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MEMORANDUM

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DOCKET CONTROL

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TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

Date: January 18, 2008

RE: STAFF REPORT FOR THE APPLICATION OF QUEEN CREEK WATER COMPANY FOR APPROVAL OF SALE OF ASSETS TO THE TOWN OF QUEEN CREEK AND CONDITIONAL CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.
(DOCKET NO: W-01395A-07-0556)

Attached is the Staff Report for the transfer of Queen Creek Water Company to the Town of Queen Creek and cancellation of its certificate of convenience and necessity. Staff recommends approval.

EGJ:VW:kdh

Originator: Vicki Wallace

Arizona Corporation Commission
DOCKETED
JAN 18 2008
DOCKETED BY
KK

Service List For: Queen Creek Water Company
Docket No. W-01395A-07-0556

Mr. Paul Gardner
Queen Creek Water Company
22713 South Ellsworth Road, Bldg. A
Post Office Box 366
Queen Creek, Arizona 85242

Mr. Steven A. Hirsch
Mr. Stanley B. Lutz
Bryan Cave LLP
2 North Central Avenue, Suite 2200
Phoenix, Arizona 85004

Mr. Patrick Flynn
Town of Queen Creek
22350 South Ellsworth Road
Queen Creek, Arizona 85242

Ms. Marlene Pontrelli
Mariscal Weeks Mclntyre & Friedlander PA
2901 North Central Avenue, Suite 200
Phoenix, Arizona 850 12

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

QUEEN CREEK WATER COMPANY
DOCKET NO. W-01395A-07-0556

SALE OF ASSETS OF QUEEN CREEK WATER COMPANY TO THE TOWN OF QUEEN CREEK AND CONDITIONAL CANCELLATION OF QUEEN CREEK WATER COMPANY'S CERTIFICATE OF CONVENIENCE AND NECESSITY

JANUARY 18, 2008

STAFF ACKNOWLEDGMENT

The Staff Report for Queen Creek Water Company, Docket No. W-01395-07-0556 was prepared by the Staff members shown below.

Vicki Wallace
Chief of Consumer Services/Special Projects

Jian Liu
Utilities Engineer

EXECUTIVE SUMMARY
QUEEN CREEK WATER COMPANY
DOCKET NO. W-01395-07-0556

On September 28, 2007, the Queen Creek Water Company ("QCWC") filed an application with the Arizona Corporation Commission ("Commission or "ACC") for approval of the sale of its assets and operations to the Town of Queen Creek ("Town") and for the cancellation and extinguishment of QCWC's Certificate of Convenience and Necessity to provide water service, conditioned upon consummation of the sale of QCWC to the Town.

An asset purchase agreement ("purchase agreement") between QCWC and the Town was executed on December 9, 2007. According to the Company, one of the provisions of the purchase agreement provides that the closing of the parties' transaction (close of escrow) is conditioned upon receipt of an Order from the Commission cancelling QCWC's CC&N.

The Town has experience owning and operating a municipal wastewater utility and will retain virtually all the current QCWC personnel in order to ensure that its water service will function with the same customer service following the purchase. The Town has received loan approval from WIFA in the amount of $40,000,000 to acquire QCWC's assets.

The Town has shown its intentions to honor all QCWC's obligations under mainline extension agreements and to assume all existing customer account, including customer deposit obligations. The Town has also described a system for responding to customer complaints and handling bill payment issues. The Town has also committed that those QCWC customers located outside of the Town's boundaries will receive equal treatment as those within its boundaries.

Staff recommends approval of the transfer of the assets of QCWC to the Town and that the Commission cancel the CC&N of QCWC with the following conditions:

1. That QCWC file documentation of the successful close of escrow finalizing the sale of QCWC to the Town with the Commission in this docket.

2. That the Town honor all liabilities of QCWC relating to customer deposits, service line and meter installations, and mainline extension agreements without any arbitrary timeframe for submission of claims.

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INTRODUCTION

On September 28, 2007, the Queen Creek Water Company ("QCWC" or "Company") filed an application with the Arizona Corporation Commission ("Commission or "ACC") for approval of the sale of its assets and operations to the Town of Queen Creek ("Town") and for the cancellation and extinguishment of QCWC's Certificate of Convenience and Necessity to provide water service, conditioned upon consummation of the sale of QCWC to the Town.

On October 26, 2007, the ACC Utilities Division ("Staff") filed an Insufficiency Letter indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C."). A copy of the Insufficiency Letter was sent to the Company via U. S. certified mail. In that letter, Staff listed the deficiencies to be cured for administrative purposes.

On November 19, 2007, the Company filed its response to Staff's Insufficiency Letter and provided additional documentation to support its application. On December 13, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

On December 10, December 26, and December 27, 2007, Staff issued data requests to the Company, and responses were subsequently received.

BACKGROUND

QCWC is an Arizona corporation, in good standing with the Commission's Corporation Division, certificated to provide water utility services in the vicinity of the Town of Queen Creek and adjacent areas of southeast Maricopa and northwest Pinal Counties, pursuant to the Commission's Decision No. 46132 issued June 4, 1975. Staff's legal description and engineering map of the service area is attached as Exhibit 1.

QCWC indicates that its Certificate of Convenience and Necessity ("CC&N") coincides with the Town's municipal boundaries and encompasses approximately 36.5 square miles. Approval for the sale of QCWC is being sought in lieu of the Town's acquisition through condemnation actions. A Resolution was passed on October 4, 2006 by the Mayor and Common Council of the Town of Queen Creek (attached as Exhibit 2) authorizing acquisition of QCWC through condemnation or purchase. Rather than engaging in litigation, however, the Town and QCWC agreed to pursue a negotiated acquisition. QCWC advised that if Commission approval was not received, it anticipated that the Town would proceed to acquire QCWC through condemnation, at a much higher overall cost and impact to QCWC's current customers.

The application states that in order to provide consistent service and rates to its citizens, the Town is willing and able to become the sole water utility service provider in its municipal boundaries. The Town also provides wastewater service to the area and indicates that the requested cancellation will have the effect of combining water and wastewater service in one

municipal provider. QCWC agrees with the Town that such a course of action is in the public interest.

THE ASSET PURCHASE AGREEMENT

An asset purchase agreement ("purchase agreement") between QCWC and the Town was executed on December 9, 2007. According to the Company, one of the provisions of the purchase agreement provides that the closing of the parties' transaction (close of escrow) is conditioned upon receipt of an Order from the Commission cancelling QCWC's CC&N. The purchase agreement itself (without attachments) is attached as Exhibit 3. The main provisions of the purchase agreement are as follows:

1. The Town will acquire all of the assets of QCWC, including its right to provide water utility service to customers residing within QCWC's CC&N. The total purchase price is dependent upon the number of active connections (as defined in the purchase agreement and in place as of certain defined dates therein), with the Town paying $4,000 per active connection. The total purchase price, however, is capped at $38,500,000 regardless of the number of active connections. In response to Staff's data request, QCWC indicated that it had 9,224 active connections as of December 15, 2007.

2. The Town will assume all of QCWC's obligations under existing mainline extension agreements. QCWC will provide the Town with $800,000 at the close of escrow to fund repayment obligations under existing mainline extension agreements for approximately two years. Following that, the Town will repay mainline extension obligations out of operating income.

3. The Town will obtain a loan from the Water Infrastructure Financing Authority of Arizona ("WIFA") in the principal amount of $40,000,000, at an annualized weighted average interest rate not to exceed six percent as of the Close of Escrow, the proceeds of which shall be used by the town to acquire QCWC's purchased assets. In response to Staff's data request on the status of the WIFA loan, QCWC advised the WIFA Board had approved the loan resolution requested by the Town in the amount of $40,000,000 on December 19, 2007. QCWC also indicated that execution of the loan agreement would not be completed until QCWC received approval from the ACC for the sale and CC&N cancellation and the loan is funded.

4. The Town will assume all existing customer accounts, including the customer deposits. The Town will continue to provide refunds/credits of such deposits in accordance with existing QCWC policy in that deposits that were made prior to the acquisition will be refunded just as they were prior to the acquisition. Going forward, the Town will require some undetermined deposit from new customers and intends to continue to refund that initial deposit following 12 months of timely payment through credits to the customer's bill. Any change in the amount or handling of future customer deposits would be subject to approval by the Town Council, following public notice and hearing.

5. The Town is retaining the services of Paul Gardner, the current president and 20+ year employee of QCWC, to oversee the operation of the water system for the Town. Mr. Gardner is being retained for a minimum of two years following close of escrow, with a provision to renew his contract with the Town for another two years upon mutual consent of the parties. In addition, the Town is planning to retain many of the current employees of QCWC, including those who hold certificates for operating many of the key systems in the Company.

THE QCWC WATER SYSTEM

The QCWC existing water system is comprised of 11 wells having a combined production rate of 11,850 gallons per minute, 7 storage tanks having a combined storage capacity of 4,370,000 gallons, and a distribution system serving over 9,200 customers. The QCWC wells have adequate well production and storage capacity to serve the existing connections (see Exhibit 4, Staff Engineering Report).

The Town's current boundaries and planning area as compared to QCWC's CC&N service area is reflected in Exhibit 5. As shown by the map, it can be seen that the QCWC service territory coincides with the Town's current and planned municipal boundaries with the exception of one section. The Town indicated that it did not have an adopted timeframe for bringing areas outside of the current municipal boundaries into the Town. In any event, the Town indicated that regardless of the timing of such potential future annexations, the Town understood its obligation to serve water, on a non-discriminatory basis, to all existing customers until such time as their property was annexed into the Town.

Regarding what guarantees would be provided to customers outside the Town's boundaries of equal treatment to that of the Town's customers, QCWC indicated that the Town, as a political subdivision of the State of Arizona, was required to provide equal protection to citizens of the State (See Ariz. Const. Art. 1, Sec. 13). In addition, it was the Town's plan and commitment to serve all customers with the same high level of service that currently existed regardless of jurisdictional boundaries. Further, the Town indicated that it was committed to maintaining and improving customer service for residents and non-residents alike in the community. Town management also committed to provide further written assurances to this effect if desired by the Commission.

TOWN OF QUEEN CREEK'S ORGANIZATION AND OPERATION

The Town's Public works Department consists of 46 positions and provides the administrative and technical expertise to carry out the design, plan review, inspection and maintenance needs of the Town relative to capital improvement projects, construction, and infrastructure maintenance. The Department also provides for the development, coordination, and review of all activities in the Department. Divisions included in the Department are depicted in the Town's Organizational Chart that is attached as Exhibit 6. Upon completion of the

acquisition of QCWC, a separate Utilities Department will be formed to oversee both the provision of potable water and continuation of the wastewater duties currently undertaken by the Public Works Department.

RATES AND CUSTOMER SERVICE

In response to Staff's data request regarding the Town's expectations of rate increases for the next five years, it was indicated that upon the successful acquisition of QCWC and its assets, the Town anticipated the rates would be increased over a three year period.

Staff inquired as to how the Town would handle customer complaints and was informed that the Town will continue to utilize the procedures that QCWC currently had in place for resolving existing customer complaints, including timelines. With respect to future or unresolved complaints, the Town will follow its current policy (for wastewater, streets, etc.) that requires Town departments to follow-up on complaints within 24 hours with a resident or a customer unless the complaint is related to public safety or health in which case it would be handled within minutes of receipt. Complaints that are not adequately resolved at the department level can be raised with the Town Manager. If the Town manager is unable to resolve the complaint, residents are allowed to address their complaints to the Town Council at its next regularly schedule meeting.

Staff also asked where former QCWC customers would be able to pay their bills. The Town indicated that it was assuming the current lease for QCWC's main offices and anticipated that its new water division would continue to operate at that address until the end of the lease term. Therefore, customers will continue to be able to pay their bills at that office, via mail, or over the internet. In addition, the Town will also allow customers to pay their bills at the Town hall upon consummation of the parties' transaction.

The Utilities Division Consumer Services' Database indicates that over the last three years there have been two complaints against QCWC, one regarding disconnection and the other regarding deposits. Both complaints have been resolved. There was also one opinion filed in opposition to the sale to the Town.

CUSTOMER NOTICE

QCWC provided Staff with a copy of its notice mailed to each current customer of QCWC and a copy of the notice printed in the East Valley Tribune on October 31, 2007, both of which are attached as Exhibit 7. The Procedural Order issued December 28, 2007, required an additional notice to customers of the hearing in this matter.

The initial notice of the Company as referenced above advised customers that any claims against Queen Creek Water Company (if the customer had not already been contacted by the Company), including claims for refunds of security deposits, service line and meter installations (water only) or mainline extension agreements, needed to be made to QCWC on or before

November 21, 2007. Staff believes that the purchase agreement provides that the Town will be responsible for all QCWC's liabilities with respect to customer deposits, mainline extensions, etc. Staff recommends that as a condition of approval of the sale and cancellation of QCWC, that the Town be required to honor all such liabilities of QCWC relating to customer deposits, service line and meter installations, and mainline extension agreements without any arbitrary timeframe for submission of claims.

COMPLIANCE

ACC

The Utilities Division Compliance Database does not indicate that QCWC has any ACC compliance delinquencies.

Arizona Department of Environmental Quality ("ADEQ")

ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department ("MCESD"), reported that QCWC (PWS Number 07-033) is currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. A copy of the MCEDS report dated September 19, 2007, is attached as Exhibit 8.

Arsenic

The U.S. environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. Information submitted by the Company indicates that the current arsenic concentrations are approximately 2 to 6 ppb.

Arizona Department of Water Resources ("ADWR")

The Company is located within the Phoenix Active Management Area ("AMA") and is subject to AMA reporting and conservation requirements. ADWR reported that the Company is in compliance with its monitoring and reporting requirements.

CONCLUSIONS AND RECOMMENDATIONS

The Town has experience owning and operating a municipal wastewater utility and will retain virtually all the current QCWC personnel in order to ensure that its water service will function with the same customer service following the purchase. The Town has entered into a purchase agreement with QCWC executed on December 9, 2007, and has received loan approval from WIFA in the amount of $40,000,000 to acquire QCWC's assets.

The Town has shown its intentions to honor all QCWC's obligations under mainline extension agreements and to assume all existing customer account, including customer deposit obligations. The Town has also described a system for responding to customer complaints and handling bill payment issues. The Town has also committed that those QCWC customers located outside of the Town's boundaries will receive equal treatment as those within its boundaries.

Staff recommends approval of the transfer of the assets of QCWC to the Town and that the Commission cancel the CC&N of QCWC with the following conditions:

1. That QCWC file documentation of the successful close of escrow finalizing the sale of QCWC to the Town with the Commission in this docket.

2. That the Town honor all liabilities of QCWC relating to customer deposits, service line and meter installations, and mainline extension agreements without any arbitrary timeframe for submission of claims.

EXHIBIT 1

MEMORANDUM

TO: Vicki Wallace
Chief, Consumer Services & Special Projects
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: October 15, 2007

RE: **QUEEN CREEK WATER COMPANY (DOCKET NO. W-01395A-07-0556)**

Queen Creek has filed an application to cancel its CC&N and sell its assets to the Town of Queen Creek.

Attached are copies of the maps for your files.

:bsw

Attachments

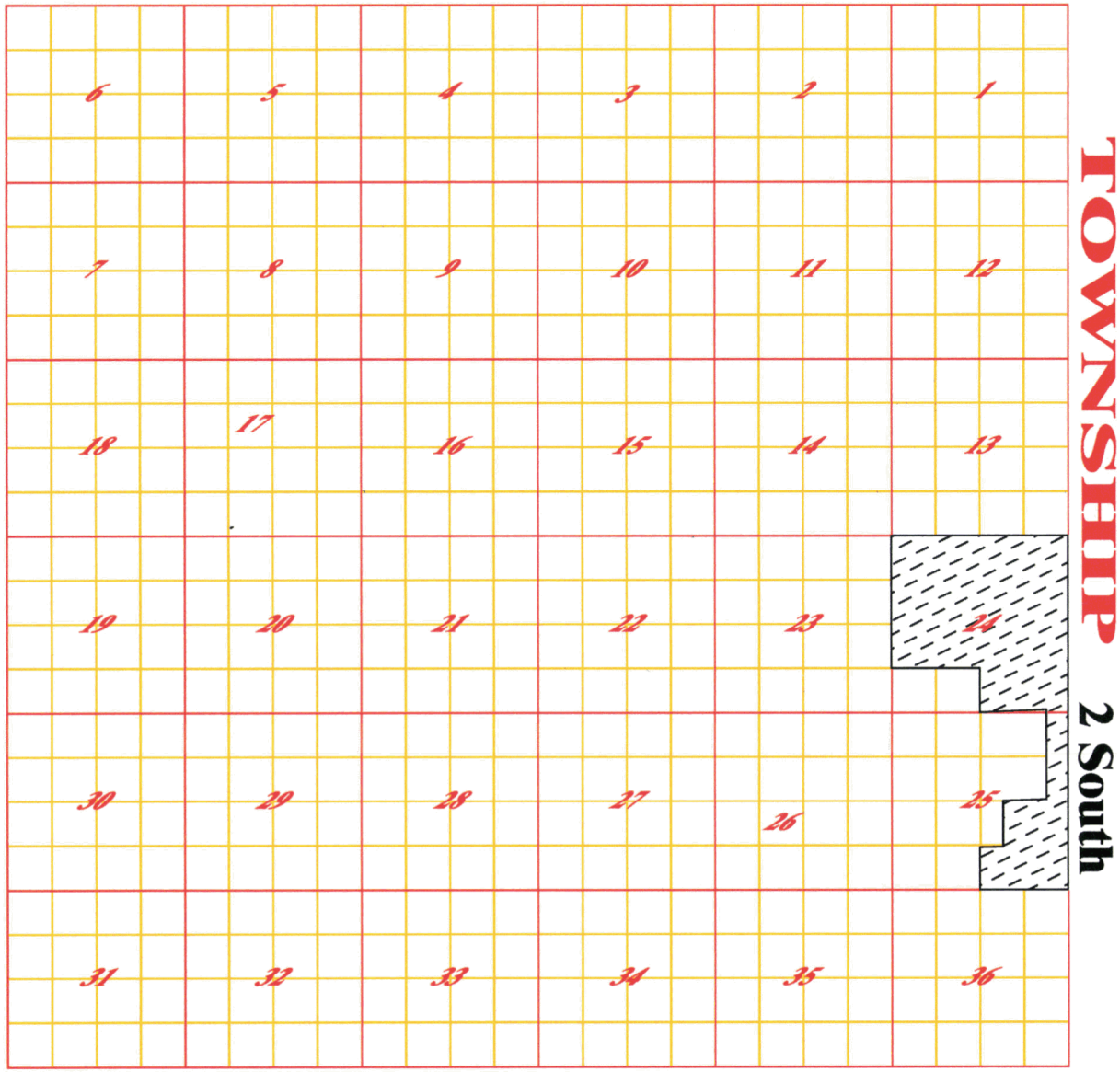
cc: Mr. Paul Gardner
Mr. Patrick Flynn
Ms. Deb Person (Hand Carried)
Mr. Jian Liu

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

Map No. 62

COUNTY: *Maricopa*

RANGE 6 East



W-1395 (2)
Queen Creek Water Company

Queen Creek Water Company
Docket No. W-01395A-07-0556
Application to Cancel CC&N
(To Town of Queen Creek)

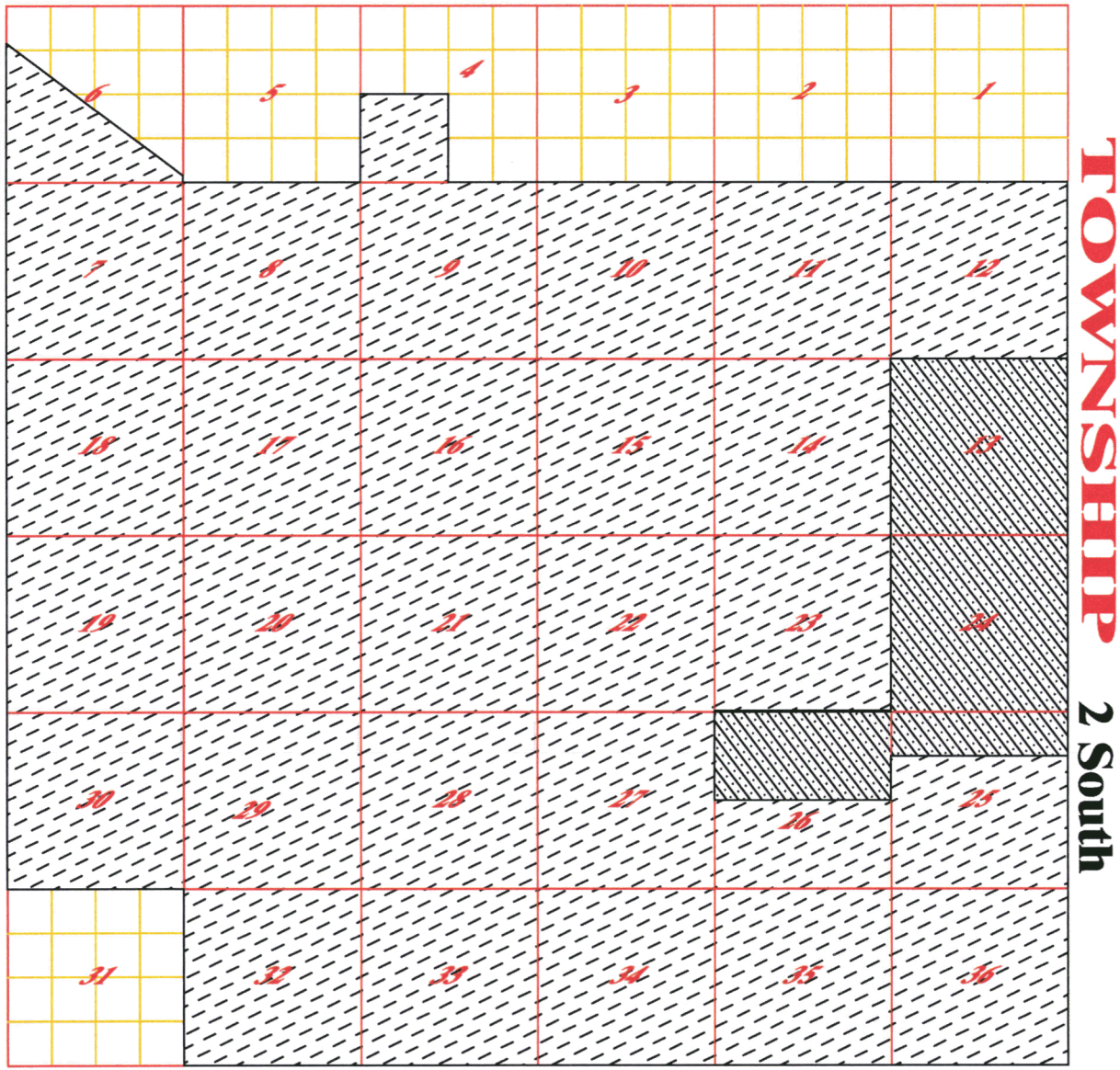
TR2S6E 25 APR 2003

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

Map No. 63

COUNTY: *Maricopa*

RANGE 7 East



W-2234 (1)
H_2O, Inc.

W-1395 (2)
Queen Creek Water Company

Queen Creek Water Company
Docket No. W-01395A-07-0556
Application to Cancel CC&N
(To Town of Queen Creek)

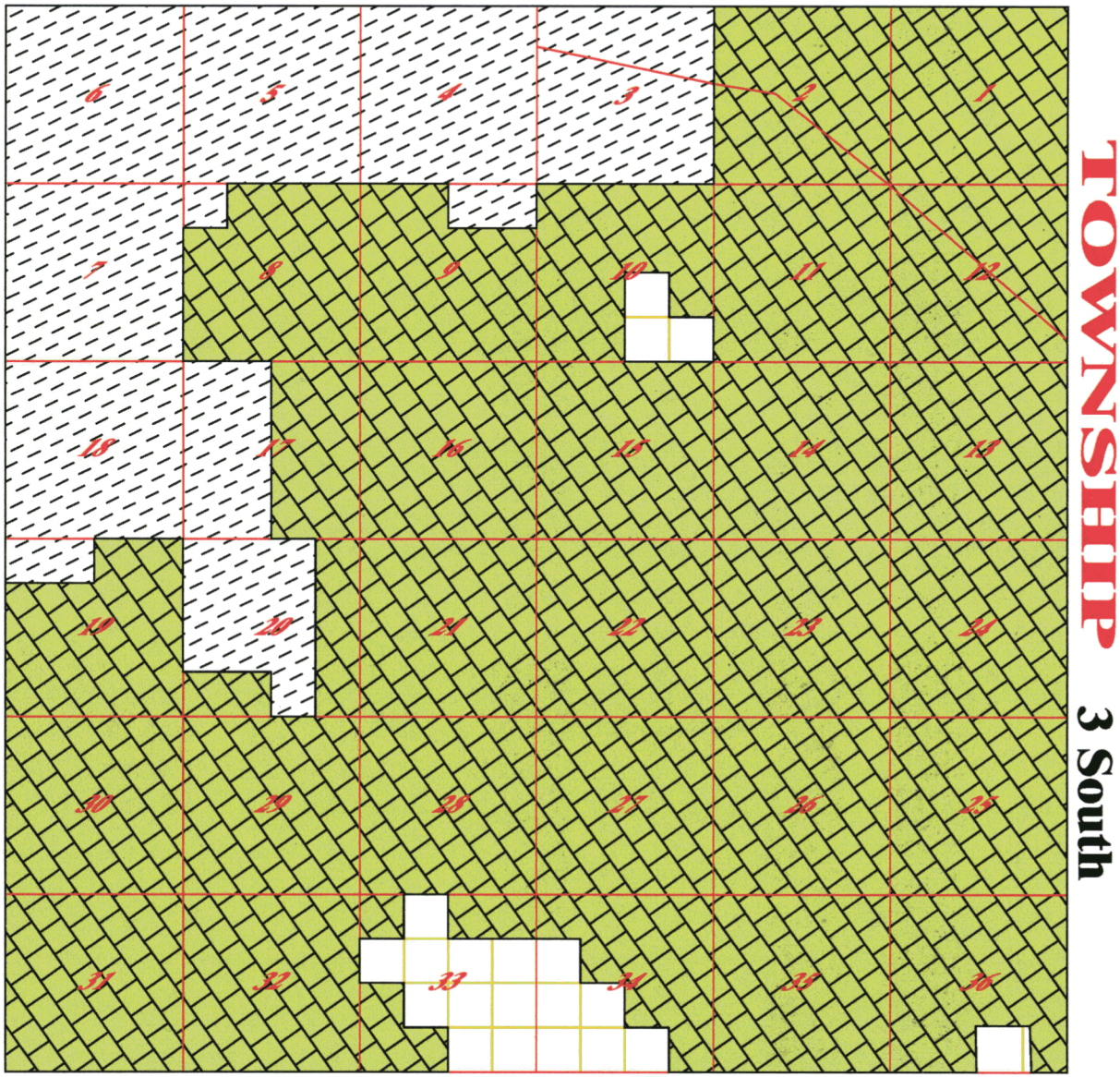
TR2S7E 25 APR 2003

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

Map No. 10

COUNTY: *Pinal*

RANGE 7 East



W-1395 (2)
Queen Creek Water Company

WS-2987 (6)
Johnson Utilities, LLC

Sewer

Johnson Utilities, LLC
Docket No. WS-02987A-07-0203
Application to Cancel Water & Sewer CC&Ns
(To Town of Florence)

Queen Creek Water Company
Docket No. W-01395A-07-0556
Application to Cancel CC&N
(To Town of Queen Creek)

TR3S7E 25 APR 2003

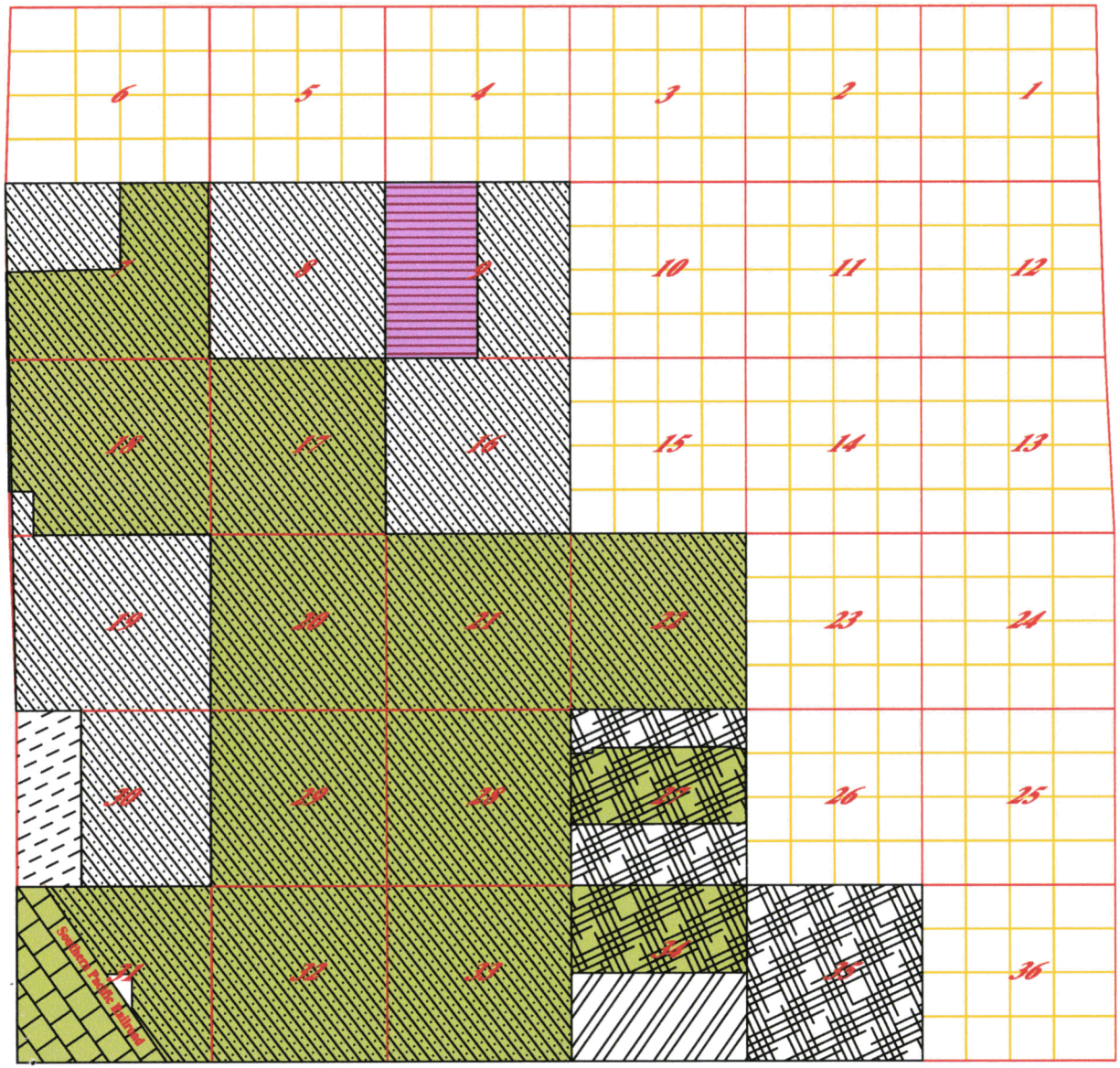
Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'

Map No. 6

COUNTY: *Pinal*

RANGE 8 East

TOWNSHIP 2 South



WS-2987 (6) — Sewer
Johnson Utilities, LLC

W-2859 (3)
Diversified Water Utilities, Inc.

W-2234 (2)
H_2O, Inc.

W-1395 (2)
Queen Creek Water Company

W-2425 (2)
Sun Valley Farms Unit VI Water Company

(1)
H_2O, Inc.
Docket No. W-02234A-07-0371
Application for Extension

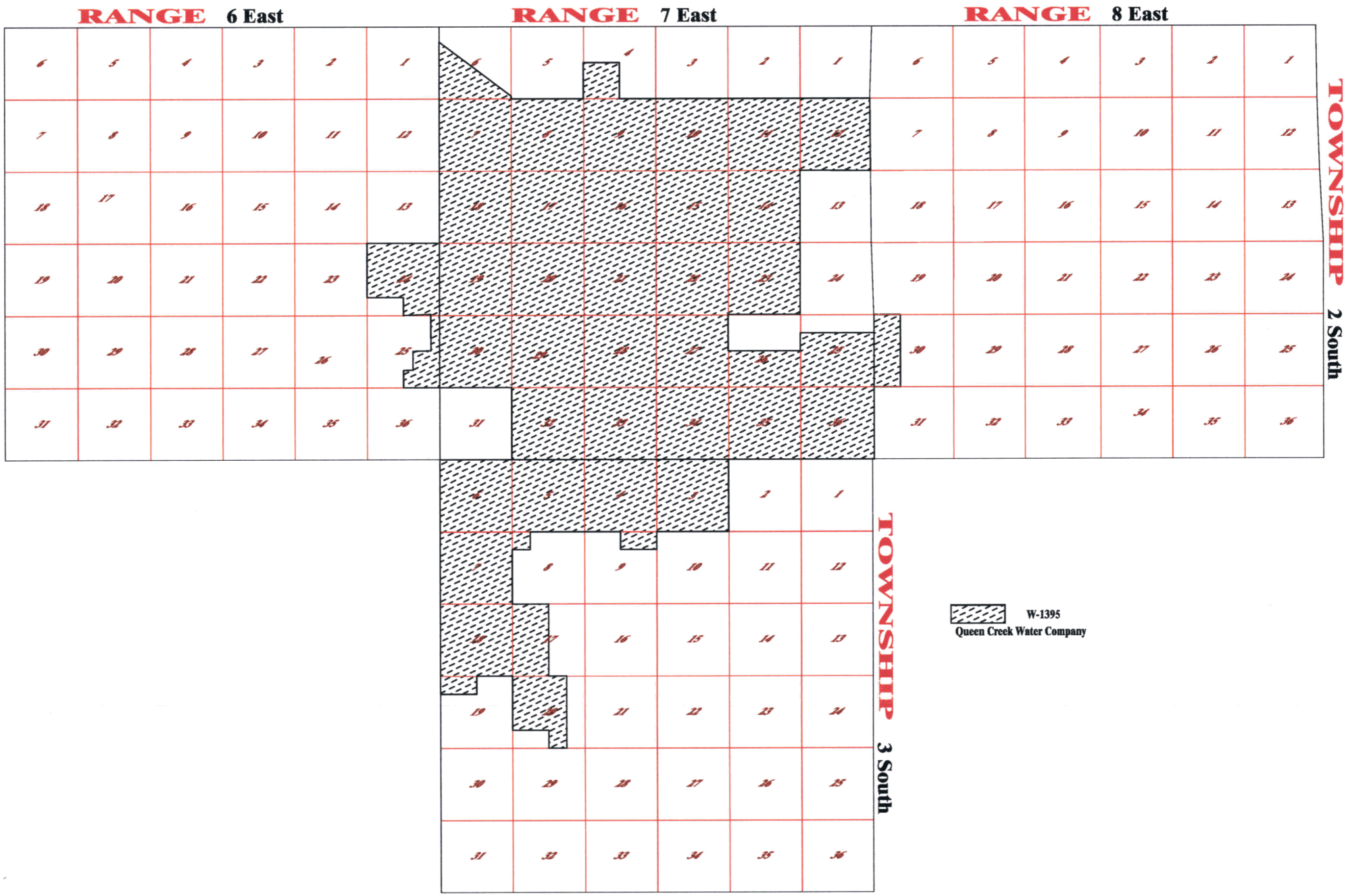
(2)
Johnson Utilities, LLC
Docket No. WS-02987A-07-0487
Application for Extension for Sewer

Johnson Utilities, LLC
Docket No. WS-02987A-07-0203
Application to Cancel Water & Sewer CC&Ns
(To Town of Florence)

Queen Creek Water Company
Docket No. W-01395A-07-0556
Application to Cancel CC&N
(To Town of Queen Creek)

TR2S8E 05 DEC 2006

Pursuant to ARS § 39-121.03 this map is 'Not for Commercial Use'



RESOLUTION 610-06

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, DECLARING A PUBLIC NEED AND NECESSITY AND A PUBLIC PURPOSE; AUTHORIZING AND DIRECTING THE TOWN MANAGER, TOWN ATTORNEY AND TOWN STAFF TO TAKE ANY AND ALL ACTION NECESSARY; AND, TO SIGN ANY AND ALL DOCUMENTS; AND TO PAY ANY AND ALL COSTS OR FEES IN ORDER TO ACQUIRE THE BUSINESS KNOWN AS THE QUEEN CREEK WATER COMPANY, COMPRISING REAL AND/OR PERSONAL PROPERTY LOCATED IN QUEEN CREEK, ARIZONA, THROUGH GIFT, PURCHASE, OR EMINENT DOMAIN;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of the Town of Queen Creek, Arizona, as follows:

Section 1. That pursuant to ARS § 9-241(A), the municipal corporation may purchase, receive, hold, lease and convey property, real and personal, necessary or proper to carry out the purposes of the corporation, within or without its limits.

Section 2. That pursuant to ARS §9-511, the municipal corporation may engage in business of a public nature and acquire property to further such purposes.

Section 3. That the Town has identified a certain business within the Town known as the Queen Creek Water Company which engages in a service of a public nature which the Town now wishes to provide to its citizens.

Section 4. That the Mayor and Common Council find that acquisition of said business and accompanying real and personal property is a public use and in the best interests of the citizens of Queen Creek and that the acquisition is necessary in order for the Town of Queen Creek to continue to protect the health, safety, and welfare of the citizens.

Section 5. That the Town Manager, Town Attorney and Town Staff are hereby authorized and directed to acquire the business and property described in Section 4 above by gift, purchase or eminent domain, and to do all acts and to sign all documents and pay all costs necessary to acquire said business and property, including if necessary by use of the power of eminent domain as set forth in A.R.S. § 12-1111 et. seq. and A.R.S. § 9-511 et seq.

PASSED AND ADOPTED BY the Mayor and Common Council of the Town of Queen Creek, Arizona, this 4th day of October, 2006.

FOR THE TOWN OF QUEEN CREEK:

Arthur M. Sanders, Mayor

ATTESTED TO:

Jennifer F. Robinson, Town Clerk

REVIEWED BY:

John Kross, Interim Town Manager

APPROVED AS TO FORM:

Fredda J. Bisman, Town Attorney

EXHIBIT 3

ASSET PURCHASE AGREEMENT
AND
ESCROW INSTRUCTIONS

Between

QUEEN CREEK WATER COMPANY,
an Arizona corporation,
as Seller

and

THE TOWN OF QUEEN CREEK,
an Arizona municipal corporation
as Buyer

QUEEN CREEK WATER COMPANY ASSETS

Queen Creek, Arizona

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LIST OF EXHIBITS

A	Seller's Certificated Area
B	Bill of Sale
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D	Assignment and Assumption of Service Contracts
E	Assignment and Assumption of Lease
F	Special Warranty Deed
G	Affidavit of Property Value
H	Non-Foreign Person Affidavit
I	Assignment of Warranties

LIST OF SCHEDULES

Schedule 2.1.1	Personal Property
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ASSET PURCHASE AGREEMENT
AND ESCROW INSTRUCTIONS

DATED: Dated to be effective as of ~~September~~ December 5, 2007 (the "Effective Date").

PARTIES: This Asset Purchase Agreement and Escrow Instructions (the "Agreement") is between QUEEN CREEK WATER COMPANY, an Arizona corporation, as "Seller", and the TOWN OF QUEEN CREEK, an Arizona municipal corporation, as "Buyer". Seller and Buyer are referred to collectively herein as the "Parties" and, individually, as a "Party".

RECITALS:

A. Seller is a public service corporation as defined in Article 15, Section 2, of the Arizona Constitution and, as such, is regulated by the Arizona Corporation Commission (the "Commission"). Seller holds a Certificate of Convenience and Necessity ("CC&N") granted by the Commission which authorizes Seller to provide water utility service within a defined geographic area (the "Certificated Area"), as depicted on the diagram attached hereto as Exhibit A.

B. Seller owns and operates a water system which serves customers residing within Seller's Certificated Area (the "Business").

C. Buyer desires to purchase the certain assets and certain real property of Seller solely relating to the Business and to assume certain rights and obligations of Seller solely relating to the Business, and Seller, recognizing Buyer's power of eminent domain and under the imminent threat of condemnation, desires to sell and transfer such assets and real property to Buyer and to assign to Buyer such rights and obligations, all upon and subject to the terms and conditions set forth herein.

D. In connection with the transaction contemplated by this Agreement (the "Purchase Transaction"), the Parties contemplate the Commission's deletion and extinguishment of Seller's CC&N. However, such deletion and extinguishment will be conditioned upon the consummation of the Purchase Transaction in accordance with the terms of this Agreement.

AGREEMENTS:

NOW THEREFORE, in consideration of the mutual promises, agreements, representations and warranties set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. INCORPORATION OF RECITALS. All of the foregoing Recitals are hereby incorporated herein by reference as agreements of the Parties.

2. SALE AND PURCHASE OF ASSETS.

2.1 Assets to be Purchased. Subject to the terms and conditions set forth in this Agreement, Seller will sell, convey, transfer, assign and deliver to Buyer, and Buyer will purchase from Seller, upon Close of Escrow (as defined herein), all of Seller's right, title and interest in and to the following assets of Seller solely related to the Business (collectively, the "Purchased Assets"):

2.1.1 The equipment, machinery, vehicles, furniture, fixtures, leasehold improvements, inventory, operating supplies and other similar personal property, located at the Leased Property (as defined herein), that is owned by Seller and that is identified and/or described on Schedule 2.1.1 attached hereto, shall be maintained in the condition as exists on the Effective Date, ordinary wear and tear excepted, (collectively, the "Personal Property"), and all Personal Property, if any, acquired by Seller in the ordinary course of business after the Effective Date and prior to Close of Escrow as contemplated by Section 2.2 hereof;

2.1.2 Seller's interest, as lessee, in the lease of real property related to premises at 22713 South Ellsworth Road, Building A, Queen Creek, Arizona 85242 at which Seller conducts the Business (the "Leased Property"), which lease (the "Building Lease") is more particularly identified and/or described on Schedule 2.1.2 attached hereto;

2.1.3 Seller's interest in each of the contracts and agreements that relate to the Personal Property and the Infrastructure (as defined herein), in each case which is identified and/or described on Schedule 2.1.3 attached hereto and to the extent transferable to Buyer pursuant to the terms thereof (collectively, "Assigned Contracts");

2.1.4 Seller's interest in the mainline extension agreements or other developer agreements (collectively, "MEAs") identified and/or described on Schedule 2.1.4 attached hereto including those additional MEAs, if any, entered into by Seller after the Effective Date in the ordinary course of business, to the extent transferable to Buyer;

2.1.5 The wells, storage tanks, booster pumps, water mains, service lines, water meters and fire hydrants comprising the water infrastructure used by the Business (the "Infrastructure") in connection with its provision of water utility service to customers residing within Seller's Certificated Area (collectively, "Customers"), whether owned or leased, and identified and/or described on Schedule 2.1.5 attached hereto;

2.1.6 Seller's interest in the real property (the "Real Property") identified and/or described on Schedule 2.1.6 attached hereto, including all utility easements, if any, all tenements, hereditaments and appurtenances, if any, pertaining to the Real Property, all sewer, mineral, water and irrigation rights, if any, running with or otherwise pertaining to the Real Property, and all of Seller's interest, if any, in any road adjoining the Real Property, to the center line thereof;

2.1.7 Seller's interest, if any, in all improvements permanently affixed to the Real Property (collectively, the "Improvements") identified and/or described on Schedule 2.1.7 attached hereto;

2.1.8 any transferable award made or to be made or settlement in lieu thereof for damage, if any, to the Real Property, the Leased Property or Improvements by reason of condemnation, eminent domain or exercise of police power by any government, any governmental entity, department, commission, board, agency or instrumentality, or any court, tribunal or judicial body, in each case whether federal, state, county or local (each, a "Governmental Agency") excluding Buyer;

2.1.9 all of Seller's interest, to the extent transferable, in all permits, licenses, franchises, consents, rights or authorizations issued by, and all registrations and filings with, any Governmental Agency in connection with the Business (collectively, the "Permits");

2.1.10 all accounts, excluding accounts receivable for water deliveries made by Seller prior to Close of Escrow as reflected on Seller's books and records as of Close of Escrow, related to Seller's Customers (collectively, "Customer Accounts") reflected on Seller's books and records as of Close of Escrow; and

2.1.11 all books, records and files pertaining to the Business which Seller is required to maintain in accordance with any law, rule or regulation of any Governmental Agency (a "Legal Requirement").

2.2 The Inventories.

2.2.1 The quantity, extent and classification of the Personal Property shall be determined by a physical inventory of the Personal Property to be conducted and completed by Seller and Buyer no later than ten (10) days after Opening of Escrow (the "Preliminary Inventory and the "Preliminary Inventory Deadline").

2.2.2 The Preliminary Inventory shall be updated by Seller and Buyer no earlier than the third business day preceding the date scheduled for Close of Escrow as provided in this Agreement (the "Final Inventory"). The Final Inventory shall contain or reflect such deletions and additions to the Preliminary Inventory as may have occurred in the ordinary course of Seller's Business between the date of the Preliminary Inventory and Close of Escrow. Buyer recognizes that some number of the items which may be reflected on the Preliminary Inventory (which Preliminary Inventory shall exclude any disposable supplies) may not be replaced or repaired between the date of the Preliminary Inventory and the Final Inventory. In such regard, Seller shall not remove, except for obsolescence or consumption in the ordinary course of business, any of the Personal Property, and shall maintain the same to the standards such property has historically been maintained by Seller in the ordinary course of business, ordinary wear and tear excepted. All Personal Property reflected in the Preliminary Inventory, other than that consumed in the ordinary course of business, whether or not in working order, shall remain on the Leased Property and shall become the property of Buyer at the Close of Escrow.

2.2.3 In furtherance of the foregoing Section 2.2.2 and in addition thereto, Seller may, from time to time prior to or at Close of Escrow, by notice in accordance with the terms of this Agreement, supplement, amend or create any Schedule to this Agreement in order to add information or correct information previously supplied to Buyer. No such amendment shall be evidence, in and of itself, that the representations and warranties in the

corresponding section are no longer true and correct. It is specifically agreed that such Schedules may be amended to add immaterial items, as well as material items as approved by Buyer in accordance with Section 13.5 below, thereto. To the extent any Schedule to this Agreement is supplemented or amended pursuant to this Section, Seller shall provide all information related to the updated Schedule to Buyer contemporaneously with such amendment or supplementation.

2.3 Excluded Assets. The Purchased Assets do not and shall not include any assets of Seller which are not described in Section 2.1 above as the "Purchased Assets" and in particular: (i) Seller's CC&N, the cancellation and extinguishment of which will be conditioned upon the consummation of the Purchase Transaction in accordance with the terms of this Agreement, (ii) any cash and cash equivalents, except as described in Section 2.1.10 (including marketable securities and short-term investments and other securities held by Seller), (iii) trademarks, trade names and logos of Seller, (iv) any bank accounts and security deposit boxes of Seller, (v) any rights which accrue or will accrue to Seller under this Agreement, (vi) any rights or choses in action arising out of occurrences before the Close of Escrow, or (vii) those assets related to the Business identified on Schedule 2.3 attached hereto (collectively, the "Excluded Assets").

2.4 Assumed Liabilities. Unless otherwise set forth herein, at Close of Escrow, Seller will assign, and Buyer shall assume (without recourse), and agree to pay, discharge or perform, as appropriate, all liabilities, duties and obligations of Seller arising from and after Close of Escrow with respect to the Purchased Assets to the extent those liabilities arise after Close of Escrow (the "Assumed Liabilities").

2.5 Excluded Liabilities. Buyer shall not assume, pay, discharge, perform or in any way be responsible or liable for any of Seller's liabilities which are not described in Section 2.4 above as the "Assumed Liabilities" and in particular: (i) any federal, state or local income, sales or other tax payable with respect to the Business or Purchased Assets for any period prior to Close of Escrow; (ii) any liability or obligation under or in connection with any of the Excluded Assets; (iii) any liability relating to any of Seller's employees arising from or related to Seller's actions prior to Close of Escrow; (iv) any liability relating to any pension or retirement or similar plan operated or supported by Seller; and (v) any suit or claim or liability owed or claimed to be due to any third party arising from or related to Seller's actions prior to Close of Escrow (collectively the "Excluded Liabilities").

2.6 Post-Closing Extraordinary Financial Obligations. Seller represents, and Buyer acknowledges, that there are certain on-going financial obligations that occur in the normal course of Seller's operation of the Business that Seller must continue to incur. Seller agrees, however, that, with the exception of such ordinary course financial obligations and financial obligations related to the ongoing infrastructure improvement projects identified on Schedule 2.6 attached hereto, Seller shall not enter into any new financial obligation whereby it obligates the Buyer to any extraordinary expense to be incurred subsequent to the Close of Escrow in excess of twenty-five thousand dollars ($25,000) without the express written consent of the Buyer, which consent shall not be unreasonably withheld.

3. PURCHASE PRICE.

3.1 Purchase Price. In consideration of the sale and transfer by Seller of the Purchased Assets, the cancellation and extinguishment of Seller's CC&N and the representations, warranties and covenants of Seller set forth herein, Buyer shall pay to Seller an amount (the "Purchase Price") equal to Four Thousand Dollars ($4,000.00) multiplied by the number of Active Connections in Seller's Certificated Area on December 14, 2007, or, in the event the Closing Date is extended pursuant to Section 5.1 below, thirty (30) days prior to such extended closing date, or such other date as may be agreed upon, in writing, by the Parties (the "Active Connection Date"). For purposes of this Agreement, an "Active Connection" means any water meter, whether residential, commercial or landscape, installed and capable of providing water service to a water user as of the Active Connection Date regardless of whether Seller is providing water service to such water user as of such date. Notwithstanding the foregoing, Active Connections shall not include any water meter, whether residential, commercial or landscape which has not been used to provide water service since January 1, 2007. Regardless of the number of actual Active Connections on the Active Connection Date, the Purchase Price shall not exceed Thirty-Eight Million, Five Hundred Thousand Dollars ($38,500,000.00).

3.2 Payment of Purchase Price. Upon delivery to Stewart Title and Trust of Phoenix, Inc. (the "Escrow Agent") of triplicate executed originals of this Agreement by each of Seller and Buyer, Buyer shall deposit Thirty Five Thousand Dollars $35,000.00 (the "Earnest Deposit") in immediately available funds in Escrow Agent's Escrow No. 07260145 (the "Escrow"), the date of such delivery and deposit being referred to herein as the "Opening of Escrow". Except as may otherwise be provided herein, the Earnest Deposit and Interest, as defined below, shall be returned to Buyer upon Close of Escrow.

3.3 Assumption of Mainline Extension Agreements and Reimbursement.

3.3.1 The Parties acknowledge and agree that, pursuant to the Assignment and Assumption Agreement (as defined herein), Seller will assign and Buyer will assume all obligations of Seller under the MEAs as of Close of Escrow and, except to the extent of such liability arising prior to Close of Escrow and relating to a breach or, claimed breach of the MEAs, Seller shall have no further obligations with respect to such MEAs following such time. In furtherance of the foregoing, Buyer expressly agrees that it shall be responsible for reimbursement of all reimbursable sums outstanding under MEAs in force as of Close of Escrow to which Seller is a party (and which are set forth on Schedule 2.1.4 attached hereto), and Buyer shall defend, indemnify and hold Seller harmless for, from and against any and all losses, liabilities, claims, costs, damages and expenses, including without limitation, reasonable attorneys' fees, experts' fees and court costs, incurred or which may be incurred by Seller directly or indirectly arising out of such MEAs following Close of Escrow. Seller shall defend, indemnify and hold Buyer harmless for, from and against any and all losses, liabilities, claims costs, damages and expenses, including without limitation, reasonable attorneys' fees, experts' fees and court costs incurred or which may be incurred by Buyer directly or indirectly arising out of or related to a breach or claimed breach of such MEAs by Seller prior to Close of Escrow.

3.3.2 In consideration of Buyer's assumption of Seller's reimbursement obligations under the MEAs, Seller agrees that Buyer shall be entitled to a credit against the Purchase Price in the amount of Eight Hundred Fifty Thousand dollars ($850,000.00), which

amount represents the Parties' agreed upon approximation of the aggregate amount that Buyer will be required to reimburse to developers in accordance with the MEAs during the two years following Close of Escrow.

3.3.3 Adjustment of the Purchase Price Based on Due Diligence. Any provision of this Agreement to the contrary notwithstanding, Buyer reserves the right, at any time prior to December 20, 2007, to adjust the Purchase Price based upon any information obtained by Buyer during the course of its due diligence investigation permitted hereunder (the "Purchase Price Adjustment"). Buyer shall give Seller written notice of the Purchase Price Adjustment (the "Adjustment Notice") within ten (10) days of the end of the Study Period (December 10, 2007 and as defined below) and Seller shall have until 5:00 p.m. local time on the 5th day after Seller's receipt of the Adjustment Notice to elect in writing by notice to Buyer and Escrow Agent, in Seller's sole discretion, either to: (i) agree to the Purchase Price Adjustment as set forth in the Adjustment Notice; or (ii) reject the Purchase Price Adjustment. If Seller, for any reason, fails to timely give notice of Seller's election of (i) or (ii), Seller shall be deemed to have elected alternative (ii). If Seller elects or is deemed to have elected alternative (ii), Seller and Buyer shall meet immediately and, in good faith, agree upon a mutually acceptable adjustment to the Purchase Price. If the parties are unable to agree upon a mutually acceptable adjustment to the Purchase Price within ten (10) days of Seller's rejection of the Purchase Price Adjustment, this Agreement shall be terminated, Escrow Agent shall immediately pay the Earnest Deposit and Interest to Seller upon written notice given by Seller to Escrow Agent and Buyer of the Parties' failure to reach agreement upon a mutually acceptable adjustment to the Purchase Price, and, except as otherwise provided in the Agreement, neither Seller nor Buyer shall have any further liability or obligation under this Agreement.

4. DISPOSITION OF EARNEST DEPOSIT.

4.1 Disposition of the Earnest Deposit. Seller and Buyer hereby instruct Escrow Agent to put the Earnest Deposit in a federally insured daily interest-bearing passbook account on behalf of Seller and Buyer. The Earnest Deposit and interest thereon to the date of withdrawal (the "Interest") shall be applied as follows:

4.1.1 If Buyer cancels this Agreement as a result of a Seller Event of Default (as defined herein), Escrow Agent shall immediately pay the Earnest Deposit and Interest to Buyer upon written notice given by Buyer to Escrow Agent and Seller of such Seller Event of Default.

4.1.2 If a Buyer Event of Default (as defined herein) exists prior to or at Close of Escrow, and such Buyer Event of Default is not cured within the applicable notice and cure period, Escrow Agent shall pay the Earnest Deposit and Interest to Seller promptly, without further written instructions from Seller or Buyer.

4.1.3 If escrow closes, the Earnest Deposit and Interest shall be returned to Buyer at Close of Escrow.

4.2 Federal I.D. Numbers. With regard to Escrow Agent's placement of the Earnest Deposit as provided in Section 4.1, Seller notes that Seller's Federal I.D. Number is 86-028717.

5. THE CLOSING.

5.1 Time, Date and Place of Closing. Except as provided in Section 5.2, the Purchase Transaction shall close and all deliveries to be made at Close of Escrow shall take place at the office of Escrow Agent at 10:00 a.m. local time, on January 31, 2008 (the "Closing Date"). The term "Close of Escrow" shall mean the deliveries to be made by the Parties at the Closing Date in accordance with this Agreement.

5.2 Extension of Closing Date. Any provision of Paragraph 5.1 to the contrary notwithstanding, the Parties may extend the Closing Date up to and including March 31, 2008 (the "Extended Closing Date") upon the occurrence of one of the following conditions: (i) Buyer gives Seller written notice that such an extension is necessary to procure the Acquisition Loans (defined in Section 9.1.6 below) by no later than 5:00 p.m. MST on January 15, 2008, (ii) Seller gives Buyer written notice that such an extension is necessary to procure the Commission Order (as defined below) by no later than 5:00 p.m. MST on January 15, 2008, or (iii) the Parties mutually agree, in writing, to an extension. In the event of the occurrence of one of the conditions set out in (i) or (ii) above, the Active Connection Date shall be likewise extended to thirty (30) days prior to the Extended Closing Date. Notwithstanding the foregoing, the Purchase Price shall not exceed Thirty-Eight Million, Five Hundred Thousand dollars ($38,500,000.00) no matter the number of Active Connections as of such extended Active Connection Date. If the parties mutually agree to extend the Closing Date pursuant to (iii) above, the parties shall meet immediately and, in good faith, agree upon a mutually acceptable adjustment to the Purchase Price.

5.3 Seller's Obligations at Close of Escrow. At or prior to Close of Escrow, Seller shall execute and/or deliver or cause to be executed and/or delivered to Escrow Agent on behalf of Buyer:

5.3.1 a bill of sale from Seller to Buyer, a specimen of which is attached hereto as Exhibit B, with appropriate schedules attached (the "Bill of Sale");

5.3.2 an assignment of permits and licenses, a specimen of which is attached hereto as Exhibit C, with appropriate schedules attached (the "Assignment of Permits");

5.3.3 an assignment and assumption of service contracts, a specimen of which is attached hereto as Exhibit D, with appropriate schedules attached (the "Assignment and Assumption of Service Contracts");

5.3.4 an assignment and assumption of lease agreement with respect to Seller's interest in the Building Lease, a specimen of which is attached hereto as Exhibit E and which shall be accompanied by landlord's written consent to Seller's assignment and Buyer's assumption of the Building Lease (the "Assignment and Assumption of Lease");

5.3.5 a special warranty with respect to Seller's interest in the Real Property, a specimen of which is attached hereto as Exhibit F (the "Deed"), along with an executed Affidavit of Real Property Value, a specimen of which attached hereto as Exhibit G;

5.3.6 a sworn affidavit, in the form of Exhibit H attached hereto (the "Non-Foreign Affidavit") stating under penalty of perjury that Seller is not a "foreign person" as such term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended (the "Code");

5.3.7 an assignment of warranties, a specimen of which is attached hereto as Exhibit I (the "Assignment of Warranties");

5.3.8 wire transfer instructions for the disbursement of the Purchase Price; and

5.3.9 such other instruments and documents of the type or nature that are customarily provided by selling parties in connection with transactions of the type contemplated hereby and which Buyer reasonably deems to be necessary for Close of Escrow.

5.4 Buyer's Obligations at Close of Escrow. At or prior to Close of Escrow, Buyer shall execute and/or deliver or cause to be executed and/or delivered to Seller:

5.4.1 the Assignment and Assumption Agreement;

5.4.2 the Assignment of Lease;

5.4.3 the balance of the Purchase Price by wire transfer of immediately available funds to Escrow Agent for deposit in the Escrow. Escrow Agent shall, by wire transfer of immediately available funds to such account(s) as Seller shall advise Escrow Agent in writing, pay such funds and Interest to Seller at Close of Escrow; and

5.4.4 such other instruments and documents of the type or nature that are customarily provided by purchasing parties in connection with transactions of the type contemplated hereby and which Seller reasonably deems to be necessary for Close of Escrow.

5.4.5 Transfer Documents. The Bill of Sale, the Assignment of Permits, the Assignment and Assumption Agreement, the Assignment of Lease, the Assignment of Warranties, the Deed and all documents which may be necessary to transfer the Purchased Assets are hereinafter collectively referred to as the "Transfer Documents."

6. PRELIMINARY TITLE REPORT AND OBJECTIONS.

6.1 The Report and Objections.

6.1.1 Seller shall cause Escrow Agent to issue and deliver to the Parties a preliminary title report (commitment for title insurance) concerning the Real Property together with legible copies of all instruments referred to therein (collectively the "Report"), by 5:00 p.m. local time on the 7th day following the Opening of Escrow. The Report is to be preliminary to

the extended coverage owner's policy of title insurance to be issued to Buyer by Escrow Agent insuring Buyer's fee simple title to the Real Property and Improvements in the amount of the Purchase Price (the "Owner's Policy"). Buyer shall pay all additional costs in regard to the extended coverage portion of the Owner's Policy as well as for any endorsements requested by Buyer, and Seller shall pay only the premium for a standard owner's policy in the amount of $10,000,000, the Parties' agreed upon approximation of the value of the Real Property.

6.1.2 Buyer shall have until 5:00 p.m. local time on the 10th day after the Buyer's receipt of the Report in which to advise Seller and Escrow Agent, in writing, either: (i) that the condition of title to the Real Property as evidenced by the Report is acceptable; or, (ii) to object to any easements, liens, encumbrances or other exceptions or requirements in the Report (excluding real property taxes and assessments not yet due and payable which may constitute a lien on the Real Property) (collectively the "Buyer's Objections"). If Buyer, for any reason, shall not have notified Seller and Escrow Agent that the condition of title to the Real Property as evidenced by the Report is acceptable within the time specified in this Section 6.1, Buyer shall be deemed to have disapproved of the condition of title of the Real Property as shown by the Report (the "Permitted Exceptions"). If Buyer shall not have either approved the condition of title of the Real Property as shown by the Report or provided Buyer's Objections within the time specified, then Buyer shall be deemed to have elected to terminate this Agreement and the Earnest Deposit (and interest) shall be immediately paid by Escrow Agent to Seller.

6.1.3 If Buyer's Objections are made within the time specified, Seller shall attempt, to the extent commercially reasonable, to cure Buyer's Objections within thirty (30) days of receipt of same. If Seller is unable to cure Buyer's Objections within such period, Buyer shall either waive, in writing, the curing of such Buyer's Objections or Buyer shall cancel this Agreement, whereupon the Earnest Deposit plus Interest shall be payable immediately by Escrow Agent to Buyer and, except as otherwise provided in this Agreement, neither Seller nor Buyer shall have any further liability or obligation under this Agreement. If Buyer does not provide the written waiver of Buyer's Objections by the end of the thirty day period, Buyer shall be deemed to have elected to terminate this Agreement.

6.2 Supplemental Title Report and Objections.

6.2.1 Escrow Agent shall issue and deliver to the Parties any supplemental title report(s) deemed necessary by Escrow Agent (the "Supplemental Report"). Buyer shall have until 5:00 p.m. local time on the 5th day after Buyer's receipt of any Supplemental Report in which to advise Seller and Escrow Agent, in writing, of any objections Buyer may have to any item disclosed by the Supplemental Report(s) which was not set forth in the Report or a previous Supplemental Report (the "Supplemental Objections"). If Buyer, for any reason, shall not have notified Seller and Escrow Agent that the Supplemental Report is acceptable or, alternatively, notified Seller and Escrow Agent of Buyer's Supplemental Objections within the time specified in this Section 6.2.1, Buyer shall be deemed to have disapproved of the condition of title of the Real Property as shown by the Supplemental Report. If Buyer shall not have either notified Seller and Escrow Agent of its approval of the Supplemental Report or provided Seller and Escrow Agent Buyer's Supplemental Objections

within the time specified, then Buyer shall be deemed to have elected to terminate this Agreement and the Earnest Deposit (and interest) shall be immediately paid by Escrow Agent to Seller.

6.2.2 The provisions of Section 6.1.3 shall apply with regard to any attempted title cure by Seller, it being agreed that Seller shall have until 5:00 p.m. local time on the 20th day after Seller's receipt of the Supplemental Objections, if any, within which Seller, in Seller's sole discretion, may attempt to cure the Supplemental Objections; provided, however, that in the event such time period would necessitate an extension of the date of Close of Escrow, the Parties shall be deemed to have mutually agreed to such extension in accordance with Section 5.2 above.

7. BUYER'S DUE DILIGENCE.

7.1 Buyer's Due Diligence Investigation. For the sole purpose of conducting Buyer's due diligence investigation of the Business, Seller agrees that Buyer and its counsel, accountants and other representatives shall have, at Buyer's sole expense, full access during normal business hours to all of Seller's properties, Infrastructure, books, accounts, records, Assigned Contracts, MEAs and other documents relating to the Business. Buyer's due diligence investigation shall include, but not be limited to: (i) a financial audit of Seller's books, records and data management systems; (ii) an engineering review of all of Seller's assets; (iii) a review of Seller's employee records; (iv) a review of historical and current budgets, volumetric and customer data; (v) a review of any outstanding developer and/or mainline extension agreements; and (vi) the right to copy, at Buyer's sole expense, all information and documents required by Buyer or Buyer's lenders in regard to Purchase Transaction. Buyer shall have until 5:00 p.m. on the 30th day after Opening of Escrow, but in no case later than December 10, 2007, (the "Study Period") in which to complete its due diligence investigation and advise Seller, in writing, of any objections Buyer may have to any item(s) disclosed by Buyer's due diligence investigation. In the event Buyer provides notice of any objection, Seller shall, in its sole discretion, take commercially reasonable steps to cure such objections within twenty (20) days of receipt of such objections. If Seller is unable to cure Buyer's objections within such period, Buyer shall either waive, in writing, the curing of such objections or Buyer shall cancel this Agreement, whereupon the Earnest Deposit plus Interest shall be payable immediately by Escrow Agent to Buyer and, except as otherwise provided in this Agreement, neither Seller nor Buyer shall have any further liability or obligation under this Agreement. If Buyer does not provide the written waiver of Buyer's objections by the end of the twenty day period, Buyer shall be deemed to have elected to terminate this Agreement.

7.2 Buyer's Inspection of the Real Property.

7.2.1 Access to the Real Property. Seller shall permit Buyer access to the Real Property at any time or times in the thirty (30) days following Opening of Escrow, provided Buyer shall give Seller at least 24 hours prior telephonic notice prior to entry upon the Real Property, to conduct Buyer's due diligence investigation. Buyer, its agents and consultants, subject to the requirements and obligations of Section 7.3 and Section 7.4, shall use commercially reasonable steps to not disrupt or interfere with the operations of the Seller's Business during such investigation.

7.2.2 Prohibitions. Any provision of this Agreement to the contrary notwithstanding, Buyer shall not be entitled to conduct inspections or any Phase II environmental report or other study which may require the drilling of holes in the Real Property, or the removal of soil samples without Seller's prior written consent which consent shall be given or withheld in Seller's reasonable discretion.

7.3 Buyer's Restoration of the Real Property. Buyer, at Buyer's sole cost and on or before the earlier of (a) the completion of Buyer's due diligence investigation, or (b) termination of this Agreement, shall repair and restore any damage to the Real Property, the Leased Property or the Improvements caused by any entry, testing and/or inspection of, on or upon the Real Property, the Leased Property or the Improvements by Buyer or Buyer's representatives ("Buyer's Restoration Obligation).

7.4 Buyer's Indemnity. Buyer shall and does hereby agree to indemnify, defend and hold Seller harmless against any loss, damage or claim for personal injury or property damage arising from any acts or omissions on the part of Buyer or any agents, contractors or employees of Buyer in connection with Buyer's due diligence investigation (the "Buyer's Indemnity Obligations" and, together with Buyer's Restoration Obligation, the "Buyer's Restoration and Indemnity Obligations"). The Buyer's Restoration and Indemnity Obligations shall survive any termination of this Agreement or the Close of Escrow, as applicable, for a period of nine (9) months after which Buyer's Restoration and Indemnity Obligations shall automatically terminate unless prior to the end of such nine-month period, Seller shall have commenced an action against Buyer exclusively in the Maricopa County, Arizona Superior Court (the "Court") to enforce Buyer's obligations under this Section 7.

8. SURVEY.

8.1 The Survey. If Buyer, in Buyer's sole discretion, elects to obtain a current survey of the Real Property, the Leased Property and the Improvements, Buyer, at Buyer's sole cost, on or before the end of the Study Period, shall cause a certified ALTA survey of the Real Property, the Leased Property and the Improvements (the "Survey") to be timely completed by a surveyor licensed in the State of Arizona (the "Surveyor") and deposited with Escrow Agent and Seller, whereupon the legal description in the Survey shall control over the description in Schedule 2.1.6 to the extent they may be inconsistent, in which case Schedule 2.1.6 shall be deemed amended pursuant to Section 2.2.3 hereof. Buyer's election to obtain a Survey shall not be a condition to Close of Escrow. The Survey, if any, shall be certified by the Surveyor in favor of Seller, Buyer and the Escrow Agent.

9. CONDITIONS PRECEDENT.

9.1 Buyer's Conditions Precedent. Buyer's obligation to perform under this Agreement is expressly subject to the satisfaction (or waiver, in writing, by Buyer) at or prior to Close of Escrow of the following:

9.1.1 The representations and warranties of Seller contained in Section 11 of this Agreement shall be true and correct in all material respects as of the Effective Date and shall be true and correct in all material respects as of Close of Escrow as if made at and as of

such time, except for (i) changes permitted or contemplated hereby; and (ii) representations and warranties which are as of a specific date, in which event they shall be true and correct as of such date.

9.1.2 Seller shall have fully and timely performed all material obligations under this Agreement required to be performed by it at or prior to Close of Escrow pursuant to the terms hereof.

9.1.3 Escrow Agent shall have issued to Buyer the Owner's Policy (or a binding written commitment therefor) subject only to the Permitted Exceptions and those other matters, if any, approved or deemed approved by Buyer pursuant to this Agreement.

9.1.4 Buyer's Town Council (the "Council") shall have entered a final order approving this Agreement, the Gardner Agreement (as defined below) and the Purchase Transaction, pursuant to Section 10.1, which order shall not be subject to appeal or reversal (the "Council Approval"). The Council Approval shall be obtained by Buyer at Buyer's sole cost and shall contain a provision confirming that this Agreement and the transaction contemplated hereby are being entered into by the Seller in lieu of Buyer's condemnation of the Business and the Purchased Assets pursuant to Buyer's power of eminent domain.

9.1.5 Seller shall have, pursuant to Section 10.2, filed an Application for cancellation of its CC&N with the Commission.

9.1.6 The Commission shall have entered a final order approving, among other things, the deletion and extinguishment of Seller's CC&N and the transfer of Seller's Customers to the Buyer subject only to the consummation of the Purchase Transaction (the "Commission Order").

9.1.7 Buyer, at Buyer's sole cost and on terms acceptable to Buyer, in Buyer's sole discretion, shall have obtained a loan from Water Infrastructure Finance Authority of Arizona ("WIFA") and other lending sources, as applicable, a loan or loans in the minimum principal amount of $40,000,000.00, at an annualized weighted average interest rate not to exceed 6% as of the Close of Escrow, (collectively the "Acquisition Loans") the proceeds of which shall be used by Buyer to acquire the Purchased Assets.

9.2 Seller's Conditions Precedent. Seller's obligation to perform under this Agreement is expressly subject to the satisfaction (or waiver in writing by Seller) at or prior to Close of Escrow of the following:

9.2.1 The representations and warranties of Buyer contained in Section 12 of this Agreement shall be true and correct in all material respects as of the Effective Date and shall be true and correct in all material respects as of Close of Escrow as if made at and as of such time, except for (i) changes permitted or contemplated hereby; and (ii) representations and warranties which are as of a specific date, in which event they shall be true and correct as of such date.

9.2.2 Buyer shall have fully and timely performed all material obligations under this Agreement required to be performed by it at or prior to Close of Escrow pursuant to the terms hereof.

9.2.3 Buyer shall have, within twenty (20) days of Opening of Escrow and at Buyer's sole cost, filed an application with WIFA and its other lenders to obtain the Acquisition Loans.

9.2.4 Buyer shall have obtained approval of the WIFA Loan (herein so-called) at or before the regularly scheduled WIFA meeting scheduled for December 2007.

9.2.5 The Commission shall have entered the Commission Order.

9.2.6 Buyer shall have filed, within twenty (20) days of the Opening of Escrow, all necessary documents and applications, if any, required by the Commission.

9.2.7 With respect to Seller's assignment and Buyer's assumption of the MEAs, Buyer shall have obtained, at its sole cost, all requisite approvals of the Commission, if any.

9.2.8 On or before December 15, 2007, Buyer and Paul T. Gardner, the President of Seller ("Gardner") shall have entered into a mutually agreeable employment agreement (the "Gardner Agreement"), effective upon Close of Escrow, which Gardner Agreement shall provide, at a minimum, that:

(i) the initial term of the Gardner Agreement shall be for 2 years commencing as of Close of Escrow, and shall be renewable upon the mutual consent of the parties for an additional two-year term;

(ii) Gardner will function and serve as the Buyer's Water Resource Manager to oversee the operation of the water system; and

(iii) Gardner shall be compensated at the rate of $100,000.00 per year commencing at Close of Escrow for full-time employment as the Water Resource Manager.

10. PRE-CLOSING COVENANTS OF THE PARTIES.

10.1 Council Approval. Any provision of this Agreement to the contrary notwithstanding, following Buyer's receipt from Seller of triplicate originals of this Agreement executed by Seller, Buyer shall not be bound by this Agreement until Buyer obtains the Council Approval. If the Council approves this Agreement in its entirety, Buyer shall thereupon execute this Agreement and deposit the fully-executed original with the Escrow Agent together with the Earnest Deposit whereupon Escrow Agent will provide written notice of such deposit to Seller. If the Council fails or for any reason refuses to approve this Agreement on or before November 14, 2007, this Agreement will be deemed automatically cancelled and neither of the Parties shall have any further liability or obligation under this Agreement. Any provision of this

Agreement to the contrary notwithstanding, Buyer shall have no liability or obligation under this Agreement unless and until the Council approves this Agreement in its entirety even if Buyer executes this Agreement.

10.2 Commission Approval.

10.2.1 If Seller has not already done so, within ten (10) days after Opening of Escrow, Seller shall file with the Commission an application (the "Application") requesting the permanent cancellation and extinguishment of the CC&N subject to the consummation of the Purchase Transaction.

10.2.2 Seller shall be responsible for preparing, filing and prosecuting the Application. Buyer agrees to support the Application filed by Seller and shall expeditiously provide information reasonably requested by Seller in prosecuting the Application, including letters of support, written testimony, responses to data requests and other discovery, and attending meetings, public comment sessions, procedural conferences, hearings and open meetings.

10.2.3 In the event the Commission denies the Application, the Parties shall work cooperatively to remedy, to the extent commercially reasonable, the circumstance or circumstances which caused the Commission to deny the Application.

10.2.4 Upon Commission approval of the Application and Close of Escrow, Buyer shall assume the sole right, duty and obligation to provide water service within the Certificated Area and shall take all necessary and appropriate actions relating to such water utility service.

10.3 Further Assurances. Subject to the terms and conditions of this Agreement, each Party will use commercially reasonable efforts to: (i) take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate the Purchase Transaction as soon as practicable after the Opening of Escrow, (ii) obtain and maintain all approvals required to be obtained from any third party and/or any Governmental Agency that are necessary to consummate the Purchase Transaction and (iii) obtain and maintain all financing necessary to consummate the Purchase Transaction.

10.4 Covenant to Satisfy Conditions. Seller will use its commercially reasonable efforts to ensure that the conditions set forth in Section 9 of this Agreement are satisfied, insofar as such matters are within the control of Seller. Buyer will use its commercially reasonable efforts to ensure that the conditions set forth in Section 9 of this Agreement are satisfied, insofar as such matters are within the control of Buyer.

11. SELLER'S REPRESENTATIONS AND WARRANTIES. Subject to the terms, conditions and limitations set forth in this Agreement, Seller hereby represents and warrants to Buyer as of the Effective Date and again, except as may otherwise be disclosed in writing as a result of changed circumstances subsequent to the Effective Date, as of Close of Escrow as follows:

11.1 To Seller's knowledge, except for the leases set forth in Schedule 2.1.2, there are no unrecorded leases, which may affect title to the Real Property.

11.2 To Seller's knowledge, Seller has not received any notice of violation with regard to any applicable regulation, ordinance, requirement, covenant, condition or restriction relating to the present use or occupancy of the Real Property, the Leased Property or the Improvements from any Governmental Agency.

11.3 With the exception of Buyer's threat to condemn the Business and the Purchased Assets pursuant to Buyer's power of eminent domain, no legal action or proceeding has been undertaken or, to Seller's knowledge, threatened with respect to or in any manner affecting the Purchased Assets.

11.4 Seller's consummation of the Purchase Transaction will not in any way violate any of the Assigned Contracts or MEAs, except: (i) where Seller has obtained or will obtain prior to Close of Escrow the necessary written agreements, waivers or consents of the other parties to any Assigned Contracts or MEAs to avoid, release or waive any such violation with respect to such Assigned Contracts or MEAs, or (ii) where any such violation would not result in a material adverse effect on the business, financial position, operation or results of operation of the Business or Purchased Assets (a "Material Adverse Effect").

11.5 Subject only to the Commission's approval of the Application and entry of the Commission Order, Seller has full power and authority to execute, deliver and perform under this Agreement as well as the Transfer Documents.

11.6 To Seller's knowledge, no party to any of the Assigned Contracts, the MEAs or the Building Lease is in default under any such Assigned Contract, MEA or Building Lease.

11.7 Except for the approval of the Commission and the Council and except as may be required under the Assigned Contracts, the MEAs or the Building Lease, no consent of any third party is required in order for Seller to enter into this Agreement and perform Seller's obligations hereunder.

11.8 All general real estate taxes, assessments and personal property taxes that have become due with respect to the Purchased Assets (including those that will be prorated at Close of Escrow in accordance with this Agreement) have been paid or will be so paid by Seller prior to Close of Escrow.

12. BUYER'S REPRESENTATIONS AND WARRANTIES. Subject to the terms, conditions and limitations set forth in this Agreement, Buyer hereby represents and warrants to Seller as follows:

12.1 Subject only to receipt of Council Approval, Buyer has full power and authority to execute, deliver and perform Buyer's obligations under this Agreement as well as the Transfer Documents.

12.2 There are no actions or proceedings pending or to Buyer's knowledge, after due inquiry, threatened against Buyer which may in any manner whatsoever affect the validity or enforceability of this Agreement or any of the Transfer Documents.

12.3 The execution, delivery and performance of this Agreement and the Transfer Documents have not and will not constitute a breach or default under any other agreement, law or court order under which Buyer is a party or may be bound.

12.4 Buyer acknowledges and affirms that it (i) has had access to the Purchased Assets and information made available by Seller pertaining to the Business, (ii) it has had access to the personnel, officers, operations and records of Seller, (iii) it has had access to the Real Property, Leased Property and the Improvements, and (iv) in making the decision to enter into this Agreement and to consummate the Purchase Transaction, it has relied on the express representations, warranties, covenants and agreements of Seller set forth in this Agreement, and other than such reliance, it has relied solely on the basis of its own independent investigation, analysis and evaluation of the Business and the Purchased Assets.

13. PRE-CLOSING COVENANTS OF THE PARTIES.

13.1 Except in the ordinary course of Seller's Business prior to Close of Escrow or any earlier termination of this Agreement, Seller will not enter into or execute any employment, management or service contract with respect to the Seller's Business which will survive Close of Escrow without Buyer's prior written consent which consent shall not be unreasonably withheld or delayed. Any such contract so entered by Seller with Buyer's consent shall provide that such contract can be terminated by Seller or Seller's successor, at any time without penalty, upon not more than thirty (30) days' prior written notice to the other party thereto. When any such contracts are fully executed, Seller shall contemporaneously deliver a copy thereof to Buyer.

13.2 Except in the ordinary course of Seller's Business prior to Close of Escrow or any earlier termination of this Agreement, Seller shall not amend, modify or terminate any Assigned Contract, MEA or the Building Lease without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed.

13.3 Except for any item to be prorated at Close of Escrow in accordance with this Agreement, all bills or other charges, costs or expenses arising out of or in connection with or resulting from Seller's use, ownership, or operation of the Business up to Close of Escrow shall be paid in full by Seller on or before Close of Escrow. Seller's obligations under this paragraph shall survive Close of Escrow.

13.4 Between the Effective Date and Close of Escrow or any earlier termination of this Agreement, Seller, as landlord, shall not execute or enter into any new lease of any part of the Leased Property without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed.

13.5 Seller agrees that, between the Effective Date and Close of Escrow or any earlier termination of this Agreement, Seller, at Seller's sole cost, shall:

13.5.1 continue to operate and maintain the Seller's Business as heretofore operated by Seller subject only to the right of Buyer to approve or disapprove any Major Transaction (as defined below) pursuant to this Section;

13.5.2 maintain the Real Property, the Leased Property and the Improvements in their current condition in accordance with historical operating practices;

13.5.3 pay, in the normal course of business, all sums due for work, materials or services furnished or otherwise incurred in the ownership, use or operation of the Purchased Assets, but in no event will the failure to pay prior to Close of Escrow relieve Seller of its obligation to deliver the Purchased Assets to Buyer free of mechanics', material suppliers' and similar liens for work, materials or services furnished with respect to the Purchased Assets prior to Close of Escrow;

13.5.4 comply, in all material respects, with all Legal Requirements applicable to Seller's Business;

13.5.5 except in the ordinary course of Seller's Business or as required by a Governmental Agency or in connection with the termination of Seller's Business: (i) not place or permit to be placed on any portion of the Real Property any new improvements of any kind; or (ii) remove or permit any improvements to be removed from the Real Property without the prior written consent of Buyer;

13.5.6 not restrict, rezone, file or modify any development plan or zoning plan or establish or participate in the establishment of any improvement district with respect to all or any portion of the Real Property without Buyer's prior written consent, which consent may be withheld at Buyer's sole discretion; and,

13.5.7 except in the ordinary course of Seller's Business, Seller shall not, by voluntary or intentional act or omission to act, further cause or create any easement, encumbrance, or mechanic's or materialmen' liens, and/or similar liens or encumbrances to arise or to be imposed upon the Purchased Assets or any portion thereof, that will affect title thereto subsequent to Close of Escrow without Buyer's prior written consent, which consent may be withheld at Buyer's sole discretion.

13.5.8 after Opening of Escrow, Seller shall not, without Buyer's prior written consent, which consent may not be unreasonably withheld, incur or agree to incur any obligation or liability that individually calls for payment by Seller of more than $75,000.00 in the aggregate (a "Major Transaction"). This Section 13.5 shall not apply to any obligations or liabilities incurred in relation to the ongoing infrastructure improvement projects identified on Schedule 2.6 attached hereto.

13.6 Should Seller receive notice or knowledge of any material information regarding any of the matters set forth in Section 11 or this Section 13 after the Effective Date and prior to Close of Escrow, Seller will promptly notify Buyer of the same in writing.

13.7 Should Buyer receive notice or knowledge of any material information regarding any of the matters set forth in Section 11 (as a result of its due diligence investigation), Section 12 or this Section 13 after the Effective Date and prior to Close of Escrow, Buyer will promptly notify Seller of the same in writing.

14. KNOWLEDGE OF THE PARTIES.

14.1 As used herein, "Buyer's knowledge", "knowledge of Buyer" or words of similar intent or effect mean the extent of the actual and current knowledge as of the Effective Date of Patrick Flynn without independent inquiry and excluding any imputed knowledge or matters which should have been known. Any provision of this Agreement to the contrary notwithstanding, Mr. Flynn shall not have any personal liability in regard to the representations and warranties in this Agreement.

14.2 As used herein, "Seller's knowledge", "knowledge of Seller" or words of similar intent or effect mean the extent of the actual and current knowledge as of the Effective Date of Paul T. Gardner, without independent inquiry and excluding any imputed knowledge or matters which should have been known. Any provision of this Agreement to the contrary notwithstanding, Mr. Gardner shall not have any personal liability in regard to the representations and warranties in this Agreement.

15. SURVIVAL PERIOD. All representations made in this Agreement by either Party shall survive the execution and delivery of this Agreement and the cancellation of this Agreement or Close of Escrow for a period of nine (9) months after which each Party's warranties and related indemnity obligations shall automatically terminate unless prior to the end of the nine-month period, either Party shall have brought suit against the other (only in the Court) to enforce the other's warranties.

16. POST-CLOSING MAINTENANCE OF AND ACCESS TO INFORMATION. Seller and Buyer acknowledge that after Close of Escrow, Seller or Buyer may need access to information or documents in the control or possession of the other Party for the purposes of concluding the Purchase Transaction, tax returns or audits, compliance with the government reimbursement programs and other laws and regulations, and the prosecution or defense of third party claims. Accordingly, Seller and Buyer shall keep, preserve and maintain in the ordinary course of business, and as required by law and relevant insurance carriers, all books, records, documents and other information in the possession or control of such Party and relevant to the foregoing purposes for a period of five (5) years from Close of Escrow or such longer period of time as may be required by any Legal Requirement.

17. SELLER'S EMPLOYEES.

17.1 No less than thirty (30) days prior to Close of Escrow, Seller shall designate, in writing, to Buyer the active employees and positions of Seller connected with operation of the Business. On or before Close of Escrow, Buyer, at Buyer's sole option and discretion, may designate the positions within the Buyer's organization that may be available following Close of Escrow and which some, or all, of Seller's employees may be eligible to apply to fill such positions.

17.2 Although Buyer is under no obligation to hire any of Seller's active employees employed by Seller as of Close of Escrow, Seller shall be entitled to give written notice to Seller's active employees that such active employees can apply for employment by Buyer after Close of Escrow by making application to Buyer in accordance with Buyer's published, written employment application requirements. Any employees of Seller who, in Buyer's sole discretion, are hired as employees of Buyer after Close of Escrow shall be employed and compensated in accordance with Buyer's then applicable rules and regulations and Buyer's then applicable employment terms regarding, among other things, compensation, vacation, health insurance and pension plans.

17.3 Any provision of this Agreement to the contrary notwithstanding, Seller shall terminate from the Business all of Seller's employees, and Seller, at Seller's sole cost, shall pay all of Seller's employees' unpaid wages, vacation pay, health insurance and related benefits, retirement and related benefits and all outstanding claims by such employees, if any, against Seller, it being agreed by Seller that Buyer shall have no obligations to such employees in regard to any item accrued prior to Close of Escrow even if any of such employees are subsequently employed by Buyer after Close of Escrow.

18. BROKER'S COMMISSION. The Parties represent and warrant to one another that they have not dealt with any finder, broker or realtor in connection with this Agreement. If any person shall assert a claim to a finder's fee or brokerage commission on account of alleged employment as a finder or broker in connection with the Purchase Transaction, the Party under whom the finder or broker is claiming shall indemnify and hold the other Party harmless from and against any such claim and all costs, expenses and liabilities incurred in connection with such claim or any action or proceeding brought on such claim, including, but not limited to, counsel and witness fees and court costs in defending against such claims. The provisions of this Section 18 shall survive Close of Escrow or the earlier termination of this Agreement.

19. ASSIGNMENT.

19.1 Buyer's Assignment. Buyer shall not have the right or authority to assign this Agreement or any of Buyer's rights under this Agreement to any person, partnership, corporation or other entity without the prior written consent of Seller, which consent shall be in Seller's sole discretion. In the event Seller consents to such an assignment, the consent shall be conditioned upon the assignee's assumption, in writing, of Buyer's duties and obligations under this Agreement by delivering to Seller and Escrow Agent duplicate originals of an assumption agreement in form and substance acceptable to Seller, in Seller's reasonable discretion.

19.2 Seller's Assignment. Seller may not assign any or all of Seller's rights or obligations under this Agreement without the prior written consent of Buyer which consent shall be in Buyer's sole discretion.

20. RISK OF LOSS.

20.1 Minor Damage. In the event of loss or damage to the Purchased Assets or any portion thereof which is not "major" (as hereinafter defined) and which occurs after the Effective Date, this Agreement shall remain in full force and effect provided Seller assigns to

Buyer at Close of Escrow all of Seller's right, title and interest to any claims and proceeds Seller may have with respect to any casualty insurance policies or condemnation awards relating to the premises in question. Seller shall maintain the insurance coverages and amounts in effect at the Effective Date through Close of Escrow. Upon Close of Escrow, full risk of loss with respect to the Purchased Assets shall pass to Buyer. Seller, at no cost to Seller, shall reasonably cooperate with Buyer, both before and after the Closing Date, to adjust such losses and to endeavor to see to it that the insurance proceeds are paid to Buyer.

20.2 Major Damage. In the event of loss or damage to the Purchased Assets or any portion thereof which is "major", Buyer may terminate this Agreement by written notice to Seller and Escrow Agent, in which event the Earnest Deposit and Interest shall be returned to Buyer as provided in Section 4.1.1. If Buyer fails to notify Seller and Escrow Agent in writing of its intent to proceed with Close of Escrow within ten (10) days after Buyer receives written notice from Seller of the occurrence of a loss or damage to the Purchased Assets which is major, which notice shall specify whether or not insurance proceeds are available to pay for the costs of restoration, then Buyer shall be deemed to have elected to terminate this Agreement. In the event Buyer elects to proceed with Close of Escrow, the Purchase Price shall be reduced by an amount equal to the deductible amount under Seller's insurance policy. Seller's right and obligation to assign such claim hereunder shall be without regard to the adequacy of insurance proceeds. Upon Close of Escrow, full risk of loss with respect to the Purchased Assets shall pass to Buyer. Seller, at no cost to Seller, shall reasonably cooperate with Buyer respecting such insurance proceeds in the manner set forth in Section 20.1.

20.3 Definition of "Major" Loss or Damage. For purposes of this Agreement, "major" loss or damage means: (a) loss or damage to the Leased Property or Improvements, or any portion thereof, such that the cost of repairing or restoring the premises in question to a condition substantially identical to that of the premises in question prior to the event of damage would be, in the opinion of an architect selected by Buyer and reasonably approved by Seller, equal to or greater than Five Hundred Thousand Dollars ($500,000.00); (b) any loss due to a condemnation which permanently and materially impairs the current ability to use the Purchased Assets; and, (c) any loss to the Personal Property in the amount of One Hundred Thousand Dollars ($100,000.00).

21. EVENTS OF DEFAULT.

21.1 Buyer's Event of Default. Buyer shall be in default under this Agreement if any of the following events shall occur:

21.1.1 Buyer shall fail to fully and timely perform any of Buyer's obligations under this Agreement and such failure shall continue past 5:00 p.m. local time on the 10th day after Buyer's receipt of written notice from Seller specifying Buyer's non-compliance (or such longer period as is reasonably necessary to cure such non-compliance);

21.1.2 if any representation or warranty made by Buyer in this Agreement shall be false or misleading in any material respect;

21.1.3 if Buyer shall: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or not contest the appointment of a receiver or trustee for itself or for all or any part of its property; (iii) file a petition seeking relief under the bankruptcy, arrangement, reorganization of other debtor relief laws of the United States, any state or any other competent jurisdiction; or, (iv) make a general assignment for the benefit of its creditors; or,

21.1.4 if a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Buyer, a receiver or trustee for Buyer, or for all or any part of Buyer's property.

21.2 Seller's Event of Default. Seller shall be in default under this Agreement if any of the following events shall occur:

21.2.1 Seller shall fail to fully and timely perform any of Seller's obligations under this Agreement and such failure shall continue past 5:00 p.m. local time on the 10th day after Seller's receipt of written notice from Buyer specifying Seller's non-compliance (or such longer period as is reasonably necessary to cure such non-compliance). Failure of the Commission to enter the Commission Order prior to the Closing Date shall not constitute a Seller's Event of Default;

21.2.2 if any representation or warranty made by Seller in this Agreement shall be false or misleading in any material respect;

21.2.3 if Seller shall: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or not contest the appointment of a receiver or trustee for itself or for all or any part of its property; (iii) file a petition seeking relief under the bankruptcy, arrangement, reorganization of other debtor relief laws of the United States, any state or any other competent jurisdiction; or, (iv) make a general assignment for the benefit or its creditors; or,

21.2.4 if a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Seller, a receiver or trustee for Seller, or for all or any part of Seller's property.

22. REMEDIES.

22.1 Seller's Breach. If a Seller Event of Default shall exist, Buyer, at Buyer's sole option, may either: (i) by written notice to Seller and Escrow Agent cancel this Agreement, obtain a refund of the Earnest Deposit and Interest in accordance with Section 4.1.1 and seek to recover its liquidated damages in accordance with Section 22.4 herein; or, (ii) seek specific enforcement against Seller in which event Close of Escrow shall be automatically extended as necessary; or (iii) seek binding arbitration as provided in Section 22.3 as to any matter or dispute other than as provided in clause (i) or (ii) of this Section 22.1. Buyer's election to pursue the remedy set out in clause (i) of this Section shall be exclusive of all other remedies, and shall constitute Buyer's knowing and intentional waiver of any right to seek damages or any other legal or equitable remedy against Seller in connection with this Agreement.

22.2 Buyer's Breach. Except as otherwise provided in this Agreement, if a Buyer Event of Default shall exist, Seller, at Seller's sole option, may either: (i) by written notice to Buyer and Escrow Agent cancel this Agreement and seek to recover its liquidated damages in accordance with Section 22.4 herein, provided, however, that if Buyer fails to fully and timely perform Buyer's Restoration and Indemnity Obligations under this Agreement or Buyer's indemnity obligations under Section 3.3.1, Seller shall also be entitled to seek and enforce all legal and equitable remedies against Buyer in regard thereto; or (ii) seek mandatory, binding arbitration as provided in Section 22.3 as to any matter or dispute other than as provided in clause (i) of this Section 22.2. Except as provided in this Section 22.2 and in Section 22.4, Seller hereby waives any right to seek any equitable or legal remedies against Buyer in connection with this Agreement.

22.3 Binding Arbitration.

22.3.1 Any dispute or controversy between the Seller and Buyer with respect to any issue arising under this Agreement (other than one determined by the condemnation court, or as specifically otherwise provided for elsewhere in this Agreement as a matter to be decided other than by arbitration), which is unable to be resolved by good faith negotiations among the Parties, shall be determined and resolved by binding arbitration in Phoenix, Arizona, in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") in effect on the date the arbitration is commenced. In the event of any inconsistency between such rules and the terms of this Agreement, this Agreement shall supersede the rules of the AAA. Judgment on any award rendered in the arbitration may be entered by the Court and shall be final, binding, non-appealable and conclusive. The AAA shall have jurisdiction over all Parties to this Agreement for purposes of the arbitration. The provisions of this Agreement pertaining to arbitration shall be binding upon the successors and assigns, if any, of the Parties hereto.

22.3.2 The AAA shall administer the arbitration. The arbitration panel shall consist of three independent and impartial arbitrators. Each Party shall appoint one arbitrator within thirty (30) days of any claim or demand for arbitration. If a Party fails to appoint an arbitrator within such thirty-day period, the AAA shall appoint an arbitrator on behalf of such Party within ten (10) days of the expiration of such thirty-day period. The two Party-appointed arbitrators shall, within ten (10) days of their appointment, select the third arbitrator from a list of candidates provided by the AAA. The place of the arbitration shall be Phoenix, Arizona and the substantive law governing the merits of the dispute between the Parties shall be Arizona law. Any and all submissions, materials, exhibits, testimony, decisions, awards or other material related to the arbitration process of the underlying dispute shall be treated as confidential under this Agreement.

22.3.3 The arbitration proceeding shall commence no later than forty-five (45) days from the date of the selection of the third arbitrator. All hearings shall be completed not later than ninety (90) days from the date of the selection of the third arbitrator, and the arbitrators shall issue the final award not later than thirty (30) days thereafter. The decision of a majority of the arbitrators shall be in writing and in duplicate, one counterpart thereof to be delivered to Seller and Buyer. The award of the arbitrators shall be binding, final and conclusive

on the Seller and Buyer, subject to the terms and conditions of the Uniform Arbitration Act (A.R.S. §§12-1501 et seq.).

22.3.4 The arbitrators are not empowered to award punitive, exemplary, or treble damages in excess of actual, direct damages and each Party hereby irrevocably waives any right to recover such damages with respect to any dispute within the scope of this clause. In the event any legal action, arbitration or other proceeding is brought to enforce this Agreement, the prevailing Party, as determined by the Court or arbitrator, shall be entitled to recover reasonable attorneys' fees and other related costs and expenses incurred, in addition to any compensation to which it may be entitled.

22.3.5 Each Party in the arbitration shall bear its own attorneys' fees and costs of arbitration. The non-prevailing Party in the proceeding shall be ordered to pay, and shall have ultimate responsibility for, all of the arbitrators' fees and the fees of the AAA and the attorneys' fees, expert witness fees and costs of the prevailing Party, and all such fees and costs shall be included in the judgment to be entered against the non-prevailing Party.

22.3.6 Anything to the contrary in this Section 22.3 notwithstanding, either Party may seek preliminary injunctive relief if, in its judgment, such action is necessary to avoid irreparable damage during the pendency of the arbitration procedures.

22.4 Liquidated Damages.

22.4.1 If Buyer fails to proceed to Close of Escrow for any reason other than (i) the existence of a Seller Event of Default as defined herein, or (ii) the existence of any uncured objection or material change pursuant to Section 6.1.2, Section 6.1.3, Section 6.2.1, Section 7.1, Section 10.1 or Section 20.2 of this Agreement, Buyer shall pay to Seller the sum of Five Hundred Thousand dollars ($500,000.00) ("Seller's Liquidated Damages"). Buyer and Seller acknowledge that it would be difficult, if not impossible, to ascertain Seller's actual damages in such circumstances and that Seller's Liquidated Damages are a reasonable forecast of just compensation to Seller for damages resulting from Buyer's breach or default. The parties acknowledge that the payment of such liquidated damages is not intended as a forfeiture or penalty, but is intended to constitute liquidated damages to Seller. Upon Buyer's failure to proceed to Close of Escrow (except for the reasons set out in (i) and (ii) above), and upon delivery of a written notice by Seller to Buyer and Escrow Agent that Seller has elected to terminate this Agreement, Seller shall be entitled to pursue an action for Seller's Liquidated Damages as provided for in Section 22.2. The foregoing provisions for liquidated damages and limitations on Buyer's liability shall not apply to any action by Seller against Buyer for any continuing obligations or indemnities of Buyer under any provisions of this Agreement, including but not limited to Section 3.3.1, Section 7.4 and Section 22.1, that survive Close of Escrow or termination of this Agreement, and Buyer shall have full and complete liability for such obligations and indemnities. In all other instances of breach or default, the Parties reserve the right to seek recovery of their actual damages as allowed under Section 22 of this Agreement.

22.4.2 If Seller fails to proceed to Close of Escrow for any reason other than (i) the existence of a Buyer Event of Default as defined herein, or (ii) the existence of any

uncured objection or material change pursuant to Section 6.1.2, Section 6.1.3, Section 6.2.1, Section 6.2.2, Section 7.1, Section 10.1, Section 10.2 or Section 20.2 of this Agreement, Seller shall pay to Buyer the sum of Five Hundred Thousand dollars ($500,000.00) ("Buyer's Liquidated Damages"). Buyer and Seller acknowledge that it would be difficult, if not impossible, to ascertain Buyer's actual damages in such circumstances and that Buyer's Liquidated Damages are a reasonable forecast of just compensation to Buyer for damages resulting from Buyer's failure to proceed to Close of Escrow. The parties acknowledge that the payment of such liquidated damages is not intended as a forfeiture or penalty, but is intended to constitute liquidated damages to Buyer. Upon Seller's failure to proceed to Close of Escrow (except for the reasons set out in (i) and (ii) above), and upon delivery of a written notice by Buyer to Seller and Escrow Agent that Buyer has elected to terminate this Agreement, Buyer shall be entitled to pursue an action for Buyer's Liquidated Damages as provided for in Section 22.1. If Buyer elects to pursue an action for Buyer's Liquidated Damages, such election shall be Buyer's exclusive remedy and Buyer shall not be entitled to seek specific performance pursuant to Section 22.1. The foregoing provisions for liquidated damages and limitations on Seller's liability shall not apply to any action by Seller against Buyer for any continuing obligations or indemnities of Seller that survive Close of Escrow or termination of this Agreement, and Seller shall have full and complete liability for such obligations and indemnities. In all other instances of breach or default, the Parties reserve the right to seek recovery of their actual damages as allowed under Section 22 of this Agreement.

23. ATTORNEYS' FEES. Subject to the limitations set forth in this Agreement regarding litigation and remedies, if there is any litigation to enforce any provisions or rights arising herein whether in the Court or in the arbitration , the unsuccessful Party in such litigation, as determined by the Court or the abitrator(s), as applicable, shall pay the successful Party, as determined by the Court, all costs and expenses, including, but not limited to, reasonable attorneys' fees incurred by the successful Party, such fees to be determined by the Court.

24. NOTICES.

24.1 Addresses. Except as otherwise required by law, any notice required or permitted hereunder shall be in writing and shall be given by personal delivery, or by deposit in the United States mail, certified or registered, return receipt requested, postage prepaid, addressed to the Parties at the addresses set forth below, or at such other address as a Party may designate in writing pursuant hereto, or tested telex, or telegram, or telecopies, or any express or overnight delivery service (e.g. Federal Express), delivery charges prepaid:

if to Seller: Queen Creek Water Company
22716 South Ellsworth Rd., Bldg. A
Queen Creek, Arizona 85242
Telephone No.: (480) 797-3892
Facsimile No.: (480) 987-9326

with a copy to:	Bryan Cave LLP Two North Central Ave., Suite 2200 Phoenix, Arizona 85004 Attn: Steven A. Hirsch, Esq. Stanley B. Lutz, Esq. Telephone No.: (602) 364-7319 Facsimile No.: (602) 716-8319
if to Buyer:	Town of Queen Creek 22350 South Ellsworth Road Queen Creek, Arizona 85242-9311 Attn: John Kross, Town Manager Telephone No.: (480) 358-3000 Facsimile No.: (480) 358-3189
with a copy to:	Mariscal, Weeks, McIntyre & Friedlander, PA 2901 N. Central Avenue, Suite 200 Phoenix, Arizona 85012 Attn: Fredda J. Bisman, Esq. Telephone No.: (602) 285-5047; Facsimile No.: (602) 285-5100
if to Escrow Agent:	Stewart Title & Trust of Phoenix 909 West McDowell Road Phoenix, Arizona 85007 Attn: Sue Leonard Telephone No.: (602) 462-8131 Facsimile No.: (602) 256-9318

24.2 Effective Date of Notices. Notice shall be deemed to have been given on the date on which notice is delivered, if notice is given by personal delivery or facsimile and on the date of deposit in the mail, if mailed or deposited with the overnight carrier, if used. Notice shall be deemed to have been received on the date on which the notice is received, if notice is given by personal delivery, overnight courier or facsimile and on the 2nd day following deposit in the mail, if notice is mailed. Following Opening of Escrow, a copy of any notice given to a Party shall also be given to Escrow Agent by regular mail or by any other method provided for herein.

25. CLOSING COSTS AND PRORATIONS. Seller and Buyer agree to pay all respective closing costs as provided in this Agreement. All prorations shall be calculated through escrow as of Close of Escrow based upon the latest available information. Any other closing costs not specifically designated as the responsibility of either Party in this Agreement shall be paid by Buyer and Seller according to the usual and customary allocation of the same by Escrow Agent in Maricopa County, Arizona. Seller agrees that all closing costs payable by Seller shall be deducted from Seller's proceeds otherwise payable to Seller at Close of Escrow. Buyer shall deposit with Escrow Agent sufficient cash to pay all of Buyer's closing costs. Except as

provided in this Agreement, Seller and Buyer shall each bear their own costs in regard to the Purchase Transaction.

26. ESCROW CANCELLATION CHARGES. If escrow fails to close because of a Seller's Event of Default, Seller shall be liable for any cancellation charges of Escrow Agent. If escrow fails to close because of a Buyer's Event of Default, Buyer shall be liable for any cancellation charges of Escrow Agent. If escrow fails to close for any other reason, Seller and Buyer shall each be liable for one-half of any cancellation charges of Escrow Agent.

27. APPROVALS. Concerning all matters in this Agreement requiring the consent or approval of any Party or as a condition precedent to action by any of the Parties, the Parties agree that any such consent to each approval shall not be unreasonably withheld unless otherwise provided in this Agreement.

28. ADDITIONAL ACTS. The Parties agree to execute promptly such other documents and to perform such other acts as may be reasonably necessary to carry out the purpose and intent of this Agreement.

29. GOVERNING LAW; JURISDICTION; VENUE. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Arizona. In regard to any litigation or arbitration which may arise in regard to this Agreement, Seller and Buyer shall and do hereby submit exclusively to the jurisdiction of and Seller and Buyer hereby agree that the proper venue shall be exclusively in the Court as to permitted litigation and in Phoenix, Arizona as to the arbitration.

30. BINDING AGREEMENT. This Agreement constitutes the binding agreement between Seller and Buyer for the sale and purchase of the Purchased Assets subject to the terms set forth in this Agreement. Subject to the limitations on assignment set forth in this Agreement, this Agreement shall bind and inure to the benefit of the Parties and their respective successors and assigns. This Agreement supersedes all other written or verbal agreements between the Parties concerning the Purchase Transaction including, but not limited to, that certain: (i) letter from Seller to Buyer dated January 23, 2007; and (ii) that certain Term Sheet dated March ___, 2007. No claim of waiver or modification concerning any provision of this Agreement shall be made against a Party unless based upon a written instrument signed by the Parties.

31. CONSTRUCTION. The terms and provisions of this Agreement represent the results of negotiations among the Parties, each of which has been or has had the opportunity to be represented by counsel of its own choosing, and neither of which has acted under any duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and the Parties each hereby waive the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of this Agreement that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the Party whose attorney prepared the executed Agreement or any earlier draft of the same.

32. TIME OF ESSENCE. Time is of the essence of this Agreement. However, if this Agreement requires any act to be done or action to be taken on a date which is a Saturday, Sunday or legal holiday in the State of Arizona, such act or action shall be deemed to have been validly done or taken if done or taken on the next succeeding day which is not a Saturday, Sunday or legal holiday in the State of Arizona.

33. INTERPRETATION. If there is any specific and direct conflict between, or any ambiguity resulting from, the terms and provisions of this Agreement and the terms and provisions of any document, instrument or other agreement executed in connection herewith or in furtherance hereof, including any Exhibits hereto, the same shall be consistently interpreted in such manner as to give effect to the general purposes and intention as expressed in this Agreement which shall be deemed to prevail and control.

34. HEADINGS AND COUNTERPARTS. The headings of this Agreement are for reference only and shall not limit or define the meaning of any provision of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

35. INCORPORATION BY REFERENCE. All Exhibits to this Agreement are fully incorporated herein as though set forth at length herein.

36. SEVERABILITY. If any provision of this Agreement is determined by the Court or the arbitrator(s), as applicable, to be unenforceable, the remaining provisions shall nevertheless be kept in effect.

37. NO PARTNERSHIP OR OTHER LIABILITY. Any and all provisions, implications, or interpretations of or from this Agreement to the contrary notwithstanding, no partnership, joint venture or other relationship is created, implied or acknowledged between or among the Parties.

38. GENERAL PROVISIONS REGARDING ESCROW AGENT.

38.1 Calculation of Prorations. Escrow Agent will make all adjustments and/or prorations on the basis of the actual number of days in a month, and by credit and/or debit to the respective accounts of Seller and Buyer in the Escrow.

38.2 Close of Escrow. For purposes of the instructions to Escrow Agent and all other purposes hereunder, the expression "Close of Escrow" shall mean the date the Deed is recorded.

38.3 Disbursements. Escrow Agent shall: (i) make disbursements by wire transfer of federal funds; (ii) mail instruments to the addresses set forth in Section 24, unless Escrow Agent is instructed otherwise; and, (iii) wire funds to Seller by wire transfer as directed by Seller.

38.4 Amendments to Instructions. No change of instructions shall be of any effect on the Escrow unless given in writing by Seller and Buyer. In the event conflicting

demands are made or notices served upon Escrow Agent with respect to the Escrow, the Parties hereto expressly agree that Escrow Agent shall have the absolute right at Escrow Agent's election to do either or both of the following: (i) withhold and stop all further proceedings in, and performance of, the Escrow; or (ii) file a suit in interpleader and obtain an order from the Court requiring the Parties to interplead and litigate in such Court their several claims and rights among themselves. In the event such interpleader suit is brought, Escrow Agent shall ipso facto be fully released and discharged from all obligations to further perform any and all duties or obligations imposed upon Escrow Agent in the Escrow, and the Parties jointly and severally agree to pay all reasonable costs, expenses, and reasonable attorneys' fees expended or incurred by Escrow Agent, the amount thereof to be fixed and a judgment therefor entered by the Court in such suit.

38.5 Release of Escrow Agent. Except for Escrow Agent's negligence, fraud or breach of contract, Escrow Agent shall not be held liable for the identity, authority or rights of any person executing any document deposited in the Escrow, or for Seller or Buyer's failure to comply with any of the provisions of any agreement, contract or other instrument deposited in the Escrow and Escrow Agent's duties hereunder shall be limited to the safekeeping of such money, instruments, or other documents received by Escrow Agent as escrow holder, and for the disposition of same in accordance with the written instructions accepted by Escrow Agent in the Escrow.

38.6 Escrow Transaction. It is agreed by the Parties that so far as Escrow Agent's rights and liabilities are concerned, this transaction is an escrow and not any other legal relation.

38.7 Closing Protection Letter. Escrow Agent is acting as the agent for Stewart Title and Guaranty, Inc. ("Title Insurer"), which Title Insurer shall issue and underwrite the Owner's Policy. As a condition precedent to Escrow Agent acting as escrow agent under this Agreement and if Escrow Agent has not already done so, Escrow Agent, at Escrow Agent's sole cost, shall cause Title Insurer to issue to Seller and Buyer, within 5 days after the Opening of Escrow, a closing protection letter or insured closing service agreement, in written form satisfactory to Seller and Buyer.

39. COVENANTS OF SELLER SUBSEQUENT TO THE CLOSE OF ESCROW. Seller, at Seller's cost, shall cause the operations of the Business to be suspended at Close of Escrow with the effect that:

(i) all persons shall have vacated the Leased Property; and

(ii) except as provided in this Agreement, all contractual arrangements of Seller related to the Business shall have been terminated as of Close of Escrow.

40. NO CONFLICT OF INTEREST. Seller understands and agrees that pursuant to the provisions of A.R.S. §38-511, Buyer may terminate this Agreement within three (3) years after execution of the Agreement without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Agreement on behalf of Buyer is or becomes, at any time while the Agreement or an extension of the Agreement is in

effect, an employee of or a consultant to any other party to this Agreement with respect to the subject matter of the Agreement.

41. WAIVER OF JURY TRIAL. To the extent permitted by law, the Parties each hereby waive their right to a trial by jury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Asset Purchase Agreement and Escrow Instructions as of the Effective Date.

SELLER:

QUEEN CREEK WATER COMPANY, an Arizona corporation

By: Paul T. Gardner
Its: PRESIDENT

By: _____
Its: _____

BUYER:

TOWN OF QUEEN CREEK, an Arizona municipal corporation

By: _____
Art Sanders, Mayor

ATTEST:

_____
Jennifer Robinson, Town Clerk

APPROVED AS TO FORM:

_____
Fredda J. Bisman, Town Attorney

ESCROW AGENT'S ACCEPTANCE

The foregoing fully executed Asset Purchase Agreement and Escrow Instructions ("Agreement") together with the Earnest Deposit is accepted by the undersigned this 17th day of December, 2007 which for the purposes of this Agreement shall be deemed to be the date of Opening of Escrow.

Stewart Title + Trust of Phoenix

By: _____
Escrow Officer

MEMORANDUM

TO: Vicki Wallace
Chief, Consumer Services

FROM: Jian W. Liu
Utilities Engineer

DATE: January 14, 2008

RE: APPLICATION OF QUEEN CREEK WATER COMPANY FOR APPROVAL OF SALE OF ASSETS AND CONDITIONAL CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. W-01395A-07-0556

Introduction

Queen Creek Water Company ("Queen Creek" or the "Company") has filed an application for approval of sale of assets and operations to the Town of Queen Creek ("the Town") and cancellation of its Certificate of Convenience and Necessity, conditioned upon consummation of sale of the Company to the Town. The Company provides water service to over 9,200 customers in areas adjacent to the Town in southeast Maricopa and northwest Pinal Counties. The Company's existing CC&N includes an area totaling approximately 36.5 square miles.

Existing Water System Description

The facility consists of eleven wells producing approximately 11,850 gallons per minute ("GPM"), seven storage tanks (total storage capacity of 4,370,000 gallons), and a distribution system serving over 9,200 connections.

Capacity of Existing System

The existing water system has adequate well production and storage capacity to serve the existing connections.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department (MCESD), reported that the Queen Creek Water Company (PWS Number 07-033) is in compliance with MCESD requirements and is currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (MCESD report dated September 19, 2007).

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. Information submitted by the Company indicates that the current arsenic concentrations are approximately 2 to 6 ppb which complies with the new standard.

Arizona Corporation Commission ("ACC") Compliance

According to the Utilities Division Compliance Section, the Company has no outstanding compliance issues.

Arizona Department of Water Resources (ADWR) Compliance

Compliance Status

The Company is located within the Phoenix Active Management Area ("AMA") and is subject to AMA reporting and conservation requirements. ADWR reported that the Company is in compliance with its monitoring and reporting requirements.

Conclusions

A. The existing water system has adequate well production and storage capacity to serve the existing connections.

B. The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. Information submitted by the Company indicates that the current arsenic concentrations are approximately 2 to 6 ppb which complies with the new standard.

C. ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department (MCESD), reported that the Queen Creek Water Company (PWS Number 07-033) is in compliance with MCESD requirements and is currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (MCESD report dated September 19, 2007).

D. According to the Utilities Division Compliance Section, the Company has no outstanding compliance issues.

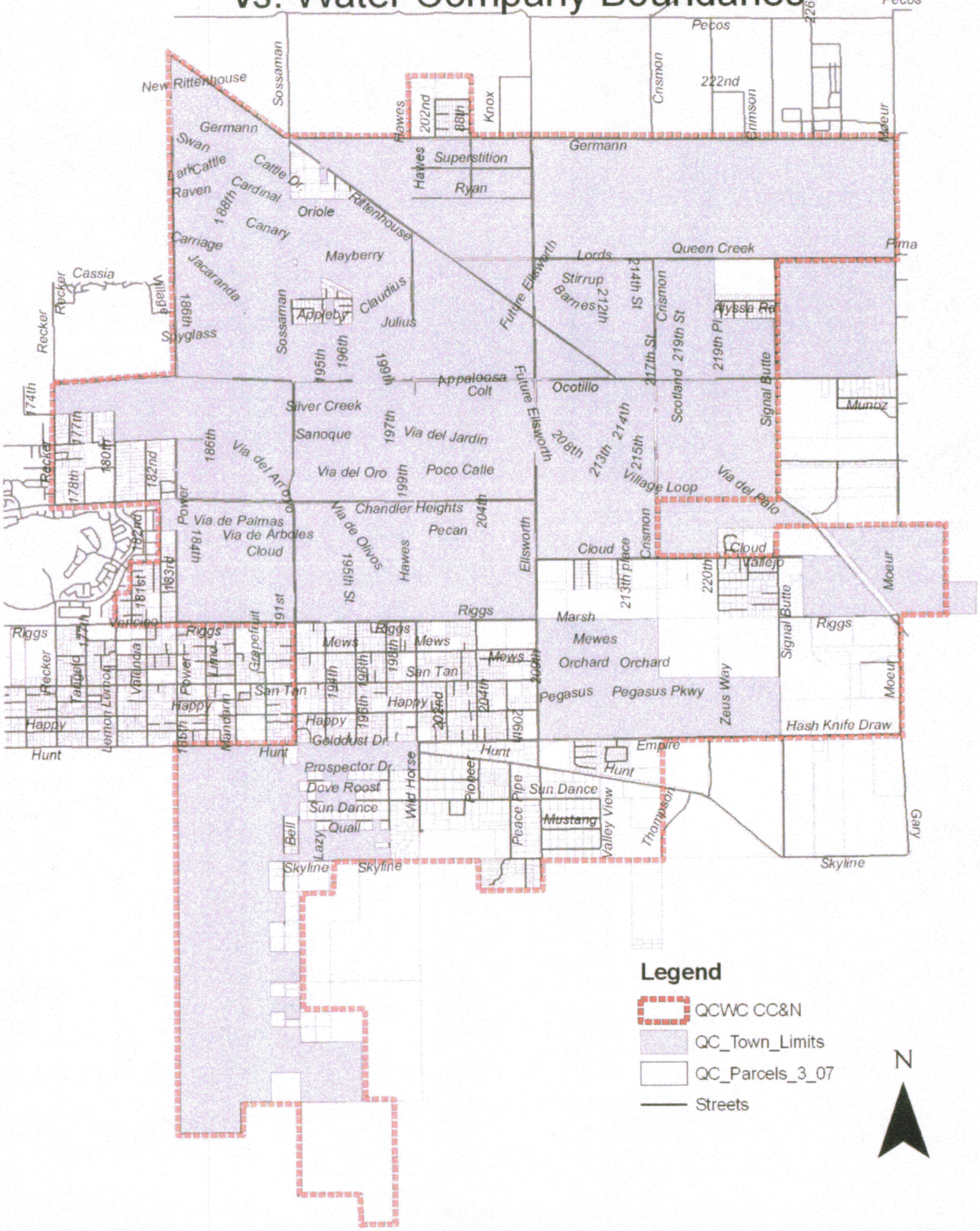
E. The Company is located within the Phoenix Active Management Area ("AMA") and is subject to AMA reporting and conservation requirements. ADWR reported

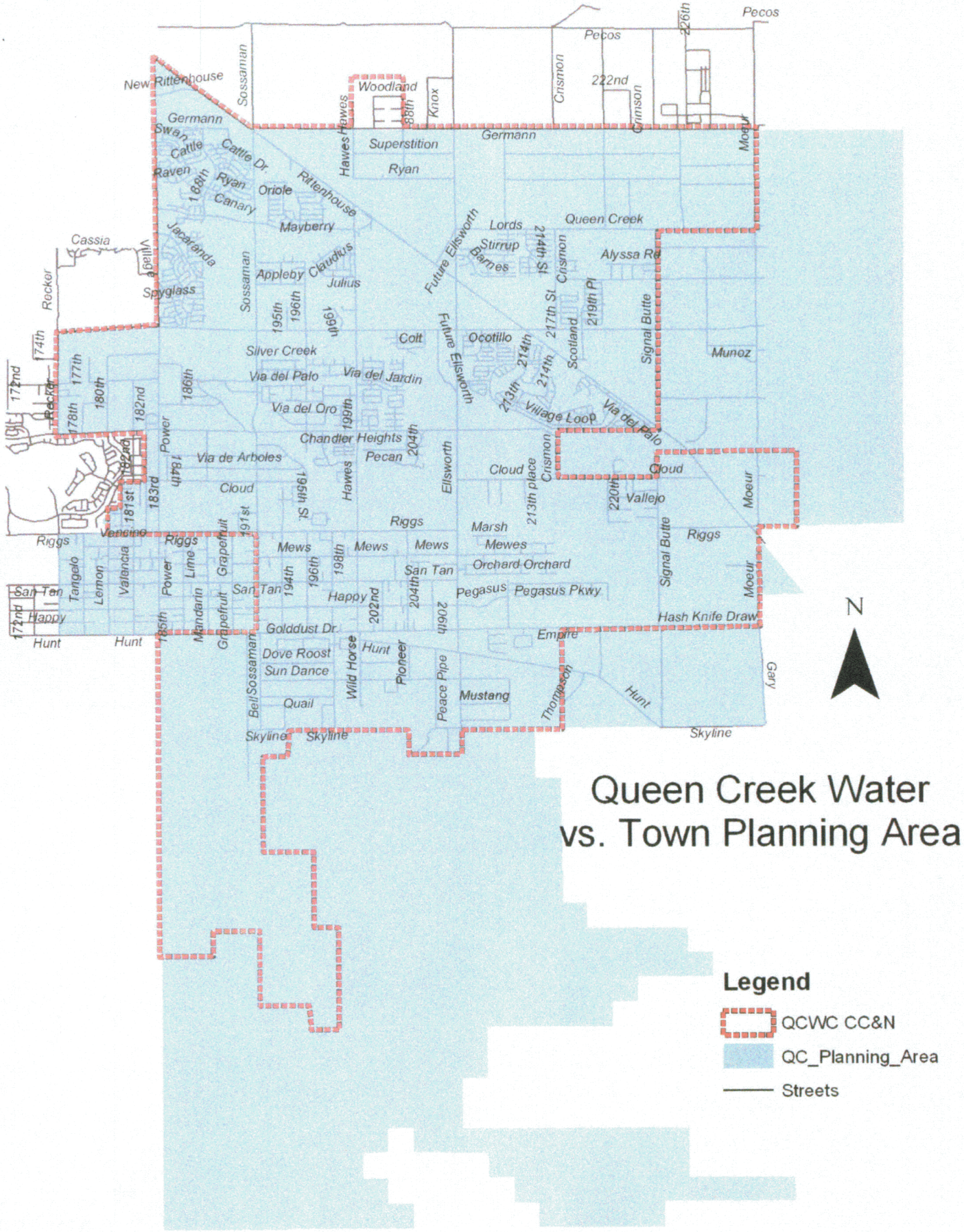
that the Company is in compliance with its monitoring and reporting requirements.

EXHIBIT 5

15

Town of Queen Creek Boundaries vs. Water Company Boundaries





Queen Creek Water vs. Town Planning Area

Legend

- QCWC CC&N
- QC_Planning_Area
- Streets

EXHIBIT 6

Town of Queen Creek

August 2007

NOTE: Final organization changes subject to recruitment schedule - see projected recruitment dates below.

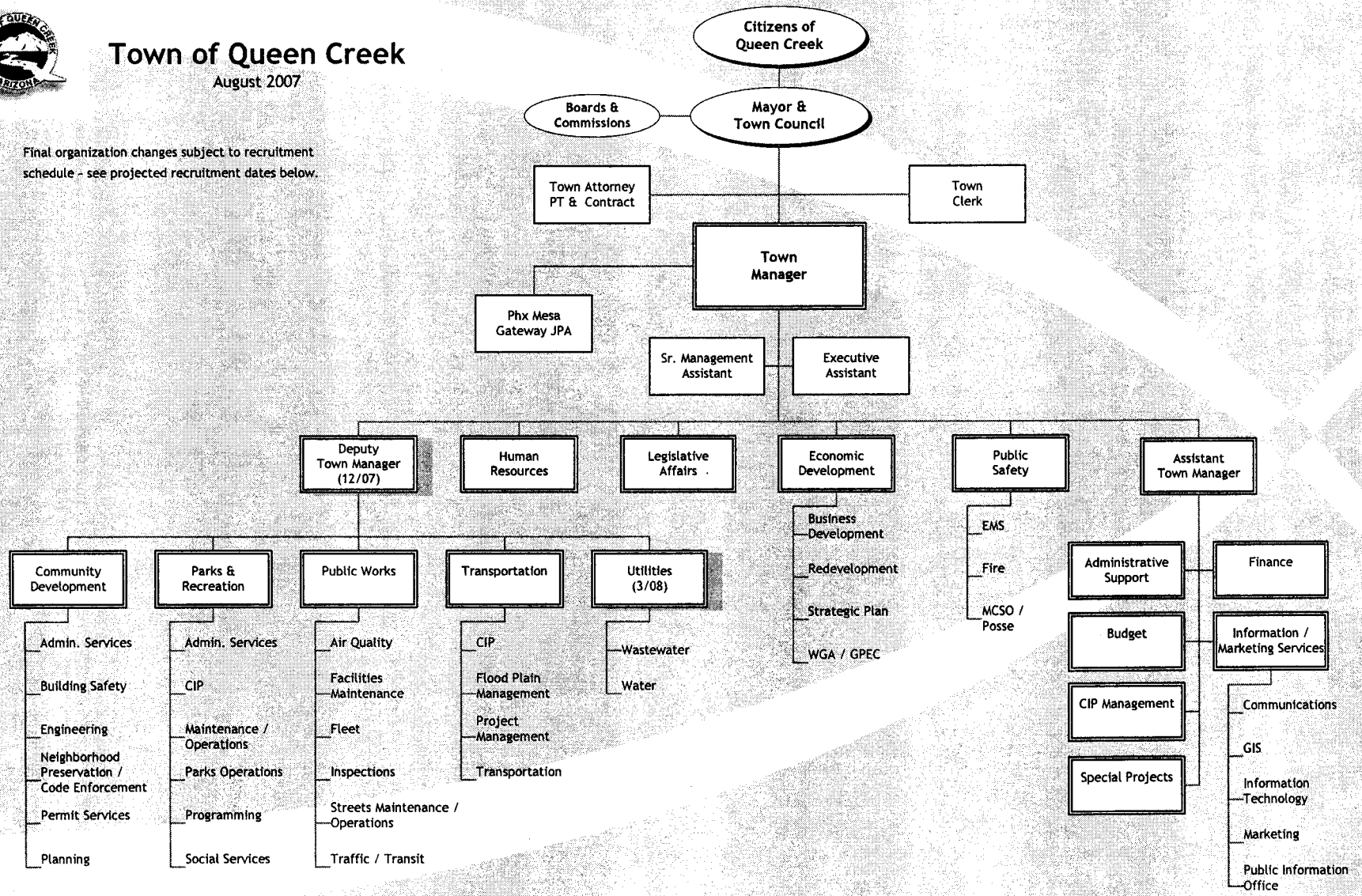


EXHIBIT 7

PUBLIC NOTICE OF AN APPLICATION FOR THE SALE OF ASSETS AND THE CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY BY

QUEEN CREEK WATER COMPANY

Queen Creek Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authorization to sell its assets and cancel its Certificate of Convenience and Necessity to provide water service. Queen Creek Water Company system is being purchased by the Town of Queen Creek. If the application is granted, the Town of Queen Creek would be the exclusive provider of water service to your area and will establish its own rates and charges.

If you have any claims against Queen Creek Water Company, including claims for refunds of security deposits, service line and meter installations (Water Only) or mainline extension agreements and you have not already been contacted by the Company, you must present your claim to Queen Creek Water Company on or before November 21,2007. Direct your claim(s) to Paul T. Gardner, 22713 S. Ellsworth Rd., Bldg. A, Queen Creek, AZ 85242 or by phone at (480) 987-3240 Ext. 12.

Approval of the application may be given without a hearing. If you have any questions or concerns about this application, have any objections to its approval or would like to request information on intervention in the proceeding, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000

QUEEN CREEK
WATER COMPANY

P.O. Box 366
Queen Creek, Arizona 85242

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