for his or her contribution.

27. In response to Rhodes' request, Giudicessi and Bevan asked three conduit contributors to contribute to the Reid Committee, telling them that they would be reimbursed for their contribution.

28. Combined, Giudicessi, Bevan, and the three other conduit contributors contributed a total of \$10,000 to the Reid Committee, each contributing \$1,000 to the primary and \$1,000 to the general election.

29. Giudicessi and Bevan distributed reimbursement checks to the conduit contributors for the conduits' contributions to the Reid Committee.

30. The Reid Committee reported the conduit contributors' contributions to the Federal Election Commission as contributions from the individual conduit contributors.

Contributions Reimbursed

31. The funds used to reimburse the contributions were drawn from the corporate bank accounts of Rhodes Design and Development Corp., Bravo Inc. d/b/a Rhodes Framing, and Rhodes Ranch General Partnership.

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32. The five reimbursement checks were written as follows:

| DATE | AMOUNT | PAYOR | PAYEE |
|---------|-------------|--------------|--------------|
| 4/9/01 | \$5,000 00 | RDDC | Cash |
| 6/28/01 | \$8,000 00 | Bravo Inc | Petty Cash |
| 6/29/01 | \$7,000 00 | RDDC | Petty Cash |
| 6/29/01 | \$10,000 00 | Rhodes Ranch | Cash |
| 3/27/02 | \$10,000 00 | Rhodes Ranch | Rhodes Ranch |

33. Petty cash accounts at the Rhodes entities routinely held only \$500 at any time, and petty cash transactions were typically less than \$50.

34. James M. Rhodes caused corporate ledger reports to refer to the reimbursement checks in various ways: one reimbursement check for \$5,000 was accounted for in the general ledger as "cash for travel"; one was described as "reimburse," a common entry for reimbursed business expenses; two were attributed to "petty cash"; and one was described only as "*."

35. An initial version of RDDC's and Bravo's combined Form 1120 (the tax returns for these entities were filed under the name "Sagebrush Enterprises") characterizes \$12,000 of the reimbursed funds as deductible business expenses. When Rhodes' certified public accountants found that these funds were actually used for political contributions, they informed Rhodes that he would have to amend his tax returns. Rhodes subsequently filed amended returns for himself and the entities.

Violations

V. Respondent James M. Rhodes violated 2 U.S.C. §§ 441b(a) and 441f by assisting Rhodes Design and Development Corp. and Bravo Inc. d/b/a Rhodes Framing in making corporate contributions to the Herrera and Reid Committees in his name as well as the names of others, and by consenting to those contributions. Respondent will cease and desist from violating 2 U.S.C. §§ 441b(a) and 441f.

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VI. Mr. Rhodes also violated 2 U.S.C. § 441a(a)(1)(A) by making excessive contributions with partnership funds to the Herrera Committee in the names of others. Respondent will cease and desist from violating 2 U.S.C. § 441a.

VII. Respondent Rhodes Ranch General Partnership violated 2 U.S.C. §§ 441a and 441f by making excessive contributions to the Herrera and Reid Committees in the names of others. Respondent will cease and desist from violating 2 U.S.C. §§ 441a and 441f.

VIII. Respondent Rhodes Design and Development Corporation violated 2 U.S.C. §§ 441b(a) and 441f by making corporate contributions to the Herrera and Reid Committees in the names of others. Respondent will cease and desist from violating 2 U.S.C. §§ 441b(a) and 441f.

IX. Respondent Bravo Inc. d/b/a Rhodes Framing violated 2 U.S.C. §§ 441b(a) and 441f by making corporate contributions to the Herrera and Reid Committees in the names of others. Respondent will cease and desist from violating 2 U.S.C. §§ 441b(a) and 441f.

Civil Penalty

X. Respondents James M. Rhodes, Rhodes Design and Development Corp., Rhodes Ranch General Partnership, and Bravo Inc. d/b/a Rhodes Framing will pay a civil penalty to the Federal Election Commission in the amount of One Hundred Forty-Eight Thousand dollars (\$148,000), pursuant to 2 U.S.C. § 437g(a)(5)(B).

Other Provisions

XI. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been

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violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

XII. This agreement shall become effective as of the date all parties hereto have executed same and the Commission has approved the entire agreement.

XIII. Respondents shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirement contained in this agreement and to so notify the Commission.

XIV. Respondents waive any and all claims they may have to the refund of their illegal contributions to the Herrera and Reid Committees. Respondents further agree to advise the Herrera and Reid Committees, in writing, of this waiver, and to direct those Committees to disgorge contributions in the amount of Twenty-Seven Thousand Dollars (\$27,000) and Ten Thousand Dollars (\$10,000), respectively, to the U.S. Treasury.

XV. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

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FOR THE COMMISSION:

Lawrence H. Norton
General Counsel

BY: *Rhonda Vosangh*
Rhonda J. Vosangh
Associate General Counsel
for Enforcement

~~10/4/05~~ 10/4/05
Date

J M Rhodes
James M. Rhodes for himself
and Rhodes Design and Development
Corp., Bravo Inc. d/b/a Rhodes Framing,
and Rhodes Ranch General Partnership

6-6-05
Date

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DISTRICT COURT **FILED**

CLARK COUNTY, NEVADA

SEP 12 4 24 PM '00

PALM GARDENS LIMITED PARTNER-
SHIP, a Nevada Limited
Partnership and JAMES M. RHODES,

Plaintiffs,

vs.

THE GARDENS EAST, INC., A
Nevada Corporation, PRESTIGE
DEVELOPMENT CORPORATION, A
Florida Corporation, LOUIS E.
GOLDMAN, JR. and MARSHALL
GOLDMAN,

Defendants.

THE GARDENS EAST, INC., A Nevada
corporation, PRESTIGE DEVELOP-
MENT CORPORATION, A Florida
corporation, LOUIS E. GOLDMAN,
JR. and MARSHALL GOLDMAN,

Counterclaimants,

vs.

PALM GARDENS LIMITED
PARTNERSHIP, A Nevada Limited
Partnership and JAMES M. RHODES,

Counterdefendants.

L. J. Langston
Case No. A347438
Dept. No. VIII

ARBITRATOR'S FINDINGS OF FACT,
CONCLUSIONS OF LAW AND DECISION

A private arbitration hearing was conducted in this matter from June 19-23 and concluding on June 26, 2000, pursuant to stipulation and agreement of the parties. The Arbitrator, having heard the testimony and considered the exhibits presented by the parties and good cause appearing therefor, hereby makes and enters

1 the following findings of fact, conclusions of law and decision.

2 FINDINGS OF FACT.

3 1. During 1992 and 1993, Defendant Marshall Goldman
4 negotiated the purchase of 135 acres of unimproved land from Nevada
5 State Bank as trustee of the Paul Sogg Estate, owner of the subject
6 property. During the negotiations, Goldman deposited \$50,000 in
7 escrow, hired an engineering firm, prepared a tentative map and had
8 the property rezoned. Goldman's initial plan was to construct a
9 mobile home subdivision on the property and was in search of
10 investors.

11
12 2. One potential investor approached by Goldman was
13 Plaintiff, James Rhodes. The introduction was arranged through
14 Leon Parness, James Rhodes' father-in-law. Rhodes indicated that
15 he was not interested in constructing a mobile home subdivision,
16 but instead proposed a residential development of 600 single-family
17 homes. Rhodes contends that the development was originally
18 planned for 800 homes. Rhodes represented to Goldman that he was
19 a successful experienced developer with expertise in single-family
20 homes. Initially, Rhodes estimated that the partnership would earn
21 profits of approximately \$10,000,000. Rhodes further proposed that
22 he would be the general partner, that Goldman would be the limited
23 partner and that the profits would be split 50/50. Rhodes was
24 under the impression that the Goldmans had \$1,000,000 in the deal.
25

26 3. After conducting his due diligence and refining his
27 numbers, in early September, 1993, Rhodes provided Goldman with a
28 proforma wherein he anticipated profits at the development of \$8.9
million. Goldman relied upon this projection. Thereafter, the

1 parties' understanding was reduced to a written Limited Partnership
2 Agreement, drafted by Rhodes' attorney, John Leitner. On or about
3 September 28, 1993, the parties executed the Palm Garden Limited
4 Partnership ("PGLP") Agreement.

5 4. Under the terms of the PGLP Agreement, Goldman was
6 required, among other things, to contribute the 135 acres
7 previously acquired from Nevada State Bank to the Partnership
8 subject to two agreed-upon Deeds of Trust (one for \$3,500,000 and
9 the other for \$375,000). Two days after the PGLP Agreement was
10 signed, Goldman transferred the subject property to the
11 Partnership. The PGLP Agreement provides that Goldman's capital
12 contribution was equal to the agreed-upon fair market value of the
13 land (\$4,500,000) minus the two deeds of trust (\$3,500,000 and
14 \$375,000) for a total of \$625,000. The Agreement also provides
15 that from distributable cash, the partners would first receive a
16 proportionary distribution toward their capital accounts; after
17 that, all profits were to be distributed 50/50 between the general
18 and limited partner. The PGLP Agreement is a comprehensive
19 contract which, by its own terms, contains all conditions,
20 representations and understandings of the parties.
21

22 5. Unbeknownst to Rhodes, during the final stages of the
23 negotiations between Goldman and Nevada State Bank regarding the
24 purchase of the 135 acres, Goldman asserted that there should be a
25 reduction in the purchase price because of a preexisting agreement
26 between the County and the prior owner to construct the off sites
27 for both sides of Jimmy Durante Boulevard which ran adjacent to the
28 subject property. Eventually, Goldman negotiated a \$750,000 credit

1 with Jim Mitchell (deceased), an officer of Nevada State Bank.
2 Because Goldman only had the obligation to contribute land he
3 purchased on his own behalf, not on behalf of PGLP, he did not
4 believe he had a duty to inform Rhodes of the \$750,000 credit.
5 Rhodes claims not to have been made aware of the request to improve
6 both sides of Jimmy Durante or of the \$750,000 credit issue until
7 months after the PGLP agreement was executed.

8
9 6. The other claims asserted by Rhodes against the Goldmans
10 at the hearing of this matter were not alleged in any of his
11 Complaints, including amended complaints or proven during the
12 hearing.

13 7. On or about November, 1993, a First Amendment to the PGLP
14 Agreement was executed by the partners whereby Marshall Goldman's
15 brother, Lou Goldman, also became a limited partner, receiving a
16 portion of Marshall Goldman's interest.

17 8. All three individuals were partners through their own
18 corporations. Rhodes formed the Palm Gardens Corporation for the
19 specific purpose of entering into the PGLP Agreement; Marshall
20 Goldman was a partner through The Gardens East, Inc.; and Lou
21 Goldman was a partner through Prestige Development Corp. As used
22 herein, references to Rhodes will include Palm Gardens Corporation;
23 references to Marshall Goldman will include Gardens East, Inc.; and
24 references to Lou Goldman will include Prestige Development, Inc.
25 The substance of the parties' PGLP agreement was that Rhodes would
26 be the general partner, and the Goldmans would be the limited
27 partners.
28

9. In the fall of 1994, Rhodes approached the Goldmans and

1 asserted that the development of the property was going to cost
2 more than he had anticipated. Rhodes told the Goldmans that he
3 would need to bring in additional investors to fulfill his duty to
4 finance the project and development of the property would stop
5 unless the Goldmans agreed to reduce their percentage interest to
6 20% (from 50%). After further negotiations, in September, 1994, a
7 Second Amendment to the PGLP Agreement was executed by the
8 partners. Per that Amendment, the Goldmans agreed to reduce their
9 percentage interest from 50% to 30% on the condition that PGLP pay
10 the Goldmans their capital contribution of \$625,000 by May 1, 1995
11 and an early profit distribution of \$375,000 by April 1, 1996.
12 Rhodes personally guaranteed these payments.
13

14 10. Rhodes failed to pay the \$625,000 by May 1, 1995 as
15 agreed upon. Instead, in May, 1995, Rhodes paid the Goldmans
16 \$209,000 and executed a promissory note for \$416,000, which was due
17 in two equal installments of \$208,000 each on June 5, 1995 and July
18 5, 1995. These payments were personally guaranteed by Rhodes.
19

20 11. Rhodes did not make either payment. Furthermore, Rhodes
21 did not pay the \$375,000 on April 1, 1996. In fact, since the
22 payment of \$209,000 on or about May 1, 1995, the Goldmans have not
23 received any other payment from either PGLP or Rhodes, for either
24 the remainder of their capital contribution or for their share of
25 the PGLP profits.

26 12. By June 21, 1995, Rhodes was made aware of the \$750,000
27 credit (before the first home at Palm Gardens closed escrow), and
28 initiated this lawsuit against the Goldmans, seeking rescission,
reformation and other relief based upon the Goldmans' failure to

1 disclose the \$750,000 credit from Nevada State Bank.

2 13. In spite of his rescission claim, Rhodes continued, through
3 PGLP, to develop the property and to build and sell homes. For
4 1995, 1996 and 1997, the Palm Gardens Development was one of the top
5 sellers of new homes in the Las Vegas area. Despite the fact that
6 he had sought to rescind the Partnership Agreement, Rhodes opposed
7 the Goldmans' Motion for Preliminary Injunction to stop the
8 development and their Motion to Appoint a Receiver to Control the
9 Partnership with regard to the Palm Gardens project.

10 14. Subsequent to the filing of the lawsuit, Rhodes' profit
11 projections declined until, eventually, he predicted that the
12 project would actually lose money. The decline in profits was due
13 primarily to Rhodes' mismanagement and negligent cost projections.
14 His breach of the PGLP Agreement, his breach of his fiduciary duties
15 and his mis-apportionment of profits to his various related entities and
16 partners in other developments were contributing causes.

17 15. Rhodes participated in the following acts to the detriment
18 of the limited partners:

- 19
- 20 a. Rhodes failed to use construction control accounts for
21 money borrowed by PGLP in violation of Article VII(2).
 - 22 b. Rhodes allowed PGLP to pay his related company, Rhodes
23 Design and Development Corporation, over \$1.0 million in
24 excess supervision fees in violation of Article
25 VIII(1) (a).
 - 26 c. Rhodes allowed PGLP to pay excessive fees to his framing
27 company in violation of Article VIII(1) (b).
 - 28 d. Rhodes failed to invest PGLP's funds in interest bearing
accounts and other short term investments such as
certificates of deposit, savings accounts, etc., as
required by Article IX(1) (n).
 - e. Rhodes failed to take all actions necessary or
appropriate for the construction, acquisition,
maintenance, preservation and operation of PGLP's

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- Property and all property related thereto in accordance with the provisions of the PGLP Agreement in violation of Article IX(2).
- f. Rhodes failed to obtain the Goldmans' consent prior to causing PGLP to engage in transactions with at least 16 of his related entities in violation of Article X(2).
 - g. Rhodes allowed PGLP to loan money to his related entities without the Goldmans' consent in violation of Article X(2)(a).
 - h. Rhodes "loaned" money to PGLP and charged interest in excess of that allowed by Article X(2)(b) and did not disclose these loans.
 - i. Rhodes failed to comply with the requirements of Article X(3) by not drafting written contracts and not disclosing contracts to the Goldmans before causing PGLP to enter transactions with Rhodes' related subcontractors or related parties.
 - j. Rhodes breached his fiduciary duty under Article X(4) to use his best efforts to minimize costs and expenses and maximize profit for PGLP.
 - k. Rhodes attempted to designate third parties as partners without the consent of the Goldmans in violation of Article X(5)(d) and NRS 88.420.
 - l. Rhodes failed to provide the Goldmans with access to his computer system or with weekly reports in violation of Article XI(2).
 - m. Rhodes failed to keep PGLP's books as advised by PGLP's accountants in violation of Article XI(2).
 - n. Rhodes assigned and/or sold his interests in PGLP to third parties without first offering the same to the Goldmans in violation of Article XII(1).
 - o. Rhodes repaid the capital contributions of two illegitimate partners when PGLP's debts vastly exceeded PGLP's cash on hand in violation of Article XV(1) and Article I(e).
 - p. Rhodes failed to provide the Goldmans with monthly or quarterly reports in violation of the Second Amendment to the PGLP Agreement.
 - q. Rhodes failed to distribute profits to the limited partners in violation of Article XV.
 - r. Rhodes failed to pay the Goldmans the amounts due under the Second Amendment to the PGLP Agreement.
 - s. Rhodes failed to pay the amounts due under the Promissory Note in violation of the Second Amendment.

1 16. Rhodes sold PGLP's model homes to David Ferradino, his
2 partner in another development and misrepresented the terms of the
3 sale to PGLP's accounts, and did not disclose this transaction to
4 the Goldmans.

5 17. Rhodes caused PGLP to enter into millions of dollars worth
6 of transactions with his partners from other developments and
7 businesses without disclosing these relationships to the Goldmans.

8 Examples include:

9
10 a. David Ferradino Investments \$507,647.70
11 b. Interstate Mortgage \$855,968.68
12 c. Western States Contracting \$3,276,027.41
13 d. Southern Nevada Paving Co. \$1,021,801.50
14 e. Don Kleitzen \$28,000.00
15 f. James Garrett \$458,383.56
16 g. Jeff Albregts \$8,345.28
17 h. Danny Cancino \$10,200.00
18 i. D.C. Valencia \$8,700.00
19 j. Kenny Howard Landscaping \$859,083.21

20 18. Rhodes negligently underestimated the cost of land
21 development on the subject project by several million dollars.

22 19. PGC was formed solely for the purpose of becoming the
23 general partner of PGLP. The two entities filed consolidated
24 financial statements. Their net worth was combined for the purpose
25 of bank loans. The parent (Jim Rhodes) was the sole owner of PGC
26 and received the sole benefit. Rhodes and his other companies
27 shared offices with PGC, and PGC had the exact same officers,
28 directors, and shareholders as Rhodes' other corporations. In fact,
Rhodes was the sole officer, sole director, and sole shareholder.
During the few PGC meetings for which there are minutes in 1993-
1996, Rhodes apparently met by himself and signed form documents.
Id. There are no shareholder minutes after September 30, 1996 except
unsigned forms for 1997 and 1998. Id. There are no director's
minutes whatsoever beyond September 1996.

1 20. Rhodes failed to sign official documents as an officer of
2 PGC and he often referred to himself interchangeably as the "owner"
3 of the development, the "president" of the developer and the
4 "president" of the PGC, the general partner.

5 21. As a result of these actions by Rhodes, the Partnership
6 was reported to have lost in excess of \$3.5 Million. Absent these
7 actions, the Partnership would have realized a profit of slightly
8 over \$4 Million per expert testimony.

9
10 CONCLUSIONS OF LAW

11 AS TO RHODES' COMPLAINT (AMENDED COMPLAINT)

12 22. The Arbitrator finds that the Goldmans had a duty to
13 disclose to Rhodes, their prospective partner, the \$750,000 credit
14 that they negotiated with Nevada State Bank when the property was
15 purchased. However, this non-disclosure did not constitute fraud
16 in the inducement nor was it a material breach of duty nor was he
17 damaged thereby. Rhodes received precisely what he bargained for
18 under the PGLP Agreement which is somewhat ambiguous. Contrary to
19 Rhodes' contention, the subject land was appraised at more than
20 \$4,500,000. After learning of the \$750,000 credit, Rhodes continued
21 to build and sell houses at the Palm Garden Development and thereby
22 waived any right that he might have otherwise had to rescind the
23 PGLP Agreement or to terminate performance. Furthermore, by
24 retaining each and every benefit he was entitled to under the PGLP
25 Agreement, Rhodes fully ratified the PGLP Agreement. Rhodes,
26 therefore, should take nothing by his Complaint.

27
28 AS TO THE GOLDMANS' COUNTERCLAIM

23. At all times, Rhodes, as the general partner of PGLP, owed

1 a fiduciary duty to the Goldmans and the limited partners. Rhodes
2 either intentionally or negligently violated the terms and
3 conditions of the PGLP Agreement as set forth in the Findings of
4 Fact section of this decision. In doing so, Rhodes breached his
5 fiduciary duty to the Goldmans, was involved in self dealing, and
6 caused the Partnership to lose money. Punitive damages are not
7 appropriate as Rhodes' conduct did not rise to the level of
8 egregious conduct recognized by Nevada law to impose punitive
9 damages.

10
11 24. PGLP was influenced and governed by Rhodes; there was such
12 unity of interest and ownership that the corporation is inseparable
13 from Rhodes; and adherence to the fiction of a separate corporate
14 entity or would, under the circumstances, sanction a fraud or
15 promote injustice.

16 DECISION

17 Judgment should, therefore, be entered as follows:

18 1. As to the Amended Complaint of Rhodes, judgment should be
19 entered in favor of Defendants.

20 2. As to the Counterclaim, judgment should be entered in favor
21 of the Goldmans as follows: \$1.5 Million (75% of the approximate
22 turn-round profit) ÷ by 2 (\$3 Million x 75% ÷ by 2) less \$209,000
23 (credit for Rhodes capital account payment). This credit is awarded
24 in favor of Rhodes as the undersigned does not believe that the
25 Goldmans should be rewarded for the misrepresentation or omission
26 regarding the \$750,000 credit issue. Therefore, no damages are
27 appropriate regarding the capital account of the Goldmans.

28 3. The net judgment against Rhodes (personally) and his

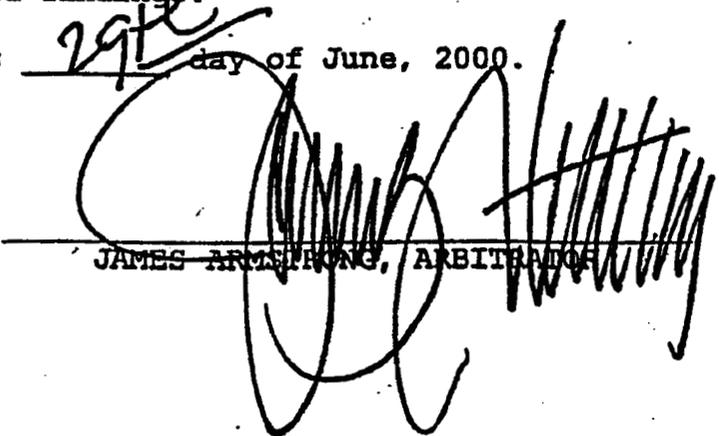
1 corporation is \$1,291,000. (Jointly and severally).

2 4. Costs, interest and other post-arbitration remedies can be
3 added by the Court in conjunction with the execution of the judgment
4 or the undersigned will prepare a supplemental award if requested
5 to decide those issues.

6 5. The parties have no further mutual or unilateral
7 obligations under the PGLP Agreement or any addendums or supplements
8 thereto, including the promissory note executed by Rhodes.

9 6. Counsel for the Goldmans should prepare the judgment in
10 accordance with these findings.

11 DATED this 29th day of June, 2000.

12
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15 
16 JAMES ARMSTRONG, ARBITRATOR
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A Premier Home Builder in Nevada

James M. Rhodes, the founder and president of Rhodes Homes, is a lifelong Las Vegas resident and has been building homes in Nevada since 1985. Jim began his homebuilding career as a carpenter and framer, and expanded into building custom homes. His knowledge of construction is the foundation of Rhodes Design & Development Corporation, now renowned for creating elegant and unique communities that exemplify quality construction while offering extraordinary interior designs. During this time, Rhodes Design & Development Corporation has carefully put together a team of dedicated professionals. In 2003 Rhodes Design & Development Corporation was marked as one of the top 10 builders by the Meyers Group.

Rhodes Homes has built more than 6,000 homes in the Las Vegas Valley during the past two decades. In the process, the company has developed extensive community relationships and contacts, considerable experience in land development and construction expertise, and a staff that is second to none. Jim Rhodes has also created a vertical structure of companies to assist in all day-to-day operations, including Bravo Framing, Spirit Underground, Arapaho Cleaning, Gung Ho. Exterior and interior design is provided by ID Interior Design, a one stop design company founded by Glynda Rhodes.

Currently, Rhodes Homes has two signature master planned communities under development, Rhodes Ranch and Tuscany Residential Village, which surround golf courses created by legendary golf course designer Ted Robinson, Jr. Both communities are recognized for their accessible location to employment centers and the Las Vegas Strip, for their incredible community amenities, for their country club lifestyle, for their security and guard-gated access, and for the quality and value of home design and construction.

With a commitment to building homes and creating communities, Rhodes Homes created the Rhodes Homes Charitable Giving Committee. The committee, chaired by Glynda Rhodes, Vice President of Interior and Architectural Design, supports existing southern Nevada charities with donations and hands-on support, such as: Nevada Cancer Institute, APPLE Partnership - All People Promoting Literacy Efforts, HELP of Southern Nevada, March of Dimes and Opportunity Village. Rhodes Homes continues to help southern Nevada be a safe environment with healthy families and happy neighborhoods.

Disclaimer (Non Golf Course Community/No Amenities): In a continuous effort by Rhodes Homes to improve the quality of your home, we reserve the right to change features, prices, plans and specifications without notice. Floorplan and elevation renderings are artist conceptions only. Significant changes may be made during or after the construction of the model homes. Rhodes Homes reserves the right to modify, relocate or eliminate any or all of the features, specifications, plan utilities, design or shape thereof, all without notice or obligation to any purchaser. Price range reflects base price only and lot premiums may apply. Additional association fees may apply. Other fees may also apply. All square footages are approximate square footages of the total livable space.



Tournament Benefits Henderson Chamber and Nevada State College

Tuscany Golf Club in Henderson recently hosted the 15th Annual 2006 American Pacific Corporation Swing for Success Golf Classic. The proceeds from the charity golf tournament benefited both the Henderson Chamber of Commerce and Nevada State College in Henderson.

“We were proud to be sponsors of this event,” said Glynda Rhodes, an executive with Rhodes Homes and a Henderson Chamber board member. “We thought this was a great way to give back to the community that is now home to one of our best-selling communities, Tuscany.”

Rhodes Homes and Tuscany Golf Clubs were generous with their sponsorships and donations for the tournament.

“We sponsored one of the holes and placed bottled water with the Rhodes Homes logo at that hole. The company also donated the use of the course to help increase the amount of money raised for these two wonderful organizations,” said Rhodes. “My husband, Jim, and I also matched all the proceeds from this event up to \$50,000.”

The matching grant was one of the largest donations the Henderson Chamber has received to date.

“We were so grateful for the support and donations of all of the sponsors, especially Rhodes Homes for the donation of the golf course for the tournament. Events such as this help to support education that benefits the business environment in Henderson, which is one of the priorities of the Chamber,” said Alice Martz, CEO of the Henderson Chamber of Commerce. “This golf tournament accomplished just that by the tremendous amount of money raised.”

Tuscany Golf Club, a Ted Robinson Jr.-designed golf course, winds through the master planned community and provides an exquisite backdrop for the Tuscan-themed community. The nearly 35,000 square foot recreation center will include a full-length basketball court, two racquetball/handball courts, meeting rooms, card room, billiards room, and a state-of-the-art fitness room and is slated for a late 2006 completion. In 2007, an outdoor pool complex, tennis courts and picnic area will open as well.

Upon completion, Tuscany Master Planned Community will boast nearly two thousand homes situated on approximately 518 acres and will be home to an estimated six thousand residents living in 18 distinct neighborhoods. Tuscany homeowners will have convenient access to its 18-hole, championship golf course and the residents-only recreation center. At build-out, the master planned community will also include a small retail complex called Botticelli Market Place.

Visitors can view six model home complexes, comprising 22 models with 30 different floor plan options, in the Montebello, La Piazza I, La Piazza II, La Luna I, La Luna II and Avellino neighborhoods. Homes in three additional neighborhoods, Terrazzo, Mazzini and Arezzo are also being offered, with homes in those developments consisting of models from other neighborhoods within the community. Each offers innovative floor plans including single story homes, three story homes with lofts, and a great room with spacious kitchens featuring large granite islands. Prices in Tuscany begin at \$367,325 and prospective buyers should speak with a sales agent about incentives that are available.

For buyers looking to find the perfect newly constructed home, without waiting months for it to be built, Tuscany has several homes available for purchase that can be closed within 30 days. Tuscany's La Piazza and Montebello both have a small number of homes that have already been built, and only await the buyer's selection of flooring, before finalizing the homes for immediate occupancy.

To visit the models, take Lake Mead Drive past Boulder Highway to Mohawk Drive and turn left. Office hours are 10 a.m. to 6 p.m.

Rhodes Homes Teams Up with HELP of Southern Nevada for Golfer's Roundup

The commitment of Rhodes Homes to utilize its resources for the betterment of the community was on display recently when Rhodes Ranch Golf Club played host to the 12th Annual Golfer's Roundup benefiting HELP of Southern Nevada.

Rhodes Ranch Golf Club partners with numerous charities each year to host golf tournaments, at Rhodes Ranch and its sister master planned community Tuscany Residential Village, where hundreds of thousands of dollars have been raised to benefit worthy causes in southern Nevada.

"Golf tournaments are a great way to get people engaged in helping out organizations in need, in terms of raising money, but also in raising awareness," said Glynda Rhodes, vice president of interior and architectural design for Rhodes Homes and Chairperson of the Rhodes Homes Charitable Giving Committee. "The opportunity to do something good, while being outside and active is a wonderful combination."

Golfers that participated in the 12th Annual Golfer's Roundup enjoyed putting their skills to the test in longest drive, closest to the pin and putting contests, with Chapman Dodge at the Valley Auto Mall and Las Vegas Weekly hosting hole-in-one contests. After the day's play, golfers enjoyed an awards luncheon, a silent auction and raffle, followed by a presentation of awards.

"HELP of Southern Nevada provides a much needed service to people in need in our community," said Fulala Riley, deputy executive director for HELP. "We greatly appreciate Rhodes Homes' continued support of our organization, as well as the participation of all of the golfers and the event's sponsors."

Rhodes Homes has enjoyed a long-standing relationship with HELP, having teamed up with the organization during the Holidays to provide gifts, food and services for families in need, as well as in other events during the year.

"The work that HELP of Southern Nevada does for our community is invaluable, and they can always count on Rhodes Homes to do what we can to help them to continue to do their important work," said Rhodes.

HELP of Southern Nevada works with low-income individuals and families helping them become more self-sufficient and less dependent upon government assistance. HELP's mission is to assist people find solutions to their problems and overcome barriers so that they can attain self-sufficiency through direct services, training and referral to community resources.

The Rhodes Ranch Golf Club is part of Rhodes Ranch, a 1,375-acre Rhodes Ranch community. The development is expected to consist of approximately 9,000 homes by the time the development is completed. Home sales are currently underway for The Collection, Palms Bay and Pacific Mist neighborhoods.

In addition to the community's golf club, residents of Rhodes Ranch enjoy access to the development's 35,000 square foot recreation center, called the R-Club. The facility offers weights, exercise machines, indoor basketball and racquetball, as well as classes and workshops for those interested in arts and crafts. The recreation center will soon boast one of the largest water parks in the valley, called The Fun Zone.

Rhodes Homes is also the developer of Tuscan Master Planned Community in Henderson. The builder also has homes for sale in individual communities in Las Vegas including Tantara, Shaylon, Villas and X-it, as well as in Kingman, Arizona.

For more information on Rhodes Homes, visit www.rhodeshomes.com.

Rhodes Homes Sponsors Wish Child's Trip to New York

For 16 year-old Janieca, her dreams of becoming a professional actress have never been slowed down, even while dealing with a serious medical condition. She's always looked up to great actors, and recently realized a life-long dream of seeing some of the finest of them on display on Broadway when Rhodes Homes sponsored her recent Make-A-Wish Foundation trip to New York.

"I've always wanted to be an actress, and the best part of my trip to New York was getting the opportunity to see a performance of the Lion King," said Janieca, a Las Vegas resident. "It was such an experience to see the similarities and differences between Broadway, and the plays that I've been in. It was a huge inspiration."

Janieca was joined on the seven-day trip to New York with her cousin, her aunt and her uncle. The trip, which also included a visit to the MTV studios, the Statue of Liberty and The Empire State Building, was arranged through the Make-A-Wish Foundation of Southern Nevada by her grandmother's referral.

"Janieca has been such a strong kid for such a long time now, and it was a wonderful thing for the Make-A-Wish Foundation of Southern Nevada to help make her sweet 16 such a special one," said Janieca's grandmother. "She had an absolutely wonderful time in New York, and being an actress, seeing the Lion King was definitely the highlight of her trip."

Rhodes Homes hosted a welcome home party for Janieca at the Rhodes Ranch Golf Course clubhouse, where she was presented with a cake and presents, which included a photo album to organize the numerous photos she took while on her trip. Janieca shared her stories with Make-A-Wish staff and volunteers, Vice President of Interior and Architectural Design Glynda Rhodes and the Rhodes Homes Charitable Giving Committee.

"We really enjoyed looking through the photos that Janieca took while in New York, and we are so happy that we were able to assist in making this trip happen for such an amazing young woman," said Glynda Rhodes. "We consider ourselves very fortunate for a having had the opportunity to make Janieca's wish come true and see the joy in her face."

Before Janieca's trip, Rhodes Homes presented Janieca with gift certificates to Tiffany's and Macy's in order to help the young woman enjoy her experience of New York and 5th Avenue shopping.

"The stores and everything there is so big, but now that I was there I can share my stories of what New York is really like to my friends," said Janieca. "I can't thank Rhodes Homes and the Make-A-Wish Foundation enough for making a dream of mine come true."

With her spirits lifted, and her acting career inspired, Janieca is looking forward to continuing with acting, hopefully one day appearing on stage for her very own Broadway play.

The Make-A-Wish Foundation grants wishes to children suffering from life-threatening medical conditions to enrich the human experience with hope, strength and joy.

Rhodes Homes is the developer of the master planned communities Rhodes Ranch in southwest Las Vegas and Tuscany Residential Village in Henderson. The builder also has homes for sale in individual communities in Las Vegas including Tantara, Shaylon, Villas and X-it, as well as in Kingman, Arizona.

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March 22, 2006

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Chairman Jeff Hatch-Miller
1200 W. Washington
Phoenix, Arizona 85007

MAR 29 2006

Z Corporation Commission
Director of Utilities

Dear Chairman Hatch-Miller,

This letter is written in tribute to Rhodes Homes for their support of the Boys & Girls Club of Kingman. Their initial support in the form of a significant monetary contribution began even before their official entrance into the Kingman Community. The Rhodes Homes contribution of \$ 10,000.00 allowed our Club to re-open a satellite club in the Golden Valley area.

A second donation from Rhodes Homes of \$ 10,000.00 was made to our Kingman Club with the condition that this donation be matched by the community. Because of this match challenge, we were able to raise \$ 10,000.00 of new money for the Kingman Club. With serving over 580 members at the Club and 2,300 youth at special club events these monies are critical to our providing the best program possible.

All of the Rhodes Homes principals and employees have been most helpful and courteous to our Club's staff and members. We must give special thanks though to Mrs. Glynda Rhodes for her genuine interest and concern for the youth in our community. She has spent time with our youth both in Golden Valley and at the Kingman Club.

As you can see Rhodes Homes has been instrumental in maintaining and supporting not only the efforts of the mission of the Boys & Girls Club of Kingman, but also in supporting a sound financial footing.

Respectfully Submitted,

Jim Woods
2005 Board President

Noreen Frisch
Executive Director



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September 21, 2005

Columnist Elizabeth Foyt: Event at Rhodes' home gives us 'Goosebumps'

Elizabeth Foyt's social column appears Wednesdays. Reach her at elizabethfoyt@cox.net.

...

Jim and Glynda Rhodes, along with their five young sons, opened their Rhodes Ranch home Friday evening to supporters of APPLE (All People Promoting Literacy Efforts), which is a new program to encourage readers of every age. The honored guest was best-selling children's author R.L. Stine, creator of the wildly popular "Goosebumps" series of scary-fun books for grade-school kids.

Henderson Mayor Jim Gibbons was leading sponsor for the gathering and had spent much of the day accompanying Stine as he addressed more than 1,000 fourth grade students at area schools.

Fellow supporters attending the reception included Rep. Jon Porter and his wife, Laurie; state Sen. Steve Schneider and his wife, Candi; Bob Coyle, president of Republic Service; and Michael Doering of Clark County School District.

Other contributors at the \$250 per person event included Angela Henry, real-estate agent Bill Goff, Wes and Melody Williams, Mike Rodriquez with daughter Eden, Bud Cranor, Bill Marion and Liz Trospen. Guests enjoyed dinner, prepared by Chef Jack Sheridan on the home's spacious patio, and books signed by Stine.

Gold standard

Planned to please, Sierra Gold hosted a successful Hurricane Katrina relief fundraiser Thursday evening. Joe Romano, formerly of Aureole and now the corporate executive chef for all Golden Tavern and Gaming properties, created a New Orleans menu of jambalaya, Po' Boy sandwiches, steamed crayfish and other delectables to match the beverages provided for the six hours of festivities where guests paid \$25 to attend.

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Sierra Gold, a handsome new ultra-tavern at Jones Boulevard and Interstate 215, was designed by architect Jesse Maheu and has a distinctive Nevada interior featuring the vintage photos taken across our state by Elliott Erwit.

Hosting the Katrina relief benefit was Blake Sartini, president of Golden Tavern Group, with executives including Tracy Harven, Nick Gallegos, Rusty Oaks and Sierra Gold Chef Vincent Martano.

Seen in the crowd was Mark Sturcken (Clear Channel) accompanied by his parents, Ellen and L.J. Sturcken, who are in Las Vegas after losing their New Orleans home to Hurricane Katrina. Also present were Jeff Manning, James Boyd, Bob Bracken, Jaimee Faccenda, Mike O'Brien, Hillary Scott and Francesco LaFranconi.

Shoes for 'em

Bravo to shoe designer Donald J. Pilner and his staff at his Donald J. Pilner Boutique at the Forum Shops at Caesars, who made Sole Stars a sparkling charitable event on Thursday.

A benefit for the Greater Las Vegas After-School All-Stars, the cocktail hour reception was directed by community leaders Sandy Mecca and Jenna Morton, with Elaine Wynn serving as honorary hostess.

Sushi Roku catered the elite affair, which drew guests including Chantal Cloobek, Michael Mecca, Mary Woolsen, Alan Waxler, Catherine Cortez Masto, Liza and Scott DeGraff, Janet and Harry Ferris and Michael Morton, as well as Gloria Steinhardt, Siofra Willer, Barbara Kaplan and Heather Glusman.

Pilner signed shoes and provided an early look at footwear fashions for the holiday season ahead.

The Greater Las Vegas After-School All-Stars, formerly known as the Inner City Games, is a decade-old program serving at-risk youth in our community. Year-round opportunities for athletics as well as educational, cultural and enrichment are offered free of cost.

Its mission includes creating confidence and self-esteem for all youth and ways to combat drugs, gangs and violence.

Cashman honored

Mary Kaye Cashman was honored Sept. 14 by the Community College of Southern Nevada Foundation at "revving up" ceremonies recognizing her \$500,000 pledge to the college's new automotive technical center. Thanks to her gift, and other benefactors, CCSN will expand its current program and also provide for the first time diesel technician training.

Cashman's gift, along with \$1 million in private matching pledges mean the school is just \$350,000 from the finish line for this building project.

Hosted by the CCSN Foundation at the Stirling Club, the gathering included remarks by foundation chair Jenny DesVaux Oakes, who helped present Cashman with an etched building block thanking her for "revving up" education

at CCSN.

Adding their own words of thanks were University Regent Thalia Dondero, Chancellor Jim Rogers, CCSN President Richard Carpenter, Lisa Dove Swisher, foundation trustee and development chair for the automotive tech fundraising effort, and Diana Wilson, executive director for the foundation.

Those attending included state Sen. Dina Titus and her husband, Tom Wright; Assembly members Chris Giunchigliani and Mark Manendo; Mike Richards, newly appointed CCSN vice president for academic affairs; Thomas Brown, provost CCSN Cheyenne campus; and student Gabriella Artega, who later spoke of her experiences with the auto tech program.

Representative of the supportive automotive industry were contributors including John and Joyce McCandless (McCandless International Trucks), John French (Desert Auto Group), Chris Publow (Ted Wiens), Jim Marsh (Jim Marsh Chrysler Jeep), Mike Rorman (Nevada Collision Industry Association), Michael Spears (Auto Body Group) and Ed Martin (Harley Davidson).

Also present were foundation trustees, including Carolyn Sparks, Denny Weddle, Irene Vogel, Bob Walsh, Robbie Graham, Charlotte Hill, Dr. James Jones, Frank Martin, John Bailey, Bill Snyder, Robbie Graham, Sida Kain, Monte Miller and Catherine Cortez Masto.

A cut above

Cutting for a Cause at the Cutting Room, a Michael Boychuck concept salon, opened with a charitable flair on Saturday. Proceeds of the first day, including the \$200 haircuts by the renown stylist-to-the-stars Laurent D. (Dufourg) were donated to Safe House of Henderson, a domestic crisis shelter.

Clients, many of them former residents of New York City and Los Angeles, flocked to the salon for time with Laurent D. and his colleague Michael Boychuck. Among the crowd was blond beauty Susan Anton, who recently appeared at the Newport Pacific Jazz Festival, as well as Robin Leach and Chef Kerry Simon.

Rubbing shoulders with the celebrities were Safe House clients, who received special attention and increased self-esteem with their new styles and coloring. Departing supporters each received Prive products provided for the festivities by Laurent D. and Boychuck.

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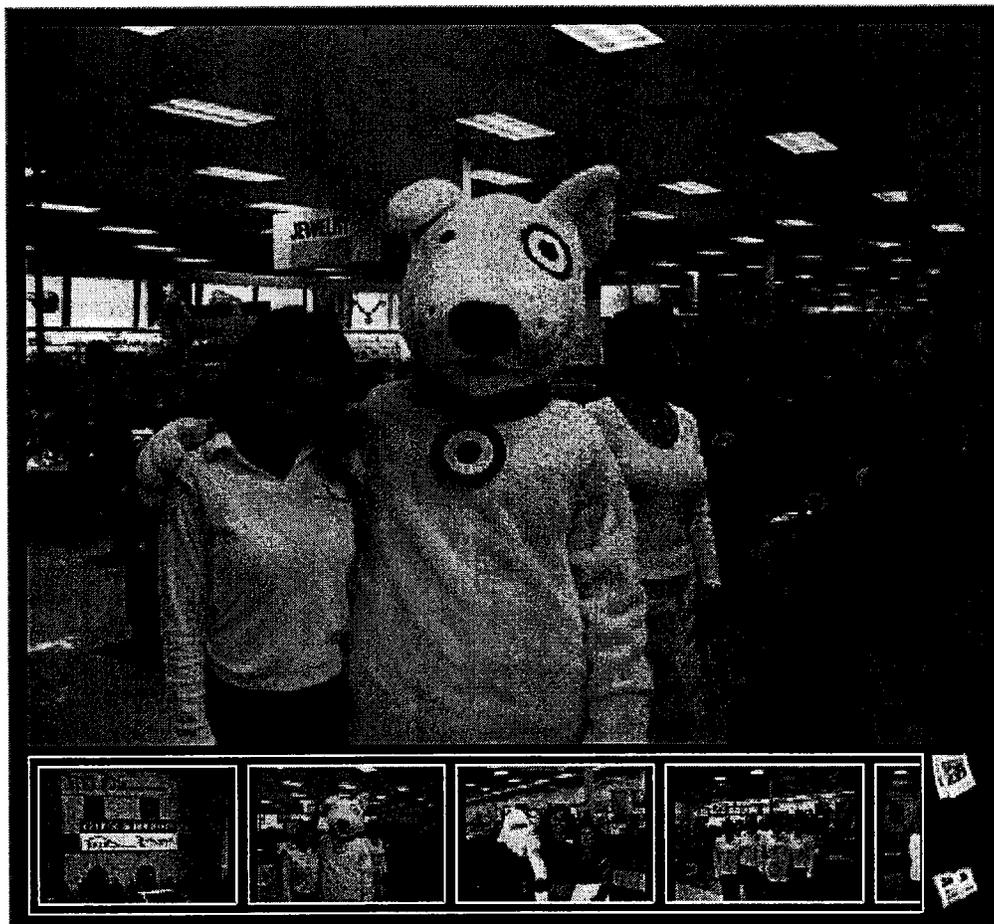
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Rhodes Homes, our Corporate Holiday Partner donated over four hundred \$50.00 Target Gift Cards, making for a special shopping experience for HELP's 2005 Holiday Toy Drive families.



News & Events

Nevada Cancer Institute Introduces Array of Digital Diagnostic Research Imaging Technology

\$1 million Contribution from Rhodes Homes Helps to Provide Additional Resources for Comprehensive Diagnostic Research Technologies including Digital Mammography

Las Vegas, NV December 12, 2005 - Additional resources to support technology that helps in the research, detection and prevention of cancer at Nevada Cancer Institute (NVCi) has come from Rhodes Homes, a builder of residences and communities in the Las Vegas Valley since 1985, through a contribution of \$1million.

"Early and complete detection is one of the best facilitators of cancer care," said Jim and Glynda Rhodes. "Nevada Cancer Institute is an important addition to our state and we are pleased to support them as they work to improve the health of our residents through research, prevention, detection, education and care."

Among the technology NVCi is offering to help research and detect cancer is digital mammography. Research has shown that digital mammography significantly improve the capability to diagnose breast cancer earlier by incorporating modern electronics and computers into x-ray mammography methods. Digital mammography stores images directly into a computer, versus film. Digital technology allows clinicians more opportunities for diagnosis compared with older, film-based technology.

In Nevada, breast cancer is the most prevalent cancer among women. The American Cancer society estimates that 1620 new cases were diagnosed this year, resulting in the deaths of 310 women. Annual mammograms are recommended for women over the age of 40 years. The Centers for Chronic Disease Prevention and Health Promotion reports that 20 percent of women over the age of 40 reported not having a mammogram or breast exam in two years, compared with 16 percent nationally.

"Rhodes Homes has demonstrated itself as an organization that is compassionate about the residents of our state. We are honored to include them as a leader in our efforts to mitigate and eradicate cancer," said Shelley Gitomer, vice president for Development at NVCi.

NVCi hosts a comprehensive array of proven digital diagnostic imaging equipment in addition to digital mammography. This includes two Magnetic Resonance Imagers; CT Scan; One of only two PET/CT Scanners in Nevada; Nuclear Medicine; Ultrasound and X-Ray.

About Rhodes Homes

Rhodes Homes is one of Southern Nevada's premier homebuilders, having created more than 30 residential communities, including the acclaimed Rhodes Ranch in the southwest part of the Las Vegas Valley. Rhodes Homes is currently developing Tuscany, a golf-course community in Henderson. For more information about Rhodes Homes, visit its website at www.RhodesHomes.com.

About Nevada Cancer Institute

The Nevada Cancer Institute (NVCi) is the official cancer institute for the State of Nevada. NVCi's mission is to develop a comprehensive cancer research institute staffed by the finest scientists, clinicians and caregivers, to provide hope for the community through research, prevention, detection, education, support and patient-centered care by striving for a future without cancer through innovative translational research in basic, clinical and population science. NVCi has raised more than \$60 million in private community financial support, with additional support of a repayable \$50 million construction bond for NVCi's 142,000 square foot flagship research and care facility in the Summerlin district of Las Vegas that opened in September 2005. For more information on NVCi, please visit www.NevadaCancerInstitute.org.

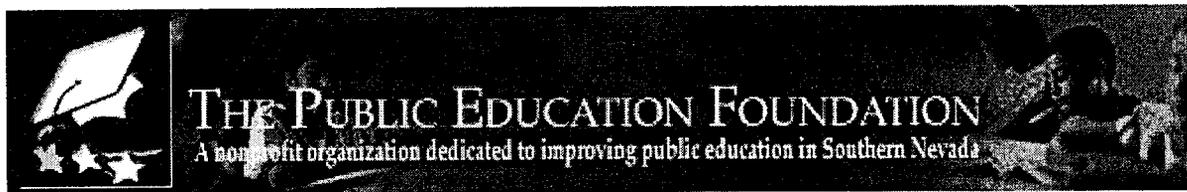
Contact: Clark P. Dumont, APR 702-821-0043 cdumont@nvcancer.org.

NVCi Fact Sheet

For more details about the NVCi flagship facility, [click here](#).

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Donor

Donor of the Month



Glynda Rhodes
July 2006
Donor of the Month

Since 2001, Jim and Glynda Rhodes have donated the Rhodes Ranch Golf Club for The Public Education Foundation's Tee Up For Kids Charity Golf Tournament. This year was no different. On April 25, with perfect weather and a beautifully groomed golf course as the backdrop, 125 golfers participated in the event that raised \$102,000. To the surprise of all at the lunchtime awards ceremony, Glynda donated an additional \$50,000 to The Public Education Foundation bringing the grand total to \$152,000 raised at the event.

Three days later, on April 28, the world-renowned shoe designer Donald J Pliner held a fundraising event at his boutique in the Forum Shops for The Public Education Foundation. Several weeks earlier, Mr. Pliner's staff asked Glynda Rhodes to recommend a non-profit organization that would be the recipient of the proceeds from a day-long public appearance by Mr. Pliner at the store. Glynda recommended The Public Education Foundation, invited her friends to the event and co-hosted with Christina Bird, Lori Rogich and Lynn Weidner. The event raised \$7,000 for The Foundation.

The Foundation's Annual Make A Difference campaign has been boosted this year by Glynda's tireless efforts. On behalf of The Public Education Foundation, she sent hundreds of letters and made contacts soliciting funds to help support the mission of The Public Education Foundation.

Additionally, Jim and Glynda donated nearly 500 pieces of new art pieces to The Public Education Foundation that were originally purchased by Rhodes Homes to hang in the models. The Foundation plans to distribute the artwork to the schools in the Clark County School District in August. "We really hope that these pieces of artwork will hang in schools around the valley and will inspire the children," Glynda said. With so many schools around the valley, these items should help the administrators add a touch of beauty to the buildings."

Glynda, a native of Las Vegas, is a wife, mother, vice president of Interior and Architectural Design for Rhodes Homes, owner of i.d. Interior Design, a community leader and philanthropist, and is a member of the Board of Directors of The Public Education Foundation.

For her tireless commitment and efforts on behalf of The Public Education Foundation and our public school children, Glynda Rhodes is named the June 2006 Donor of the Month.



Nancy Price, manager of the Donald J Pliner boutique at The Forum Shops, presents a check for \$7,000 to (left to right) Christina Bird, Lynn Weidner, Lori Rogich, Glynda Rhodes and Judi Steele, president of The Public Education Foundation.



John Fredericks, KVBC-TV Channel 3 weatherman, interviews Glynda Rhodes at the Tee Up For Kids Charity Golf Tournament.

Photos by Michele Nelson, CCSD

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Nov. 26, 2006

Rhodes Homes serves ice cream for charity

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Rhodes Homes gave an ice cream party for the children of Child Haven at its Halloween carnival. Through the Eyes of a Child Foundation organized the event, which was held in the haven's gymnasium. Cold Stone Creamery provided the refreshments.

"Because we made a significant donation at a Make-A-Wish event sponsored by the Cold Stone Creamery store near our Rhodes Ranch master-planned community, the company wanted to give us an ice cream party," said Glynda Rhodes, a company executive.

"Instead of having the party at our office, we decided to donate it to the Halloween carnival at Child Haven. We knew it would be a fun and special treat for the children."

The event featured booths for pumpkin decorating and bag-and-ball tosses. The children won prizes and candy.

"We had quite a few local companies donate food, prizes and staffing for this event," said Jennifer Miller, a board member of the foundation. "Since the children weren't able to go off campus to trick-or-treat, we brought the trick-or-treating to them in a safe environment."

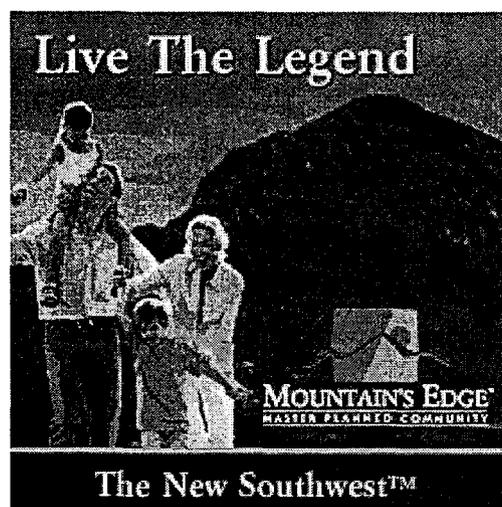
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According to Miller, the mission of the foundation is to fund educational and cultural opportunities for current and former residents of Child Haven to realize their goals and aspirations.

"Through various fundraisers throughout the year, we raise money for cultural, educational and sports scholarships for these children. In addition to raising this money, we also plan off campus activities for the kids that are both educational and recreational," she said.

"It is always great to be able to give back to a wonderful, local charitable organization and we look forward to being able to do more for Child Haven and Through the Eyes of a Child Foundation in the future," Rhodes said.

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Tuesday, March 30, 2004
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JOHN L. SMITH: Septuagenarian's legal fight with developer stands the test of time

Dressed casually in a pressed navy sport coat and khaki slacks, Marshall Goldman has the lean look of a mature man who stays in shape.

"I'm getting gray hairs," he says with a wry smile. "One day I'll get old."

Most insurance actuaries would tell him that day has arrived. Marshall Goldman is 77.

An energetic and active 77, but more than three quarters of a century any way you look at it.

For most folks lucky enough to live that long, it's a time generally set aside for relaxation, recreation and reminiscing, anything but being mired in a delay-riddled, multimillion-dollar lawsuit with one of Southern Nevada's most powerful developers.

But Goldman and his younger brother, 70-year-old Louis Goldman, these days find themselves battling ubiquitous homebuilder Jim Rhodes. And that's no place to be if you're starting to watch life's calendar.

In September 1993, the Goldman brothers agreed to contribute 135 acres of real estate near Tropicana Avenue and Jimmy Durante Boulevard to Rhodes in exchange for a 50-percent partnership in the Palm Gardens housing development. The Goldmans' projected profit: \$8.9 million.

Instead, what they have done since the mid-1990s is fight Rhodes and his attorneys.

The battle appeared resolved in June 2000 when court-appointed arbitrator James Armstrong found that Rhodes had 19 times violated his agreement with the Goldmans. A judgment was entered against Rhodes for \$2.166 million. With interest, it's now \$2.7 million.

Not that Rhodes would appear to have difficulty paying the judgment if he chose to. In March 2003, with ex-County Commissioner Erin Kenny working on his behalf, Rhodes purchased 2,400 acres atop Blue Diamond Hill on the border of the Red Rock National Conservation Area for \$50 million. Rhodes

then ran into difficulty gaining the approval to develop the land to his satisfaction, and Kenny was netted in a federal political corruption probe. She's since pleaded guilty to felony charges.

Although the Palm Gardens project appeared to lose money on paper, it certainly has sold well. And Rhodes, Goldman attorney Scott Marquis says, had no difficulty paying himself during the build out. Marquis contends the Rhodes-influenced development partnership was found to have paid Rhodes-related companies approximately \$35 million of the \$70 million spent at Palm Gardens.

Since the 2000 judgment, however, the case has seen two appeals to the Nevada Supreme Court. The appeal documents include 1,600 pages of trial transcript and 1,600 exhibits.

The first appeal was dismissed in December 2001. The second appeal has slogged onward since February 2002 with Rhodes attorney Corby Arnold filing multiple motions for an extension of time.

Meanwhile, the clock has ticked on and Marshall Goldman marked another birthday. And Rhodes in September 2003 agreed to pay \$12.5 million to settle a construction defects lawsuit at Palm Gardens.

In November 2003, Arnold filed a motion in response to Marquis' request to have the case go before the court while he still had a client. Nevada law allows the court the option of expediting cases involving people 70 or older.

Arnold wrote: "The Goldmans' Counter-Motion to Expedite Appeal argues that this appeal should be expedited solely on the fact that Marshall Goldman was 76 years old at the time of filing. ... Evidently, Mr. Goldman is now 77. The Goldmans have failed to demonstrate, or even imply, that Mr. Goldman has any health problems which would arguably constitute good cause to expedite this appeal."

On the contrary. Goldman's health is good -- for a 77-year-old.

For its part, the Supreme Court suffers from its own busy schedule. Recently, however, it appears to have made some movement in the case. There's no telling how long it will take to consider the merits of the Rhodes appeal, presuming there are many.

After more than a decade, Goldman tries to keep this marathon lawsuit in perspective.

"Personally, I have nothing against Rhodes," he says unconvincingly. "I just want the court to decide the case."

You know, before he gets old.

John L. Smith's column appears Tuesday, Wednesday, Friday and Sunday. E-mail him at Smith@reviewjournal.com or call 383-0295.

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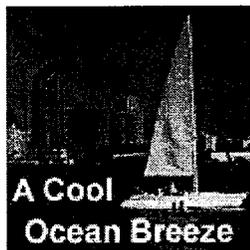
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Thursday, May 22, 2003
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Potholes in the Rhodes

Developer who wants to build on Blue Diamond Hill has tarnished construction record

By Heidi Walters

Developer Jim Rhodes would have the more gullible citizen believe that, gosh, that mine on top of Blue Diamond Hill is ugly--slapping a few thousand houses on it is just the thing to save the planet and restore order to the natural world.



Dude Downs at Sunny Springs Park.
Photo by F. ANDREW TAYLOR

But even if you sympathize with Rhodes' position, and sighed Monday when Gov. Kenny Guinn passed a bill limiting development in the zone bordering the Red Rock Canyon National Conservation Area to one house per two acres, have you considered this: What if the houses he puts up there, however many, are crap?

It could happen. Rhodes has a history of trouble here in the valley. In February 1999, the state Contractors Board even fined Rhodes \$5,000 and placed him on a one-year probation following an investigation into complaints from homeowners that he had failed to resolve their complaints. According to the state Contractors Board, in the past five years Rhodes Homes has had 214 total complaints filed against it--133 declared valid, and six still pending. And the problem-riddled projects are spread across the valley.

Take, for instance, that weird handshake deal back in 1996 with Las Vegas' then-parks director, David Kuiper. Apparently, Rhodes and Kuiper agreed that in exchange for not having to pay a residential construction tax on new homes in the Elkhorn Springs community in northwest Las Vegas, Rhodes would build a park in a detention basin next to the Betsy Rhodes Elementary School (named after his mom). Rhodes never built the park.

Stephen Reilly, who was shopping around for a home in 1997, said the "future park site" sign clinched his decision: He bought a house nearby and moved into it in 1998. "That land adjacent to the school was never finished," says Reilly, who is on the Elkhorn Springs Homeowners

Association board. "We called it the pit, the hole, the sinkhole. It decayed. Trash was being dumped in there. Nobody knew what was going on."

The citizens rallied City Councilman Larry Brown, whose ward it was in at the time, and talks between the city and Rhodes ensued. The city eventually took over the park in 2000, Reilly says, and the Sunny Springs Park finally got built. "It cost the city \$4 million to build that park," says Reilly, who was on the city's Parks and Recreation Advisory Commission for 2 1/2 years. "And I will praise the city for bailing us out and building us that park. It's an awesome, award-winning park that, ironically, we wouldn't have gotten if Rhodes had built it."

Dude Downs, who bought his house in the Eagle Heights development across from the elementary school because of the promised park, says that delayed feature wasn't the only nuisance. He had thought the four streets in their small neighborhood would be public. But they turned out to be private--meaning the residents have to pay for their maintenance. And, Downs says, "We don't have any sidewalks. Rhodes kept telling us, 'They're not in yet.' But then he told us, 'You're not getting any.'" And the latest effrontery, says Downs, is that after living in the development for five years, his family just received "a kind of nerve-wracking letter" saying there's a lien on their house "because [Rhodes] didn't pay his subcontractors."

"He just doesn't finish things," says Downs.

Some residents in Elkhorn also sued Rhodes over alleged flooding problems because of incompleting landscaping.

Rhodes' public affairs officers did not call back before deadline.

And then there was the Casa Linda case. Rhodes was one of three developers who built homes on a piece of land in northwest Las Vegas. According to construction defects attorney Scott Canepa, the developers neglected to treat the soils, which are expansive and corrosive, and major defects in the 190 homes (about half built by Rhodes) occurred.

"In some of the homes, the slabs were tilted as much as five inches," Canepa says. "There were cracks in the drywall a quarter- to a half-inch wide running the length of the wall. And [the residents] were uniformly given the runaround by the customer service department."

Homeowners sued, and after four years won a \$16.25 million settlement. "It was, and still stands as, the largest civil settlement for a residential construction defect case ever paid in Nevada," says Canepa.

Swinging to the south end of the valley are yet more Rhodes entanglements. In the Palm City project that Rhodes planned for the area now being developed by another company as Tuscany Hills, Rhodes defaulted on \$24 million in mortgage loans in July 1999.

In Palm Hills, a project begun in 1996, Rhodes still hasn't finished a list of to-dos--fix sidewalk cracks, finish walls and curbs and so on. The

homeowners are angry, and the city of Henderson is getting anxious for him to finally meet his obligations. If he doesn't, he could lose the right to continue a next-door rock-crushing operation the city permitted. Ken Koshiro, new-development engineer for the city, notes that Rhodes did complete his fix-it list at another project there, Palm Canyon. And the city maintains hope for Palm Hills. But if Rhodes doesn't fix Palm Hills, it could cost taxpayers, says Koshiro. "I'm not sure we have the money, if Rhodes walked on the bond, to fix all those things," Koshiro says.

Amanda Cyphers, a Henderson councilwoman, says in her eight years on the council she has "never seen a project being drawn out this long."

Richard Franklin, a general contractor who investigates construction defects, says homeowners in another Rhodes development, Palm Gardens, are complaining about water leakage, soil problems, inadequate roof materials and more.

"I would probably classify Jim Rhodes as very amateurish," says Franklin, who's investigated more than 300 Rhodes homes. "There's some others equally as bad as he is, but he's the leader of the band."

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Land Mind

Jim Rhodes is the Valley's biggest individual home builder. Thanks to a trail of enemies and lawsuits, he's also the most controversial. BY BRAD REAGAN

In 1974, in a modest house just west of the Strip, a father and son had a fight. The son was a gangly 16-year-old with little direction who had fallen in with the wrong crowd. The father was a respected local dentist and family man, and a firm believer in tough love. The father told the son to leave the house—for good. He'd had enough. The mother, a schoolteacher, supported her husband even though she ached for her son, the way mothers do. The son shrugged and went about his business. Thirty minutes later, acting on the instructions of the heartbroken father, a Metro officer showed up at the door to forcibly evict the boy. Not long after that, an older brother confronted the rebellious son with what was becoming painfully obvious to everyone: "You'll never be anything more than a ditchdigger."

The father, Leonard Rhodes, died last year at the age of 73, shortly before his 50th wedding anniversary. At his funeral, it is said, mourners commented that you couldn't find a soul to say a bad word about him. His three sons, all Las Vegas residents, were in attendance that day. The oldest, Steven, took over the dentistry practice. The youngest, John, became a family practice physician and was last year named one of the best doctors in Las Vegas by this magazine. The middle child, the rebellious one, was the biggest surprise.

By the time his father died, Jim Rhodes had become one of the most powerful men in the Valley. "At the end, he was proud of me," Jim says now, "and that meant everything to me."

Jim Rhodes may be the unlikeliest prodigal son in the history of prodigal sons. It's not that the story isn't true, just that it's so foreign to the way most people know him. For, unlike his father, Rhodes is not universally loved. Over a remarkable 25-year career, during which he's helped raise 7,000 homes across the Valley, Rhodes has become The Developer Las Vegas Most Love to Hate. He's loathed by environmentalists who think he wants to destroy Red Rock National Conservation Area. He's reviled by those who think he's corrupted the local government with his money and influence. And he's despised by scores of ex-employees and business partners because, well, there are lots of reasons. Rhodes "is really hard to fathom," says one person who has been active in Las Vegas real estate for more than 15 years. "Almost everybody knows who this guy is, but almost nobody understands how he has done it. He's not a fast talker, not a fancy dresser. Nobody likes an enigma, and Jim Rhodes is an enigma."

WHETHER OR NOT RHODES DESERVES the enmity he inspires, the undeniable fact is that the Valley is dotted with communities he either built or developed. There's Spanish Hills on the west side, Cascades in the northwest, Palm Hills in Henderson and, of course, the ever-expanding Rhodes Ranch in the southwest. He claims more than a dozen other projects in development. With more than 7,000 acres under his control, Rhodes is the largest individual owner of private land in Southern Nevada.

His largest single parcel is atop Blue Diamond Hill. It's also his most controversial. In March, Rhodes purchased 2,450 acres on the site of an old gypsum mine at the gateway to the Red Rock National Conservation Area for \$53.8 million. The site, which he calls "unquestionably the best piece of property in Las Vegas," was zoned to accommodate one home per two acres, but Rhodes wants to build a dense community with thousands of homes and amenities that could include shopping, an amphitheater and a bicycle track. By doing so, he stepped into a political minefield.

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In the intervening months, Rhodes has been a fixture in the headlines. He fought with nearby Blue Diamond residents and others over the environmental ramifications of the project; sued his former lawyer and current county commissioner, Mark James, for switching sides on the issue (the suit was later dropped); and battled whispers of political corruption, as his closest political ally, former county commissioner Erin Kenny, has reportedly

land mowing jobs and schlepping around Las Vegas Country Club as a tennis boy. By the time he was 16—when he was kicked out of the house—he had saved \$6,000, enough for his own car. After graduating high school in 1976, he became a ski bum in Sun Valley, Idaho, until his money ran out and he returned to Vegas with plans to attend college and become an accountant. In need of cash, Rhodes sold the car and took his nest egg to the Mint. During a day

"I don't know how anybody that knows his story can't be impressed by what he's accomplished," says his brother John. "The person I read about in the papers is not the person I know."

reached a deal with the FBI to cooperate in its ongoing probe into government corruption in regards to her alleged dealings with the Galardi family. Rhodes maintains the option to develop one home per two acres, but the Clark County Commission is teaming with U.S. senators Harry Reid and John Ensign and the Sierra Club in a bid to buy the land from Rhodes to prevent its development. How will this saga turn out? If history is any guide, whatever the result, it won't win Rhodes any friends.

I SPENT AN AFTERNOON WITH Rhodes recently, driving around town looking at his various developments. He is wary of the press because he says he "got the bejeebers kicked out of me" during the Blue Diamond controversy. "I was under the impression when I bought it that this was America," he says. "I mean, I can understand it if I bought the Red Rock Mountains. I bought a gypsum mine."

Like many high achievers, he is not prone to introspection. He prefers to talk about the details of the homes themselves: the variations of the stucco finishes, the angles of the windows. But, slowly, the story of his life starts to emerge. Rhodes moved to Las Vegas with his family when he was 6 months old and attended West Charleston Elementary and Clark High School. He was a Boy Scout and a natural athlete. His passion was downhill skiing but he also played basketball, a natural fit since his lanky frame stretched to six-foot-four. Though his parents were comfortable, he always worked, walking door-to-door to

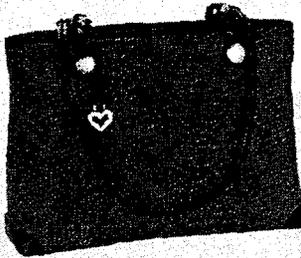
of blackjack, he lost it all, save \$80. He used his remaining cash to buy a bicycle that he rode around town looking for work. He found a job making \$3 per hour framing houses. He never made it to college.

As Rhodes tells it, his upward trajectory started when, after rain shut down the construction site he was working at, he headed home and stumbled upon a job site near Bob Baskin Park. The crew was gone, and Rhodes approached the foreman, asking him how much he could get for framing the house himself. The foreman told him \$120, and Rhodes agreed. One problem: Rhodes didn't own any tools. He raced home and asked his mother to loan him enough money for a tool set. Fearing that her son would blow the money on something else, she refused to give him the cash, but agreed to drive him to a hardware store and purchase the tools, provided he not tell his father.

Pleased with the work, the contractor gave Rhodes jobs on some other developments, including one in Henderson. (Rhodes accepted the work, even though it meant riding his bike to and from the west side of town, all the while lugging his tools.) Soon, Rhodes hired friends—those friends who had cars that could cart him to work—at his old rate of \$3 per hour and installed himself as the boss. For the next seven years, Rhodes took on all the work he was offered and, by 1984, his company, Jim Rhodes Construction, boasted 125 employees. He was 26.

Early on, he pledged to always reinvest his profits back into real estate. "I got to lis-

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PROFILE

ten to my father and all of his friends when they would talk about how they could have bought land on the Strip for \$100 an acre," he says. "I just thought, 'I don't want to make those same mistakes.'"

And he knew how to spot good land.

"He's just got a great nose for dirt," says Tim Sullivan, principal in charge of consulting with the Meyers Group, a San Diego-based real estate research firm. "He can sense which way the market is going and get there ahead of it."

In 1987, however, Rhodes filed bankruptcy after he was stiffed on payment by a major developer. One person who knows him well says the experience soured Rhodes and convinced him that the business world ran on a screw-or-be-screwed ethos. When he emerged from bankruptcy—Rhodes says he paid his creditors in full within 16 months—he became a developer himself. He split his time between building tract-home communities and extravagant custom homes like the ones he constructed for home-grown sports stars Randall Cunningham, Andre Agassi and Greg Maddux. He also jumped ahead of the curve among local developers by vertically integrating his company. That is, instead of hiring a bunch of subcontractors, he started his own framing, design, landscaping and concrete companies so he could keep costs down and maximize profits.

But, according to several lawsuits, Rhodes' business practices were sloppy at times, in both his building methods and his bookkeeping. In February of 2000, a jury awarded \$16.2 million for construction defects in the Casa Linda subdivision, in which Rhodes was the primary builder. At the time, the award was believed to be the largest civil settlement for residential construction defects in county history.

Then there were separate lawsuits with regard to Rhodes' Palm Gardens development. In September, residents who sued Rhodes and various subcontractors for construction defects agreed to a \$12.5 million settlement, with Rhodes Homes paying \$3 million and Rhodes Framing responsible for \$1.7 million. That settlement came three years after an arbitrator found that Rhodes' self-dealing and mismanagement caused the partnership that invested in Palm Gardens to lose more than \$3.5 million when he himself predicted it would make nearly \$9 million; the arbitrator awarded the investors nearly \$2.2 million in damages.

Another lawsuit settled earlier this year was arguably the most damning. That case was brought by Olen Properties, a firm out of Newport Beach, California, that owns more than 7,000 apartments in the Las Vegas area, making it the second-largest apartment owner in the city. According to the lawsuit, Olen hired Rhodes Framing for a series of jobs in 1996 and '97, during which time large quantities of lumber started disappearing from Olen work sites and finding their way into Rhodes' hands. In long-winded legalese, the lawsuit basically alleges that, in some cases, Rhodes' employees stole lumber directly from Olen work sites. In other cases, Rhodes Framing intentionally ordered more lumber than it needed and then, unbeknownst to Olen executives, made deals to buy the excess from people on the site. The profits from this scheme, the lawsuit says, went to another Rhodes company, Rhodes Design.

Igor Olenicoff, president of Olen Properties, confronted Rhodes about the alleged theft, and Rhodes gave Olenicoff a check for \$200,000 and a promissory note for another \$550,000 to be paid in 12 installments. In exchange, Olenicoff promised not to sue. Rhodes never made a single payment, and Olenicoff eventually filed suit in October of 1998. "In the 31 years I've been in business, I've never worked with a subcontractor where I've had that happen," Olenicoff says of Rhodes' conduct.

In September of this year, the case was finally set for trial, but Rhodes called Olenicoff into the judge's chambers shortly before opening statements. They emerged with a settlement in a matter of minutes.

Under the terms of the settlement, Olenicoff cannot discuss its specifics, but he says it was "very favorably disposed of. Rhodes suggests he didn't know anything about it and blames the people that report to him. We were more than prepared to go to trial and prove that was not the case. If it had no merit, it would not have been settled. He dragged it out as long as he could."

Rhodes' personal demeanor can be abrasive as well. He is brusque, almost condescending in person and presents himself as the antithesis of the slick developer. He regularly conducts meetings with tens of millions of dollars at stake dressed in jeans and sneakers. Some see his behavior as roguishly charming, others as offensive. "He has no class, no poise," says Richard Gordon, who worked for and with

PROFILE

Rhodes for two years in various capacities, including as a host at Rhodes Ranch Golf Course and as a broker for the sale of a palm tree farm that he says he and Rhodes co-owned. Gordon, who is currently suing Rhodes for more than \$2 million in unpaid commissions, among other charges, says Rhodes is extremely demanding of his employees, which results in high turnover among the staff, an observation repeated by several other people who have worked for or with Rhodes in recent years. Through his chief financial officer, Jim Bevan, Rhodes responds only that Gordon was

embezzling money from the company and that he recently filed a counterclaim to Gordon's lawsuit asserting so. Generally, Rhodes chooses to just not comment on such matters. However, Gordon, a former casino executive who bought Southern Wine and Spirits from Steve Wynn in 1973 and later sold it himself, says the Olen case and his own reveal Rhodes' *modus operandi*: "Rhodes is like crime—he doesn't pay."

To be sure, anyone who conducts business on the scale that Rhodes does is likely to encounter some business disputes. It's the tenor of the lawsuits and their sheer

number that makes them unusual. Because he operates under a variety of corporate entities, it is difficult to identify all of the cases in which he is involved, but a search of the Clark County District Court database shows more than three dozen lawsuits in which Rhodes was a defendant during the last 15 years. (Rhodes' personal life is not exempt from litigation. In 1999, his wife, Debbie, whom he married in 1988 and again in 1996, filed for divorce. Rhodes and his ex-wife share joint custody of their two sons, but the divorce litigation is bitter and ongoing.)

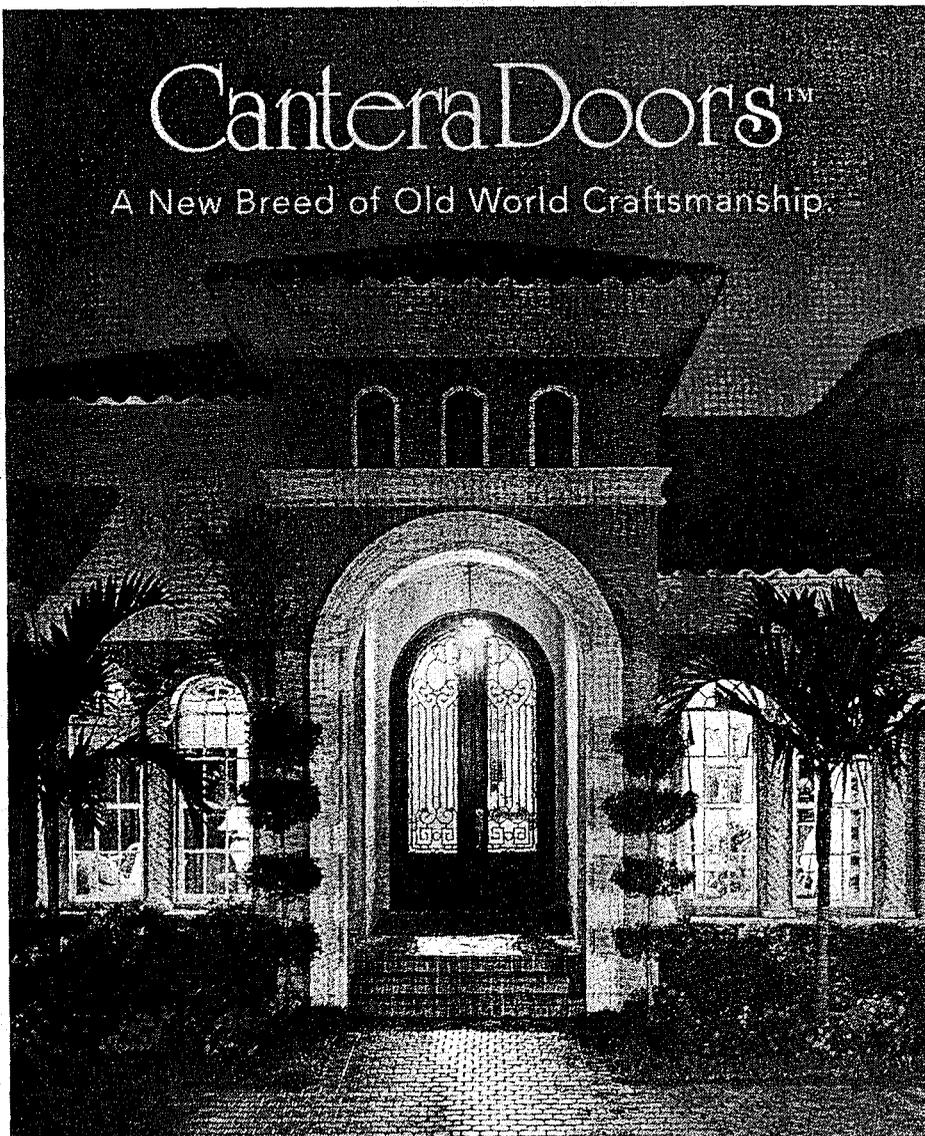
Despite that track record, Rhodes maintains a stable of defenders. "I don't know how anybody that knows his story can't be impressed by what he's accomplished," says his brother John, the physician. Like other friends and family members, John struggles to reconcile the prodigal son with the ogre from the headlines and court filings. "The person I read about in the papers is not the person I know." He believes his brother is bothered by his less-than-stellar reputation but, echoing the comments of others, he's never heard Jim express concern about it. When I ask Rhodes directly, he brushes it off. "It bothers me, yeah, but what am I supposed to do? Quit?" Public relations is clearly not the top priority. That belongs to his father and to the implied challenge in his older brother's prediction 27 years ago that he'd amount to nothing more than a ditchdigger. "I was 18 when he said that," he says. "I'm still trying to prove him wrong."

As we wound through Spanish Hills, where he lives in a million-dollar custom home, he tells me he plans to move into a home in Rhodes Ranch. "I want my kids to grow up around average-type kids," he says, not the sons and daughters of the privileged elite, whom he dubs "idiots and assholes."

Rhodes is a multimillionaire who parks a Ferrari in his garage, but he still sees himself as a lowly framer building an empire one house at a time. That's what keeps him going, and that's what should worry the coalition of politicians and activists currently aligned against Rhodes on Blue Diamond Hill.

"I've already got more money than I could ever spend," he says. "If it was about money, I wouldn't be here. It's about passion. I don't see challenges up there. I see wonderful opportunities."

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Rhodes settles federal case

Developer made illegal donations

By MOLLY BALL
REVIEW-JOURNAL

Las Vegas developer Jim Rhodes has admitted he illegally funneled contributions to two Democratic candidates through his employees and has paid nearly \$150,000 in fines.

Rhodes and two of his executives admitted to violating the Federal Election Campaign Act as part of the settlement.

The Federal Election Commission on Thursday announced the result of its investigation into the 2002 contributions to congressional candidate and then-county Commissioner Dario Herrera and U.S. Sen. Harry Reid.

Rhodes gave \$27,000 to Herrera and \$10,000 to Reid through 14 employees of his companies and two of the employees' spouses. Herrera and Reid must give those amounts to the federal treasury.

The federal investigation was based on a complaint filed in 2002 by the National Republican Congressional Committee. Rhodes' donations to Herrera and Reid exceeded contribution limits; he tried to disguise the excess contributions by giving company money to his employees to give to the candidates.

Rhodes broke the law in three ways. He donated more than is allowed under federal law. In addition, corporations cannot give money to candidates, and individuals cannot give in the name of others. Under federal law at the time, individual contributions to a candidate were limited to \$1,000 in the primary and \$1,000 in the general election.

Herrera and Reid were cleared by the probe, the FEC said.

"The investigation concluded that the recipients of the contributions were not aware of the actual source of the funds," the federal commission's statement said.

Reid will give the money to the government as ordered, said a spokesman, Jim Manley.

"As the FEC has stated, at the time the contributions were received, the recipients had no reason to believe they were improper," Manley said.

However, when asked whether Reid knew the contributions came from a common source when he accepted them, Manley said, "I don't know the answer to that."

The donations to Reid apparently were not part of the scope of the original complaint, which was filed against Herrera's campaign. Reid was not up for re-election in 2002, but members of Congress constantly collect funds for their war chests.

Herrera, who has been indicted in federal court for allegedly taking bribes while a commissioner, said Thursday that he "absolutely" had not known the source of the contributions. He referred further questions to a Washington lawyer, who could not be reached Thursday.

The two Rhodes executives, Nadine Giudicessi and James A. Bevan, are each being fined \$5,500. Giudicessi was the controller of Rhodes Design and Development Corp. at the time, and Bevan was the company's chief financial officer. They solicited contributions from some of the 14 employees on Rhodes' orders, according to the FEC.

Rhodes paid the \$148,000 fine in September, said his attorney, Richard Wright. Giudicessi and Bevan no longer work for Rhodes, Wright said.

"This complaint has been pending for nearly four years," Wright said in a statement. "We have satisfied every provision of the settlement. This matter is now behind us, and we are glad to have the issue finally resolved."

A spokeswoman for Rhodes said he was not available to answer questions.

The Republicans became suspicious of Herrera's finances because four of the donors, who included a payroll clerk and a human resources manager, were not registered to vote and 10 had no voting record.

In 2002, Herrera ran unsuccessfully against Republican Rep. Jon Porter.

Craig Walton, president of the Nevada Center for Public Ethics, said people contribute to politicians to buy access and favorable treatment. If they contribute a lot, they want the candidate to know so that they can get something in return.

It's conceivable, but not likely, that a candidate wouldn't know the real source of a bunch of disguised contributions, Walton said.

"You'd think the candidates would actually be told the exact details," he said. "This is the commercialization of access, and it's making people sick all over the United States."

The "bundling" of contributions is a common practice, especially for candidates for state office, where it is legal, Walton added.

"It's not Republican or Democrat, it's everyone," he said.

It hurts the public, he said, because it gives the wealthy access to public officials that others don't have.

Herrera and fellow former Commissioner Mary Kincaid-Chauncey go on trial in Las Vegas next week on federal charges that they accepted bribes.

Last July, former Commissioner Lance Malone was convicted of wire fraud and extortion for giving money to San Diego officials on behalf of Las Vegas strip club owner Michael Galardi to get the officials to change a city ordinance.

Malone, Herrera and Kincaid-Chauncey face similar charges in Las Vegas, while Galardi and former Commissioner Erin Kenny pleaded guilty and cooperated with federal prosecutors.

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