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To: Arizona Corporation Commission  
Attn: Linda A. Jaress  
Executive Consultant, Utilities Division  
1200 West Washington  
Phoenix, AZ 85007-2996

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AZ CORP COMMISSION  
DOCUMENT CONTROL

From: Diamond Valley Water District  
1848 Emerald Dr.  
Prescott, AZ 86301

DOCKETED

W-03263A-07-0244

APR 13 2007

Date: April 9, 2007

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**Subject: Letter of Intent to transfer assets from the Diamond Valley Water Users Corporation to the Diamond Valley Water District.**

This is a "Letter of Intent" to accept the transfer of Diamond Valley Water Users Corporation (DVWUC) assets by the Arizona Corporation Commission (ACC) to the Diamond Valley Water District (DVWD). This letter confirms ACC and DVWD mutual intentions with respect to the potential transfer of the assets of Diamond Valley Water Users Corporation to the Diamond Valley Water District.

We envisage the principal terms of the proposed transaction would be substantially as follows:

1. The Diamond Valley Water District would acquire the assets, tangible and intangible of Diamond Valley Water Users Corporation, subject to any obligations and liabilities disclosed by the Diamond Valley Water Users Corporation, current and previous interim managers of the utility and the Arizona Corporation Commission. These assets unless otherwise disclosed by the parties listed above are all free and clear of any security interests, mortgages or other encumbrances.
2. The ACC guarantees that it has the legal authority to deliver clear title to these assets and will remain responsible for the defense of this authority and insure clear title to these assets if there is any challenge of this transfer.
3. There would be no cost to the Diamond Valley Water District for these assets.
4. The Diamond Valley Water District would determine if the water supply agreement with Prescott Valley Water District is transferable on the existing terms or terms acceptable to the Diamond Valley Water District.

5. Promptly following the execution of this letter of intent, the ACC will provide the Diamond Valley Water District with complete financial, accounting and business records of the utility for the period during which the utility was being operated by ACC appointed interim managers. These records include but are not limited to:
  - a. Copies of all real and personal property documents
  - b. A complete list of any and all assets including land, buildings, electrical equipment, pumps, motors, plumbing, valves, control equipment, motor vehicles, earth moving equipment, hand/power tools, office equipment, computers, original computer software, telephones, cell phones, books and any other assets and or equipment not included in this list.
  - c. A detailed and complete list of any and all liabilities, liens and/or encumbrances that will be assumed by DVWD
  - d. Copies of all tax returns for the last five years
  - e. Copies of any audits or financial reports created by or for the utility in the last five years
  - f. A list of any outstanding tax obligations including unemployment compensation, withholding tax, social security tax, sales tax, personal property tax, income tax and any other taxes of any nature
  - g. A list of all bank accounts and copies of the registers for all accounts
  - h. Copies of all sales records and invoices
  - i. Copies of all current contracts and those written in the last five years
  - j. Payroll, benefits, and employee pension/profit sharing info
  - k. Copies of all ledgers
  - l. A list of regulatory agencies that have oversight of the utility and a report that identifies any current non compliance, violations or deficiencies by the utility
  - m. A list of receivables
  - n. A list of all accounts due and payable that will become the obligation of the DVWD
  - o. A list of owners
  - p. A list of employees
  - q. A list of all suppliers
  - r. A current customer list
  - s. A list of all inventory with receipts
  - t. Copies of all insurance policies issued in the past five years and those currently in force
  - u. Copies of any other records pertinent to the financial condition and/or operation of the utility
  
6. In addition to the conditions discussed herein and others to be contained in a definitive written transfer agreement (the "Transfer Agreement"), consummation of the transfer would be subject to the continued operation of the utility in the ordinary course during the period between the date of this letter and the date of Transfer approval by both the ACC and the DVWD. The interim operator and the Commission guarantee that there have been no material adverse changes in the utility's financial condition.

7. All terms and conditions of the transfer will be stated in the Transfer Agreement, to be negotiated, agreed and executed by the ACC and DVWD. Neither party intends to be bound by any oral or written statements or correspondence concerning the Transfer Agreement arising during the course of negotiations, notwithstanding that the same may be expressed in terms signifying a partial, preliminary or interim agreement between the parties.
8. Simultaneously with the execution of the Transfer Agreement, the Diamond Valley Water District would enter into an employment agreement with Don Bohlier (Don's Water Company) on such terms and conditions as would be negotiated and agreed by DWC and the DVWD, including mutually agreeable provisions regarding compensation and term of employment.
9. The DVWD and the ACC will use all reasonable efforts to complete and sign the Transfer Agreement on or before May 31, 2007 and to close the transaction as promptly as practicable thereafter.
10. The ACC and DVWD will each pay their respective expenses incident to this letter of intent, the Transfer Agreement and the transactions contemplated hereby and thereby.

This is a non-binding letter of intent. It is an offer to negotiate the transfer of the assets of Diamond Valley Water Users Corporation to the Diamond Valley Water District. Either party may revise or quit this negotiation to create a Transfer Agreement for any reason.

Respectively submitted,

  
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 Jim Morgan, Chairman DVWD

4/19/07  
 DATE

  
 \_\_\_\_\_  
 Dean Briggs, Vice Chairman/Treasurer DVWD

4-9-07  
 DATE

  
 \_\_\_\_\_  
 Susan Echenrode, Secretary DVWD

4-10-07  
 DATE

CC: Commission Chairman Mike Gleason  
 Commissioner Kristin Mayes  
 Commissioner William Mundell  
 Commissioner Jeff Hatch-Miller  
 Commissioner Gary Pierce  
 Christopher C. Kempley  
 Don Bohlier Interim Manager Diamond Valley Water Users Corporation