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March 21, 2008

Arizona Corporation Commission

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Docket Control Center
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

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| DOCKETED BY | |
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Re: Del Rio Water Company / Application for Certification of Convenience & Necessity / Docket No. W-04074A-08-0094

Dear Sir or Madam:

The purpose of this letter is to provide supplemental information with respect to this application. In particular, it responds to all of numbered items 1 through 23 of the Insufficiency Letter dated March 5, 2008, from Blessing N. Chukwu to me. Those items are repeated below, together with our responses.

1. Please provide a schedule of plant in service for five years.
 - a. A schedule of plant in service projections for plant items and their individual costs.
 - b. A schedule of depreciation rates and project depreciation expense.
 - c. A schedule of accumulated depreciation for each of the five projected years.

Response: The schedules are enclosed as Company Response to Staff 1.

2. Please provide balance sheets for each of the five years.

Response: The balance sheets are enclosed as Company Response to Staff 2.

3. Please provide a schedule of Developer advances in aid of construction and refunds for the five projected years (if applicable).

Response: There are no proposed advances in aid of construction.

4. Please provide a schedule of Developer contributions in aid of construction and refunds for the five projected years (if applicable).

Response: There are no proposed contributions in aid of construction.

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5. Please provide a schedule of service line and meter installation revenue and refunds for the five projected years.

Response: The schedule is enclosed as Company Response to Staff 5 and 12.

6. Please provide a projected statement of income for the 12 months ended each of the five years.

Response: The statement is enclosed as Company Response to Staff 6 and 7.

7. Please provide a schedule of projected revenues for each of the five years, type of revenue and sources of revenue.

Response: The schedule is enclosed as Company Response to Staff 6 and 7.

8. Please provide a schedule of the gallons sold (1,000s) for the five projected years by meter size and type of customer.

Response: The schedule is enclosed as Company Response to Staff 8.

9. Please provide a schedule for the computation of projected property taxes for the five years ended.

Response: The schedule is enclosed as Company Response to Staff 9.

10. Please provide a schedule of the projected cash flow for the five years ended.

Response: The schedule is enclosed as Company Response to Staff 10.

11. Please provide a schedule of projected revenue for the five years ended which includes:

- a. Projected customer numbers
- b. Meter sizes for those customers
- c. Projected revenue for each meter size and for standpipe sales
- d. Annual gallons delivered (in 10,000s)
- e. Assuming average usage per month of: (1) daily gallons; (2) residential customers; and other customers

Response: The schedule is enclosed as Company Response to Staff 11 and 13.

12. Please provide a schedule of meter deposits for the projected five years.

Response: The schedule is enclosed as Company Response to Staff 5 and 12.

13. Please provide a schedule of other revenue for the projected five years ended.

Response: The schedule is enclosed as Company Response to Staff 11 and 13.

14. Please provide a schedule of the computation for state and federal incomes (if applicable).

Response: Not applicable.

15. Please provide a schedule of the projected capital financing.

Response: The schedule is enclosed as Company Response to Staff 15.

16. The requested area is approximately 3,000 acres (4.7 square miles). The attached preliminary plat (drawing U-2) shows much less than 3,000 acres. Therefore, a master plan is needed to show the entire 3,000 acres, with phase-in projects if to be implemented.

Response: A revised map of the entire requested area is enclosed as Company Response to Staff 16. The Company's engineers have determined that the map submitted with the application unintentionally omitted about 140 acres of the property. The requested area is approximately 3,080 acres total. The proposed plat of Del Rio East – Alpha enclosed herewith is anticipated to be the first phase of development of the property and consists of approximately 292 acres owned by The Bond Ranch at Del Rio Springs, LLC. A water infrastructure schematic for Del Rio East – Alpha, a map showing the location of Del Rio East – Alpha with respect to Highway 89 and the section lines and a legal description of Del Rio East – Alpha are enclosed as Company Response to Staff 16. The configuration of future phases of development is not known at this time.

17. The submitted construction cost of the proposed water system is \$4,000,138. How much of this proposed system is for the 3,000 acres?

Response: That estimated construction cost was for Phase 1 and Phase 2 facilities. However, Company has since determined that only the Phase 1 facilities described in Company Response to Staff 1 are likely to be built during the first 5 years of operation. The Phase 1 facilities are estimated to cost \$2,902,888.

18. Please provide the requests for service for all the properties in the requested CC&N area.

Response: There are two properties in the requested CC&N area. An approximately 3,055 acre property is owned by The Bond Ranch at Del Rio Springs, LLC. An approximately 24.82 acre property is owned by Del Rio Apartments, LLC. Requests for service for both properties are enclosed as Company Response to Staff 18.

19. Please provide a map of the requested service territory with an identification of the respective property owners requesting service.

Response: A copy of the map showing property ownership is enclosed as Company Response to Staff 19.

20. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed CC&N area. If the Approval to Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.

Response: The Company intends to apply for the Approval to Construct about May 1, 2008.

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21. Please provide a copy of the Arizona Department of Water Resources ("ADWR") Analysis of Assured Water Supply or Certificate of Assured Water Supply for the CC&N area requested. If none of these are available, please provide a copy of the ADWR Physical Availability Determination.

Response: A copy of the application for a Certificate of Assured Water Supply ("CAWS") filed on February 15, 2008, by one of the property owners is enclosed as Company Response to Staff 21. The ADWR Physical Availability Determination dated January 30, 2003, is attached as Exhibit F to the CAWS application and is included in Company Response to Staff 21.

22. Please provide a copy of the Town of Chino Valley franchise agreement for the proposed CC&N area. If the franchise agreement has not been issued, please inform Staff of the status of the applications for the franchise agreements.

Response: The Company anticipates formally applying for the franchise in the near future.

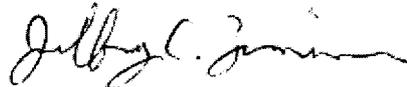
23. Please indicate who will be providing wastewater service in the proposed extension area.

Response: Wastewater service will be provided by the Town of Chino Valley through its existing wastewater treatment plant. Bond Ranch at Del Rio Springs, LLC, has already pre-paid the sewer connection fees for the Del Rio East-Alpha subdivision.

I am also enclosing a revised water tariff.

Please let me know if you need any additional information.

Sincerely,



Jeffrey C. Zimmerman

JCZ/lkk

Enclosures

cc: Tom Wick, Manager, Del Rio Water Company
Kevin Nagai, Manager, Del Rio Water Company
Blessing N. Chukwu, Arizona Corporation Commission

**Del Rio Water Company
 Projected Water System Construction Cost Components
 Company Response to Staff 1**

| DESCRIPTION | Quantity | Units | Unit Cost | Subtotal | Contingency @ 10% | Engineering @ 15% | Phase I (1200 Lots) |
|---|-----------------|--------------|------------------|---------------------|------------------------------|------------------------------|--------------------------------|
| Clear and Grub | 3 | AC | \$ 650 | \$ 1,950 | \$ 195 | \$ 322 | \$ 2,467 |
| 6" Aggregate Base Course | 4,840 | SY | 8 | 38,720 | 3,872 | 6,389 | 48,981 |
| Site Work, Landscape, Block Perimeter I | 1 | SF | 80,000 | 80,000 | 8,000 | 13,200 | 101,200 |
| 12" Raw Water Line | 500 | LF | 45 | 22,500 | 2,250 | 3,713 | 28,463 |
| 12" Transmission Line | 300 | LF | 45 | 13,500 | 1,350 | 2,228 | 17,078 |
| Storage Tank, 500,000 Gallons | 1 | EA | 450,000 | 450,000 | 45,000 | 74,250 | 569,250 |
| Pump Station/Hydro Tank | 1 | LF | 500,000 | 500,000 | 50,000 | 82,500 | 632,500 |
| Arsenic Treatment for 350 gpm | 1 | LS | 500,000 | 500,000 | 50,000 | 82,500 | 632,500 |
| Production Well, Pump/Controls 1,000 g | 1 | LS | 425,000 | 425,000 | 42,500 | 70,125 | 537,625 |
| Generator | 1 | LS | 60,000 | 60,000 | 6,000 | 9,900 | 75,900 |
| Utility Hookups | 1 | LF | 45,000 | 45,000 | 4,500 | 7,425 | 56,925 |
| Land Cost | 2 | AC | 100,000 | 200,000 | | | 200,000 |
| Service Lines | 720 | EA | 355 | 255,600 | | | 255,600 |
| Meters | 720 | EA | 165 | 118,800 | | | 118,800 |
| Projected Total Phase I Costs | | | | \$ 2,711,070 | \$ 213,667 | \$ 352,551 | \$ 3,277,288 |

Del Rio Water Company
PROFORMA UTILITY PLANT IN SERVICE - YEAR 1
Company Response to Staff 1

| | Depreciation Rate | Prior to Customers | Additions Year 1 | Depreciation Year 1 | End of Year 1 | Accumulated Depreciation |
|-------------------------------------|------------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------|-------------------------------------|
| Organization | 0.00% | \$ - | | \$ - | \$ - | \$ - |
| Land and Land Rights | 0.00% | 200,000 | | - | 200,000 | - |
| Structures and Improvements | 3.33% | 152,648 | | 2,542 | 152,648 | 2,542 |
| Wells and Springs | 3.33% | 537,625 | | 8,951 | 537,625 | 8,951 |
| Electric Pumping Equipment | 12.50% | 689,425 | | 43,089 | 689,425 | 43,089 |
| Water Treatment Equipment | 3.33% | 632,500 | | 10,531 | 632,500 | 10,531 |
| Distribution Reservoirs/Standpipes | 2.22% | - | | - | - | - |
| Storage Tank | 10.00% | 569,250 | | 28,463 | 569,250 | 28,463 |
| Transmission and Distribution Mains | 2.00% | 45,540 | | 455 | 45,540 | 455 |
| Services | 3.33% | - | 28,400 | 473 | 28,400 | 473 |
| Meters | 8.33% | - | 13,200 | 550 | 13,200 | 550 |
| Hydrants | 2.00% | - | | - | - | - |
| Plant Structures/Improvements | 6.67% | - | | - | - | - |
| Office Furniture and Equipment | 6.67% | - | | - | - | - |
| Transportation Equipment | 20.00% | - | | - | - | - |
| Tools and Work Equipment | 5.00% | - | | - | - | - |
| Laboratory Equipment | 10.00% | - | | - | - | - |
| Power Operated Equipment | 5.00% | 75,900 | | 1,898 | 75,900 | 1,898 |
| Communications Equipment | 10.00% | - | | - | - | - |
| Other Tangible Plant | 3.33% | - | | - | - | - |
| TOTAL PLANT IN SERVICE | | \$ 2,902,888 | \$ 41,600 | \$ 96,951 | \$ 2,944,488 | \$ 96,951 |

Del Rio Water Company
PROFORMA UTILITY PLANT IN SERVICE - YEAR 2
Company Response to Staff 1

| | Depreciation Rate | End of Year 1 | Additions Year 2 | Depreciation Year 2 | End of Year 2 | Accumulated Depreciation |
|------------------------------------|------------------------------|--------------------------|-----------------------------|--------------------------------|--------------------------|-------------------------------------|
| Organization | 0.00% | \$ - | | \$ - | \$ - | \$ - |
| Land and Land Rights | 0.00% | 200,000 | | - | 200,000 | - |
| Structures and Improvements | 3.33% | 152,648 | | 5,083 | 152,648 | 7,625 |
| Wells and Springs | 3.33% | 537,625 | | 17,903 | 537,625 | 26,854 |
| Electric Pumping Equipment | 12.50% | 689,425 | | 86,178 | 689,425 | 129,267 |
| Water Treatment Equipment | 3.33% | 632,500 | | 21,062 | 632,500 | 31,593 |
| Distribution Reservoirs/Standpipe: | 2.22% | - | | - | - | - |
| Storage Tank | 10.00% | 569,250 | | 56,925 | 569,250 | 85,388 |
| Transmission and Distribution Mai | 2.00% | 45,540 | | 911 | 45,540 | 1,366 |
| Services | 3.33% | 28,400 | 39,050 | 1,596 | 67,450 | 2,069 |
| Meters | 8.33% | 13,200 | 18,150 | 1,856 | 31,350 | 2,405 |
| Hydrants | 2.00% | - | | - | - | - |
| Plant Structures/Improvements | 6.67% | - | | - | - | - |
| Office Furniture and Equipment | 6.67% | - | | - | - | - |
| Transportation Equipment | 20.00% | - | | - | - | - |
| Tools and Work Equipment | 5.00% | - | | - | - | - |
| Laboratory Equipment | 10.00% | - | | - | - | - |
| Power Operated Equipment | 5.00% | 75,900 | | 3,795 | 75,900 | 5,693 |
| Communications Equipment | 10.00% | - | | - | - | - |
| Other Tangible Plant | 3.33% | - | | - | - | - |
| TOTAL PLANT IN SERVICE | | \$ 2,944,488 | \$ 57,200 | \$ 195,309 | \$ 3,001,688 | \$ 292,260 |

Del Rio Water Company
PROFORMA UTILITY PLANT IN SERVICE - YEAR 3
Company Response to Staff 1

| | Depreciation Rate | End of Year 2 | Additions Year 3 | Depreciation Year 3 | End of Year 3 | Accumulated Depreciation |
|--|----------------------|---------------------|---------------------|------------------------|---------------------|-----------------------------|
| Organization | 0.00% | \$ - | | \$ - | \$ - | \$ - |
| Land and Land Rights | 0.00% | 200,000 | | - | 200,000 | - |
| Structures and Improvements | 3.33% | 152,648 | | 5,083 | 152,648 | 12,708 |
| Wells and Springs | 3.33% | 537,625 | | 17,903 | 537,625 | 44,757 |
| Electric Pumping Equipment | 12.50% | 689,425 | | 86,178 | 689,425 | 215,445 |
| Water Treatment Equipment | 3.33% | 632,500 | | 21,062 | 632,500 | 52,656 |
| Distribution Reservoirs/Standpipe: Storage Tank | 2.22% | - | | - | - | - |
| | 10.00% | 569,250 | | 56,925 | 569,250 | 142,313 |
| Transmission and Distribution Mai Services | 2.00% | 45,540 | | 911 | 45,540 | 2,277 |
| | 3.33% | 67,450 | 60,350 | 3,251 | 127,800 | 5,320 |
| Meters | 8.33% | 31,350 | 28,050 | 3,780 | 59,400 | 6,185 |
| Hydrants | 2.00% | - | | - | - | - |
| Plant Structures/Improvements | 6.67% | - | | - | - | - |
| Office Furniture and Equipment | 6.67% | - | | - | - | - |
| Transportation Equipment | 20.00% | - | | - | - | - |
| Tools and Work Equipment | 5.00% | - | | - | - | - |
| Laboratory Equipment | 10.00% | - | | - | - | - |
| Power Operated Equipment | 5.00% | 75,900 | | 3,795 | 75,900 | 9,488 |
| Communications Equipment | 10.00% | - | | - | - | - |
| Other Tangible Plant | 3.33% | - | | - | - | - |
| TOTAL PLANT IN SERVICE | | \$ 3,001,688 | \$ 88,400 | \$ 198,888 | \$ 3,090,088 | \$ 491,148 |

Del Rio Water Company
PROFORMA UTILITY PLANT IN SERVICE - YEAR 4
Company Response to Staff 1

| | Depreciation Rate | End of Year 3 | Additions Year 4 | Depreciation Year 4 | End of Year 4 | Accumulated Depreciation |
|------------------------------------|------------------------------|--------------------------|-----------------------------|--------------------------------|--------------------------|-------------------------------------|
| Organization | 0.00% | \$ - | | \$ - | \$ - | \$ - |
| Land and Land Rights | 0.00% | 200,000 | | - | 200,000 | - |
| Structures and Improvements | 3.33% | 152,648 | | 5,083 | 152,648 | 17,791 |
| Wells and Springs | 3.33% | 537,625 | | 17,903 | 537,625 | 62,660 |
| Electric Pumping Equipment | 12.50% | 689,425 | | 86,178 | 689,425 | 301,623 |
| Water Treatment Equipment | 3.33% | 632,500 | | 21,062 | 632,500 | 73,718 |
| Distribution Reservoirs/Standpipe: | 2.22% | - | | - | - | - |
| Storage Tank | 10.00% | 569,250 | | 56,925 | 569,250 | 199,238 |
| Transmission and Distribution Mai | 2.00% | 45,540 | | 911 | 45,540 | 3,188 |
| Services | 3.33% | 127,800 | 63,900 | 5,320 | 191,700 | 10,639 |
| Meters | 8.33% | 59,400 | 29,700 | 6,185 | 89,100 | 12,370 |
| Hydrants | 2.00% | - | | - | - | - |
| Plant Structures/Improvements | 6.67% | - | | - | - | - |
| Office Furniture and Equipment | 6.67% | - | | - | - | - |
| Transportation Equipment | 20.00% | - | | - | - | - |
| Tools and Work Equipment | 5.00% | - | | - | - | - |
| Laboratory Equipment | 10.00% | - | | - | - | - |
| Power Operated Equipment | 5.00% | 75,900 | | 3,795 | 75,900 | 13,283 |
| Communications Equipment | 10.00% | - | | - | - | - |
| Other Tangible Plant | 3.33% | - | | - | - | - |
| TOTAL PLANT IN SERVICE | | \$3,090,088 | \$ 93,600 | \$ 203,362 | \$ 3,183,688 | \$ 694,510 |

Del Rio Water Company
PROFORMA UTILITY PLANT IN SERVICE - YEAR 5
Company Response to Staff 1

| | Depreciation Rate | End of Year 4 | Additions Year 5 | Depreciation Year 5 | End of Year 5 | Accumulated Depreciation |
|--|------------------------------|--------------------------|-----------------------------|--------------------------------|--------------------------|-------------------------------------|
| Organization | 0.00% | \$ - | | \$ - | \$ - | \$ - |
| Land and Land Rights | 0.00% | 200,000 | | - | 200,000 | - |
| Structures and Improvements | 3.33% | 152,648 | | 5,083 | 152,648 | 22,874 |
| Wells and Springs | 3.33% | 537,625 | | 17,903 | 537,625 | 80,563 |
| Electric Pumping Equipment | 12.50% | 689,425 | | 86,178 | 689,425 | 387,802 |
| Water Treatment Equipment | 3.33% | 632,500 | | 21,062 | 632,500 | 94,780 |
| Distribution Reservoirs/Standpipe: Storage Tank | 2.22% | - | | - | - | - |
| | 10.00% | 569,250 | | 56,925 | 569,250 | 256,163 |
| Transmission and Distribution Mai Services | 2.00% | 45,540 | | 911 | 45,540 | 4,099 |
| | 3.33% | 191,700 | 63,900 | 7,448 | 255,600 | 18,087 |
| Meters | 8.33% | 89,100 | 29,700 | 8,659 | 118,800 | 21,029 |
| Hydrants | 2.00% | - | | - | - | - |
| Plant Structures/Improvements | 6.67% | - | | - | - | - |
| Office Furniture and Equipment | 6.67% | - | | - | - | - |
| Transportation Equipment | 20.00% | - | | - | - | - |
| Tools and Work Equipment | 5.00% | - | | - | - | - |
| Laboratory Equipment | 10.00% | - | | - | - | - |
| Power Operated Equipment | 5.00% | 75,900 | | 3,795 | 75,900 | 17,078 |
| Communications Equipment | 10.00% | - | | - | - | - |
| Other Tangible Plant | 3.33% | - | | - | - | - |
| TOTAL PLANT IN SERVICE | | \$3,183,688 | \$ 93,600 | \$ 207,964 | \$ 3,277,288 | \$ 902,474 |

Del Rio Water Company
5-YEAR PROJECTED BALANCE SHEET
Company Response to Staff 2

| ASSETS | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current Assets | | | | | |
| Cash | \$ 18,013 | \$ 72,072 | \$ 181,583 | \$ 350,186 | \$ 580,661 |
| Accounts Receivable | 919 | 3,102 | 6,320 | 10,341 | 14,478 |
| Other | | | | | |
| Total Current Assets | \$ 18,932 | \$ 75,174 | \$ 187,903 | \$ 360,527 | \$ 595,139 |
| Fixed Assets | | | | | |
| Utility Plant in Service | \$ 2,944,488 | \$ 3,001,688 | \$ 3,090,088 | \$ 3,183,688 | \$ 3,277,288 |
| (Less) Accumulated Depreciation | (96,951) | (292,260) | (491,148) | (694,510) | (902,474) |
| Net Plant in Service | 2,847,536 | 2,709,428 | 2,598,940 | 2,489,178 | 2,374,814 |
| TOTAL ASSETS | \$ 2,866,469 | \$ 2,784,602 | \$ 2,786,842 | \$ 2,849,705 | \$ 2,969,953 |
| LIABILITIES AND CAPITAL | | | | | |
| Current and Accrued Liabilities | | | | | |
| Accounts Payable | \$ 574 | \$ 1,310 | \$ 2,578 | \$ 4,215 | \$ 5,932 |
| Notes Payable | | | | | |
| Customer Deposits | 6,000 | 9,150 | 13,988 | 15,413 | 15,525 |
| Accrued Interest | | | | | |
| Total Current and Accrued Liabilities | \$ 6,574 | \$ 10,460 | \$ 16,565 | \$ 19,628 | \$ 21,457 |
| Long-Term Debt | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deferred Credits | | | | | |
| Meter Deposits (AIAC) | \$ 41,600 | \$ 94,640 | \$ 173,160 | \$ 248,040 | \$ 313,560 |
| Advances in Aid of Construction | | | | | |
| Contributions in Aid of Construction | | | | | |
| Less Amortization of CIAC | | | | | |
| Accumulated Deferred Income Tax | | | | | |
| Total Deferred Credits | \$ 41,600 | \$ 94,640 | \$ 173,160 | \$ 248,040 | \$ 313,560 |
| TOTAL LIABILITIES | \$ 48,174 | \$ 105,100 | \$ 189,725 | \$ 267,668 | \$ 335,017 |
| Member Equity | | | | | |
| Member Investment | \$ 2,902,888 | \$ 2,902,888 | \$ 2,902,888 | \$ 2,902,888 | \$ 2,902,888 |
| Net Income/Loss | (84,593) | (223,386) | (305,771) | (320,851) | (267,952) |
| Total Member Equity | \$ 2,818,295 | \$ 2,679,502 | \$ 2,597,116 | \$ 2,582,037 | \$ 2,634,935 |
| TOTAL LIABILITIES AND EQUITY | \$ 2,866,469 | \$ 2,784,602 | \$ 2,786,842 | \$ 2,849,705 | \$ 2,969,953 |

Del Rio Water Company
5-Year Projected Service Line and Meter Installation Revenue/Refunds
Company Response to Staff 5 & 12

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Service Line and Meter Installation Revenue | | | | | |
| Residential | \$ 41,600 | \$ 57,200 | \$ 88,400 | \$ 93,600 | \$ 93,600 |
| Commercial | | | | | |
| School | | | | | |
| Total Collected | 41,600 | 57,200 | 88,400 | 93,600 | 93,600 |
| Cumulative Collected | <u>\$ 41,600</u> | <u>\$ 98,800</u> | <u>\$187,200</u> | <u>\$280,800</u> | <u>\$374,400</u> |
| Service Line and Meter Installations Refunded @ 10% | | | | | |
| Meter Deposit for Year 1 | | \$ 4,160 | \$ 4,160 | \$ 4,160 | \$ 4,160 |
| Meter Deposit for Year 2 | | | 5,720 | 5,720 | 5,720 |
| Meter Deposit for Year 3 | | | | 8,840 | 8,840 |
| Meter Deposit for Year 4 | | | | | 9,360 |
| Meter Deposit for Year 5 | | | | | |
| Total Refunds | \$ - | \$ 4,160 | \$ 9,880 | \$ 18,720 | \$ 28,080 |
| Cumulative Refunds | | \$ 4,160 | \$ 14,040 | \$ 32,760 | \$ 60,840 |
| Cumulative Balance | <u>\$ 41,600</u> | <u>\$ 94,640</u> | <u>\$173,160</u> | <u>\$248,040</u> | <u>\$313,560</u> |

Del Rio Water Company
5-Year Projected Statement of Income
Company Response to Staff 6 and 7

| | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|----------|----------------|--------------------|---------------------|--------------------|--------------------|-------------------|
| Revenue | | | | | | | |
| Metered Sales to Residential Customers | | | \$ 27,577 | \$ 93,071 | \$ 189,588 | \$ 310,236 | \$ 434,330 |
| Other Water Revenue | | | 2,000 | 2,750 | 4,250 | 4,500 | 4,500 |
| Total Projected Revenue | | | \$ 29,577 | \$ 95,821 | \$ 193,838 | \$ 314,736 | \$ 438,830 |
| Variable Expenses | | | | | | | |
| | | Minimum | | | | | |
| Pumping Power | \$ 0.40 | Per 1,000 gals | \$ 2,108 | \$ 7,115 | \$ 14,494 | \$ 23,718 | \$ 33,205 |
| Repairs & Maintenance (a) | \$ 0.75 | Per cust/month | \$ 500 | 500 | 1,215 | 2,475 | 4,050 |
| Water Treatment/Testing (a) | \$ 0.50 | Per 1,000 gals | 2,635 | 8,894 | 18,118 | 29,647 | 41,506 |
| Billing, Postage, Operations (a) | \$ 10.00 | Per cust/month | \$ 7,500 | 7,500 | 16,200 | 33,000 | 54,000 |
| Total Variable Expenses | | | \$ 12,744 | \$ 33,424 | \$ 68,087 | \$ 111,415 | \$ 155,981 |
| Other Expenses | | | | | | | |
| Depreciation | | | \$ 96,951 | \$ 195,309 | \$ 198,888 | \$ 203,362 | \$ 207,964 |
| Amortization of CIAC | | | | | | | |
| Miscellaneous (a) | | \$ 1,200 | 1,200 | 1,236 | 1,273 | 1,311 | 1,351 |
| Insurance | | \$ 1,500 | 1,500 | 1,545 | 1,591 | 1,639 | 1,688 |
| Income Taxes | | | - | - | - | - | - |
| Property Taxes (b) | | | 1,775 | 3,099 | 6,385 | 12,088 | 18,948 |
| Total Other Expenses | | | \$ 101,426 | \$ 201,189 | \$ 208,137 | \$ 218,400 | \$ 229,951 |
| Total Projected Operating Expenses | | | \$ 114,169 | \$ 234,614 | \$ 276,224 | \$ 329,815 | \$ 385,932 |
| Operating Income/(Loss) | | | \$ (84,593) | \$ (138,793) | \$ (82,385) | \$ (15,079) | \$ 52,898 |
| Interest Income | | | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest Expense | | | - | - | - | - | - |
| Net Income | | | \$ (84,593) | \$ (138,793) | \$ (82,385) | \$ (15,079) | \$ 52,898 |

(a) Includes annual inflation of 3%

(b) ADOR Property Tax Calculation

Del Rio Water Company
5-Year Projected Gallons Sold (1,000s)
Company Response to Staff 8

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Residential | | | | | |
| 3/4 Inch | 5,271 | 17,788 | 36,235 | 59,294 | 83,012 |
| Residential Customers | | | | | |
| 3/4 Inch additions | 80 | 110 | 170 | 180 | 180 |
| Cumulative Total | 80 | 190 | 360 | 540 | 720 |
| 1/2 Year Convention | | | | | |
| 3/4 Inch additions | 40 | 55 | 85 | 90 | 90 |
| Cumulative Total | 40 | 135 | 275 | 450 | 630 |

| Water Demand | Conn Conv | GPD (a) | Daily Demand | Annual Demand | Monthly Demand |
|---------------------|----------------------|--------------------|-------------------------|--------------------------|---------------------------|
| Year 1 | 40 | 361 | 14,440 | 5,270,600 | 439,217 |
| Year 2 | 135 | 361 | 48,735 | 17,788,275 | 1,482,356 |
| Year 3 | 275 | 361 | 99,275 | 36,235,375 | 3,019,615 |
| Year 4 | 450 | 361 | 162,450 | 59,294,250 | 4,941,188 |
| Year 5 | 630 | 361 | 227,430 | 83,011,950 | 6,917,663 |

(a) GPD Based On Total Water Demand From Certificate of Assured Water Supply of 0.40 AFY/Lot

**Del Rio Water Company
Projected Property Tax Computation
Company Response to Staff 9**

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|-----------------|-----------------|-----------------|------------------|------------------|
| Revenue Component 1 | \$ 29,577 | \$ 29,577 | \$ 29,577 | \$ 95,821 | \$ 193,838 |
| Revenue Component 2 | 29,577 | 29,577 | 95,821 | 193,838 | 314,736 |
| Revenue Component 3 | 29,577 | 95,821 | 193,838 | 314,736 | 438,830 |
| Average 3 Years of Revenue | \$ 29,577 | \$ 51,658 | \$ 106,412 | \$ 201,465 | \$ 315,801 |
| Average 3 Years of Revenue Times 2 | 59,153 | 103,316 | 212,824 | 402,930 | 631,603 |
| Add: | | | | | |
| Construction Work in Progress at 10% | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deduct: | | | | | |
| Book Value of Transportation Equipment | - | - | - | - | - |
| Full Cash Value | \$ 59,153 | \$ 103,316 | \$ 212,824 | \$ 402,930 | \$ 631,603 |
| Times Assessment Ratio | 25% | 25% | 25% | 25% | 25% |
| Assessed Value | \$ 14,788 | \$ 25,829 | \$ 53,206 | \$ 100,732 | \$ 157,901 |
| Property Tax Rate | 12% | 12% | 12% | 12% | 12% |
| Computed Property Tax | \$ 1,775 | \$ 3,099 | \$ 6,385 | \$ 12,088 | \$ 18,948 |

Del Rio Water Company
Schedule of Projected Cash Flows
Company Response to Staff 10

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------------------|-----------------------|--------------------|---------------------|---------------------|---------------------|
| Cash From Operations | | | | | |
| Beginning Cash Balance | \$ - | \$ 18,013 | \$ 72,072 | \$ 181,582 | \$ 350,186 |
| Income from operations | (84,593) | (138,793) | (82,385) | (15,079) | 52,898 |
| Depreciation Expense | 96,951 | 195,309 | 198,888 | 203,362 | 207,964 |
| Increase in Accounts Receivable | (919) | (2,183) | (3,218) | (4,021) | (4,137) |
| Increase in Accounts Payable | 574 | 736 | 1,268 | 1,637 | 1,717 |
| Total Cash from Operations | \$ 12,013 | \$ 73,082 | \$ 186,625 | \$ 367,481 | \$ 608,628 |
| Cash From Financing | | | | | |
| Customer Deposits | \$ 6,000 | \$ 8,250 | \$ 12,750 | \$ 13,500 | \$ 13,500 |
| Member Equity | 2,902,888 | | | | |
| Developer Advances | - | | | | |
| Meter Deposits (Service Line) | 41,600 | 57,200 | 88,400 | 93,600 | 93,600 |
| Total Cash from Financing | \$ 2,950,488 | \$ 65,450 | \$ 101,150 | \$ 107,100 | \$ 107,100 |
| Cash for Operations/Financing | | | | | |
| Customer Deposits refunded | | (5,100) | (7,913) | (12,075) | (13,388) |
| Developer Advances refunded | - | - | - | - | - |
| Meter Deposits refunded | | (4,160) | (9,880) | (18,720) | (28,080) |
| Plant construction/improvements | (2,944,488) | (57,200) | (88,400) | (93,600) | (93,600) |
| Total Cash Spent | \$ (2,944,488) | \$ (66,460) | \$ (106,193) | \$ (124,395) | \$ (135,068) |
| Ending Cash Balance | \$ 18,013 | \$ 72,072 | \$ 181,582 | \$ 350,186 | \$ 580,660 |

**Del Rio Water Company
5-Year Projected Revenue Detailed
Company Response to Staff 11 and 13**

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|---|------------------|------------------|-------------------|-------------------|-------------------|
| Estimated 3/4" connections installed | 80 | 110 | 170 | 180 | 180 |
| Estimated cumulative 3/4" connections | 80 | 190 | 360 | 540 | 720 |
| 1/2 Year Convention for Revenue | 40 | 135 | 275 | 450 | 630 |
| Projected Revenue - Residential 3/4" | | | | | |
| Gallons Delivered (1,000's) | 5,271 | 17,788 | 36,235 | 59,294 | 83,012 |
| Monthly Minimums \$30.00 | \$ 14,400 | \$ 48,600 | \$ 99,000 | \$ 162,000 | \$ 226,800 |
| Rate per 1,000 gallons 2.50 | 13,177 | 44,471 | 90,588 | 148,236 | 207,530 |
| Total 3/4" Residential Metered Sales | \$ 27,577 | \$ 93,071 | \$ 189,588 | \$ 310,236 | \$ 434,330 |
| Other Revenue | | | | | |
| Establishment Fee @ \$25.00 | \$ 2,000 | \$ 2,750 | \$ 4,250 | \$ 4,500 | \$ 4,500 |
| Total Projected Annual Revenue | \$ 29,577 | \$ 95,821 | \$ 193,838 | \$ 314,736 | \$ 438,830 |
| Daily Gallons (1,000's) | 14.44 | 48.74 | 99.28 | 162.45 | 227.43 |

**Del Rio Water Company
Schedule of Projected Capital Financing
Company Response to Staff 15**

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|---------------------------------------|---------------------|------------------|------------------|------------------|------------------|
| Total Utility Plant Construction Cost | \$ 2,944,488 | \$ 57,200 | \$ 88,400 | \$ 93,600 | \$ 93,600 |
| Source of Funds: | | | | | |
| Customer Meter Advances | \$ 41,600 | \$ 57,200 | \$ 88,400 | \$ 93,600 | \$ 93,600 |
| Developer Construction Advances | - | | | | |
| Member Equity | 2,902,888 | | | | |
| Total Financing | \$ 2,944,488 | \$ 57,200 | \$ 88,400 | \$ 93,600 | \$ 93,600 |

ATTACHMENT "D"
Del Rio Water Company
WATER TARIFF SCHEDULE

RATES AND CHARGES

CUSTOMER/MINIMUM CHARGES PER MONTH

| <u>METER</u> | <u>CHARGE</u> | <u>GALLONS</u> | <u>COMMODITY CHARGE (EXCESS OF MINIMUM):</u> |
|--------------|---------------|----------------|--|
| 5/8 x 3/4" | \$ 20.00 | for - | |
| 3/4" | \$ 30.00 | for - | \$2.50 PER 1,000 GALLONS |
| 1" | \$ 50.00 | for - | |
| 1 1/2" | \$ 100.00 | for - | FLAT RATE \$ <u>N/A</u> PER MONTH |
| 2" | \$ 160.00 | for - | |
| 3" | \$ 320.00 | for - | |
| 4" | \$ 500.00 | for - | |
| 5" | \$ 750.00 | for - | |
| 6" | \$ 1,000.00 | for - | |

SERVICE LINE AND METER INSTALLATION CHARGES

| <u>Meter Size</u> | <u>Service Line Charge</u> | <u>Meter Charge</u> | <u>Total Charge</u> |
|-------------------|--------------------------------|-------------------------|-------------------------|
| 5/8 X 3/4" | \$ 355 | \$ 85 | \$ 440 |
| 3/4" | 355 | 165 | 520 |
| 1" | 405 | 205 | 610 |
| 1 1/2" | 440 | 415 | 855 |
| 2" - Turbine | 600 | 915 | 1,515 |
| 2" - Compound | 600 | 1,640 | 2,240 |
| 3" - Turbine | 775 | 1,420 | 2,195 |
| 3" - Compound | 815 | 2,215 | 3,030 |
| 4" - Turbine | 1,110 | 2,250 | 3,360 |
| 4" - Compound | 1,170 | 3,145 | 4,315 |
| 6" - Turbine | 1,670 | 4,445 | 6,115 |
| 6" - Compound | 1,710 | 6,180 | 7,890 |

SERVICE CHARGES:

| | |
|--|----------|
| Establishment | \$ 25.00 |
| Establishment After Hours | 35.00 |
| Reconnection (Delinquent) | 35.00 |
| Reconnection (Delinquent and After Hours) | 50.00 |
| Meter Test | 35.00 |
| Deposit | (a) |
| Hydrant Meter Deposit | \$ 50.00 |
| Deposit Interest | (b) |
| Re-Establishment (Within 12 Months) | (c) |
| Re-Establishment (After Hours) | (c) |
| NSF Check | \$ 25.00 |
| Deferred Payment, Per Month | 1.50% |
| Meter Re-Read | \$ 25.00 |
| Moving Meter at Customer Request per Rule R14-2-405B | Cost |
| Late Charge/Month | 1.50% |
| Main Extension per Rule R14-2-406B | Cost (d) |

(a) Per Commission rule AAC R-14-2-403(D)

(b) Interest per Rule R14-2-403(B)

(c) Months off system times the monthly minimum per Rule R14-2-403(D)

(d) Cost to include labor, parts, overhead, and all applicable taxes, including income tax, if applicable.

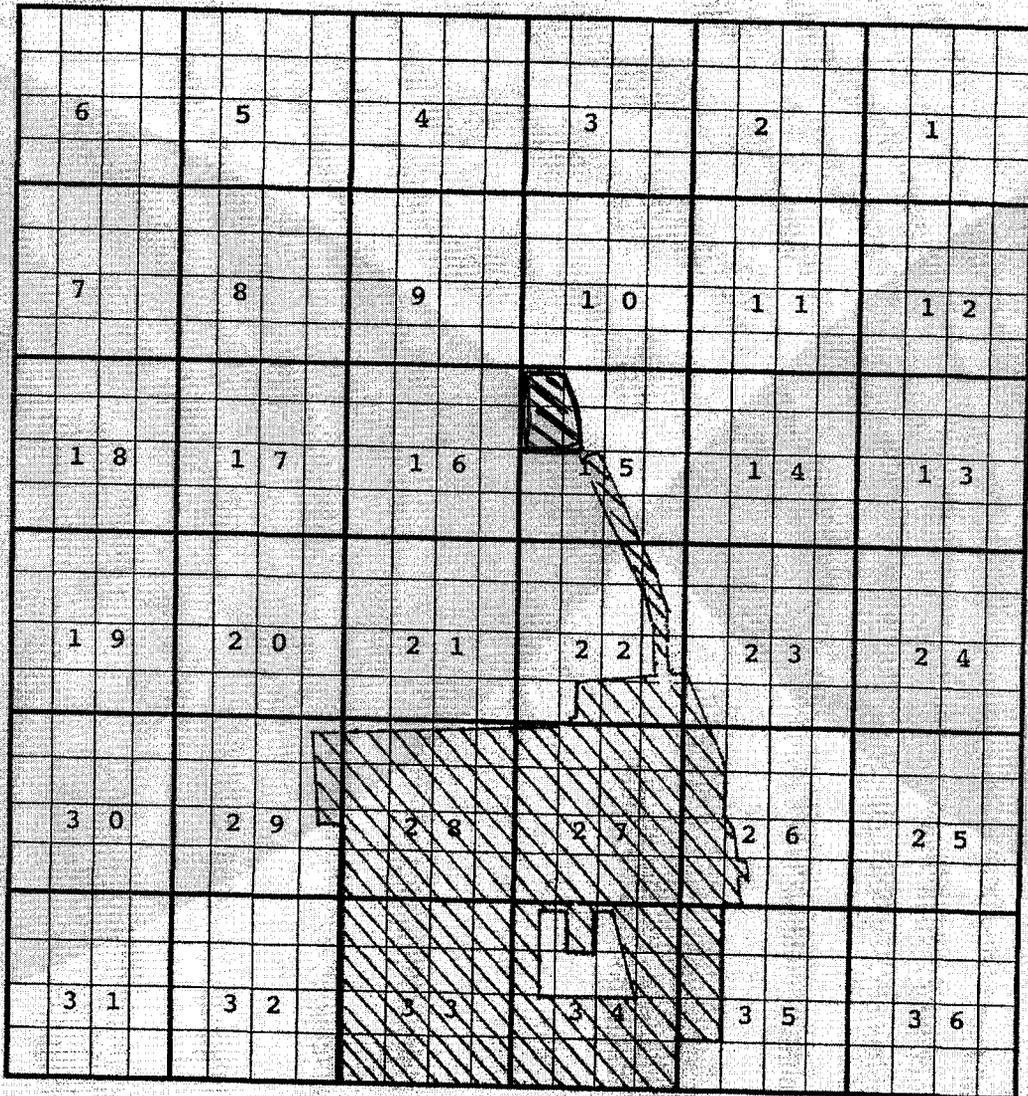
IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).

COMPANY RESPONSE TO STAFF 16

CS-5

ATTACHMENT "B"

| | | | |
|---------|--|----------|-------|
| YAVAPAI | 27, 28, 33 Portions of 22, 23, 26, 29, 34, 35 & 15 | 17N | 2W |
| COUNTY | SECTION | TOWNSHIP | RANGE |

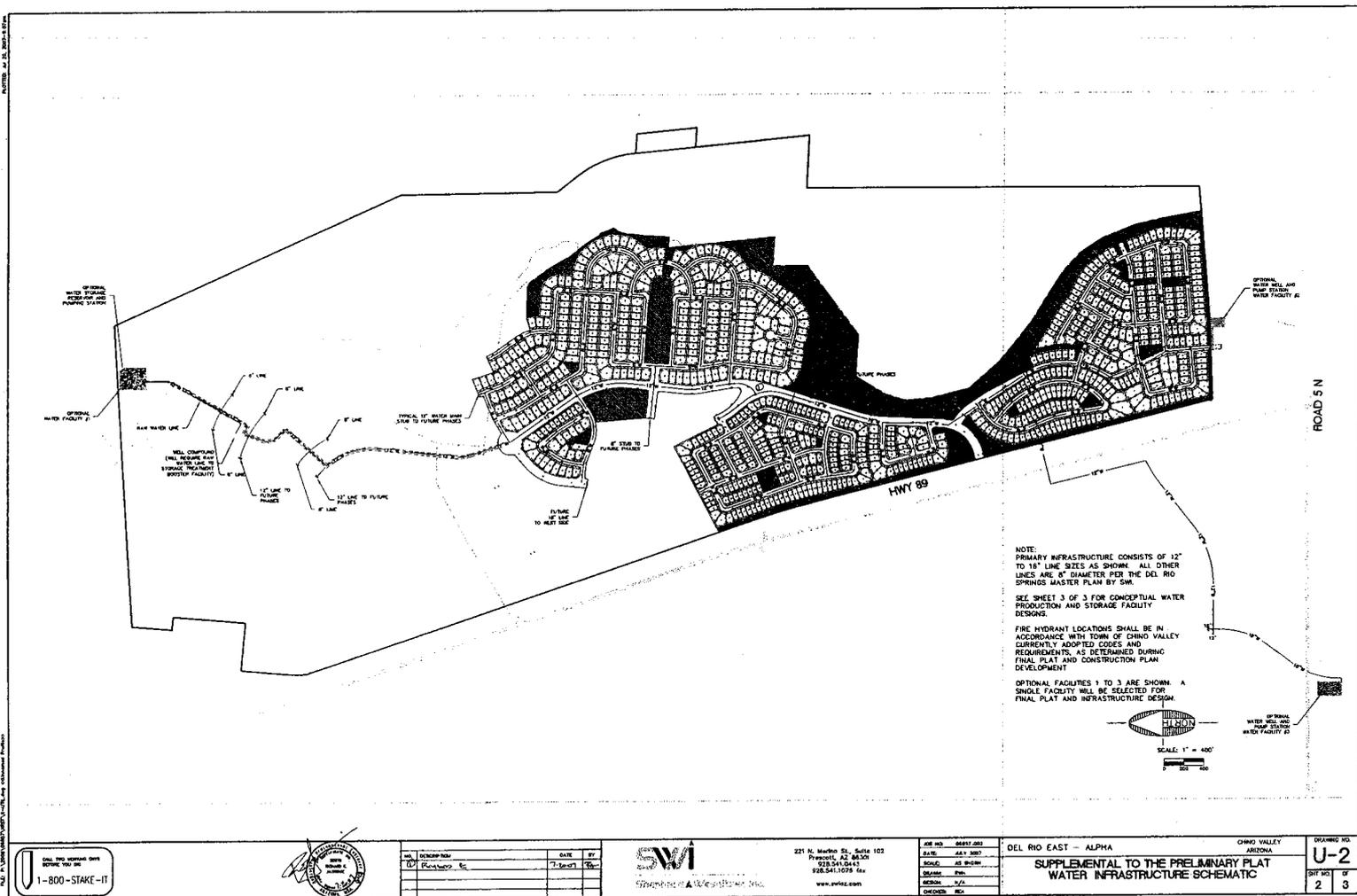


Type or Print Description Here:

ALL OF SECTIONS 28, 27, & 33, TOWNSHIP 17N, RANGE 2 WEST, GILA & SALT RIVER, BASE & MERIDIAN, AS WELL AS PORTIONS OF SECTIONS 22, 23, 26, 29, 15, 34, AND 35, TOWNSHIP 17N, RANGE 2 WEST, GILA & SALT RIVER, BASE & MERIDIAN.

UPDATED 3-18-08

COMPANY RESPONSE TO STAFF 16



CALL THE SURVEYOR OR THE ENGINEER FOR MORE INFORMATION
 1-800-STAKE-IT



| NO. | DESCRIPTION | DATE | BY |
|-----|-------------|----------|-----|
| 1 | PRELIMINARY | 7/2/2007 | SWI |



221 N. Marlowe St., Suite 102
 Phoenix, AZ 85008
 602.541.1845
 602.541.1078 fax
 www.swi.com

| | |
|------------|-----------|
| JOB NO. | 0001200 |
| DATE | JULY 2007 |
| SCALE | AS SHOWN |
| DRAWN BY | |
| CHECKED BY | |
| DATE | |

| | |
|--|-------------------------|
| DEL RIO EAST - ALPHA | CHINO VALLEY ARIZONA |
| SUPPLEMENTAL TO THE PRELIMINARY PLAT WATER INFRASTRUCTURE SCHEMATIC | |
| DRAWING NO. | U-2 |
| SHEET NO. | 2 OF 3 |

221 North Marina Street, Suite 102
Prescott, AZ 86301
928.541.0443
928.541.1075 fax
www.swiaz.com



LEGAL DESCRIPTION OF DEL RIO EAST – ALPHA

Shephard & Wesnitzer, Inc.

Engineering an environment of excellence

**Revised
LEGAL DESCRIPTION
(Brown Family Phase One Boundary)**

A parcel of ground lying in Sections 26, 27, 34 and 35, Township 17 North, Range 2 West, G.&S.R.M., Yavapai County, Arizona described as follow:

Commencing at the Southwest Corner of Section 35 from which, the Northwest Corner of Section 35 lies North 00°06'29" East (Geodetic Basis of Bearings) a distance of 5493.10 feet;

THENCE North 00°27'01" West 1402.63 feet to the **True Point of Beginning**;

THENCE North 85°11'21" East 1110.98 feet;

THENCE North 10°30'56" West 401.43 feet;

THENCE North 13°17'46" West 264.95 feet;

THENCE North 22°13'00" West 359.61 feet;

THENCE North 34°30'33" West 273.12 feet;

THENCE North 48°43'02" West 255.80 feet;

THENCE North 58°10'07" West 320.05 feet;

THENCE North 60°08'35" West 291.94 feet;

THENCE North 52°04'40" West 511.14 feet;

THENCE North 42°13'50" West 411.58 feet;

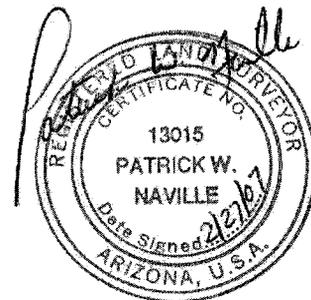
THENCE North 13°52'13" West 391.16 feet;



Brown Family
Phase One Boundary
Revised 2/27/07
SWI # 06857
Page 1 of 6

Brown Family
Phase One Boundary
Revised 2/27/07
SWI # 06857
Page 2 of 6

THENCE North 05°11'39" West 258.95 feet;
THENCE North 18°26'17" East 207.55 feet;
THENCE North 31°30'02" East 340.95 feet;
THENCE South 86°13'42" East 427.61 feet;
THENCE North 54°21'59" East 890.58 feet;
THENCE North 00°13'12" East 345.65 feet;
THENCE South 87°31'23" East 300.00 feet;
THENCE North 05°43'03" West 1072.78 feet;
THENCE South 88°27'24" East 113.33 feet;
THENCE North 02°48'53" East 244.20 feet;
THENCE North 07°08'47" East 234.13 feet;
THENCE North 31°09'05" East 100.94 feet;
THENCE North 22°30'08" West 147.83 feet;
THENCE South 61°44'18" West 12.75 feet;
THENCE North 31°52'59" West 170.10 feet;
THENCE North 40°08'00" West 196.42 feet;
THENCE North 30°59'53" West 259.34 feet;
THENCE North 36°38'03" West 256.86 feet;
THENCE North 88°45'09" West 358.71 feet;



Brown Family
Phase One Boundary
Revised 2/27/07
SWI # 06857
Page 3 of 6



THENCE South $73^{\circ}23'20''$ West 128.05 feet to non-tangent point of curvature, the central point of which lies South $73^{\circ}23'19''$ West 425.00 feet;

THENCE through a central angle of $19^{\circ}43'46''$ on a curve to the left in a northerly direction an arc length of 146.35 feet;

THENCE North $36^{\circ}20'26''$ West 232.67 feet to a point of curvature, the central point of which lies North $53^{\circ}39'34''$ East 630.00 feet;

THENCE through a central angle of $12^{\circ}27'45''$ on a curve to the left an arc length of 137.03 feet;

THENCE South $66^{\circ}07'19''$ West 180.53 feet;

THENCE North $18^{\circ}10'02''$ West 225.50 feet;

THENCE South $68^{\circ}27'28''$ West 198.29 feet;

THENCE South $21^{\circ}32'32''$ East 16.83 feet to a non-tangent point of curvature, the central point of which lies South $68^{\circ}29'03''$ West 25.00 feet;

THENCE through a central angle of $90^{\circ}00'00''$ on a curve to the right in a southwesterly direction an arc length of 39.27 feet;

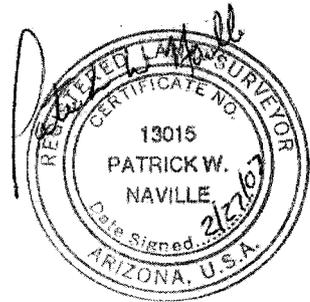
THENCE South $68^{\circ}27'28''$ West 203.85 feet to a non-tangent point of curvature, the central point of which lies South $21^{\circ}32'32''$ East 425.00 feet;

THENCE through a central angle of $09^{\circ}12'18''$ on a curve to the left in a southwesterly direction an arc length of 68.28 feet;

THENCE South $59^{\circ}15'13''$ West 115.20 feet to a non-tangent point of curvature, the central point of which lies North $30^{\circ}46'28''$ West 35.00 feet;

THENCE through a central angle of $67^{\circ}58'24''$ on a curve to the right in a westerly direction an arc length of 41.52 feet to a point of reverse curvature, the central point of which lies South $37^{\circ}13'45''$ West 125.00 feet;

Brown Family
Phase One Boundary
Revised 2/27/07
SWI # 06857
Page 4 of 6



THENCE through a central angle of $137^{\circ}08'39''$ on a curve to the left an arc length of 299.20 feet to a point of reverse curvature, the central point of which lies South $80^{\circ}07'00''$ West 35.00 feet;

THENCE through a central angle of $60^{\circ}00'00''$ on a curve to the right an arc length of 36.65 feet;

THENCE South $50^{\circ}05'06''$ West 150.06 feet to a point of curvature, the central point of which lies South $39^{\circ}54'54''$ East 545.00 feet;

THENCE through a central angle of $43^{\circ}44'01''$ on a curve to the left an arc length of 413.00 feet;

THENCE South $06^{\circ}21'05''$ West 257.86 feet;

THENCE South $83^{\circ}38'55''$ East 90.00 feet to a non-tangent point of curvature, the central point of which lies South $83^{\circ}38'55''$ East 35.00 feet;

THENCE through a central angle of $89^{\circ}50'19''$ on a curve to the right in a northeasterly direction an arc length of 54.88 feet;

THENCE South $83^{\circ}38'55''$ East 81.94 feet to a point of curvature, the central point of which lies South $06^{\circ}21'05''$ West a distance of 375.00 feet;

THENCE through a central angle of $14^{\circ}03'16''$ on a curve to the right an arc length of 91.99 feet;

THENCE South $69^{\circ}35'40''$ East 174.41 feet to a point of curvature, the central point of which lies North $20^{\circ}24'20''$ East 375.00 feet;

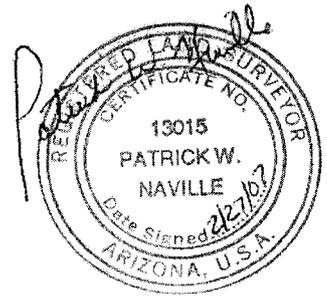
THENCE through a central angle of $34^{\circ}00'44''$ on a curve to the left an arc length of 222.61 feet;

THENCE South $04^{\circ}28'12''$ East 506.22 feet;

THENCE South $06^{\circ}22'49''$ West 90.00 feet;

THENCE South $83^{\circ}37'11''$ East 254.25 feet to a point of curvature, the central point of which lies South $06^{\circ}22'49''$ West 35.00 feet;

Brown Family
Phase One Boundary
Revised 2/27/07
SWI # 06857
Page 5 of 6



THENCE through a central angle of $90^{\circ}00'00''$ on a curve to the right an arc length of 54.98 feet;

THENCE South $06^{\circ}22'49''$ West 238.45 feet to a point of curvature, the central point of which lies South $83^{\circ}37'11''$ East 555.00 feet;

THENCE through a central angle of $15^{\circ}58'13''$ on a curve to the left an arc length of 154.70 feet;

THENCE South $09^{\circ}35'24''$ East 262.39 feet to a point of curvature, the central point of which lies South $80^{\circ}24'36''$ West 755.00 feet;

THENCE through a central angle of $09^{\circ}18'16''$ on a curve to the right an arc length of 122.61 feet to a point of compound curvature, the central point of which lies South $89^{\circ}42'52''$ West 35.00 feet;

THENCE through a central angle of $115^{\circ}16'14''$ on a curve to the right an arc length of 70.41 feet to a point of compound curvature, the central point of which lies North $24^{\circ}59'05''$ East 455.00 feet;

THENCE through a central angle of $38^{\circ}06'21''$ on a curve to the right an arc length of 302.61 feet;

THENCE North $26^{\circ}54'34''$ West 74.53 feet;

THENCE South $63^{\circ}05'26''$ West 90.00 feet;

THENCE North $26^{\circ}54'34''$ West 495.29 feet;

THENCE South $62^{\circ}57'51''$ West 949.47 feet;

THENCE South $62^{\circ}57'51''$ West 2.62 feet;

THENCE South $70^{\circ}38'38''$ West 47.64 feet to a point on the easterly right-of-way line of Arizona Highway 89;

THENCE South $19^{\circ}16'26''$ East along said right-of-way line a distance of 241.26 feet to a non-tangent point of curvature, the central point of which lies South $70^{\circ}37'44''$ West 11559.16 feet;

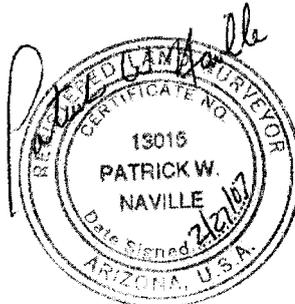
Brown Family
Phase One Boundary
Revised 2/27/07
SWI # 06857
Page 6 of 6

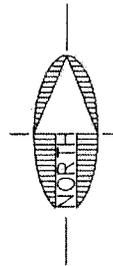
THENCE along said right-of-way line through a central angle of $04^{\circ}43'18''$ on a curve to the right an arc length of 952.55 feet;

THENCE South $14^{\circ}38'02''$ East along said right-of-way line a distance of 3933.79 feet;

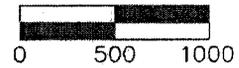
THENCE North $87^{\circ}54'59''$ East 840.32 feet to the **TRUE POINT OF BEGINNING**, containing **292.22 acres**, more or less.

Subject to all easements and rights-of-way that may affect the above described parcel of land.





SCALE: 1" = 1000'

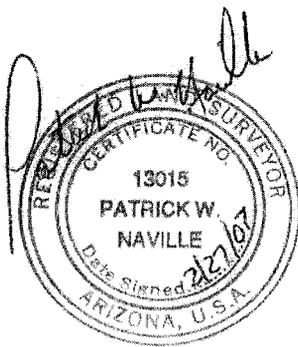


BROWN FAMILY PHASE 1
EXTERIOR BOUNDARY

292.22 Acres

TO PAULDEN ARIZONA HIGHWAY 89 TO CHINO VALLEY

NORTHWEST CORNER SECTION 35
TOWNSHIP 17 NORTH RANGE 2 WEST



POINT OF BEGINNING
SOUTHWEST CORNER SECTION 35
TOWNSHIP 17 NORTH RANGE 2 WEST

TRUE POINT OF BEGINNING
LEGAL DESCRIPTION



Shephard & Wesnitzer, Inc.

75 Kalof Place
Sedona, AZ 86336
928.282.1061
928.282.2058 fax

www.swiaz.com

| | |
|----------|-----------|
| JOB NO: | 06857.002 |
| DATE: | FEB. 2007 |
| SCALE: | 1"=1000' |
| DRAWN: | FWP |
| DESIGN: | N/A |
| CHECKED: | JC |

BROWN FAMILY YAVAPAI
EXTERIOR BOUNDARY PHASE 1 AZ

EXHIBIT TO
ACCOMPANY
LEGAL DESCRIPTION

SHEET

1

OF
1

COMPANY RESPONSE TO STAFF 18

Del Rio Water Company
Attn: Kevin Nagai
Suite 1970
411 108th Ave NE
Bellevue, Washington 98004

Re: Request to Have Property Included in CC&N

Dear Mr. Nagai:

This letter is to request that all of our property located in the Town of Chino Valley, Yavapai County, Arizona, as more particularly described on the enclosed legal description, be included within the Certificate of Convenience & Necessity service territory of Del Rio Water Company. Please let me know if you need anything further from us.

Sincerely,

The Bond Ranch at Del Rio Springs, LLC

By: 

H. Thomas Wick
Its Authorized Member

EXHIBIT "A"

PARCEL 1: Approximately 3055 Acres

The following described lands situated in Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian:

- (A) The West half of Section 27;
- (B) All of Section 33.

PARCEL 2:

The following described land situated in Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian:

The South half of the Southeast quarter of Section 22; the Southwest quarter of the Northwest quarter and the Northwest quarter of the Southwest quarter of Section 26; the West half of the Northeast quarter; the Southeast quarter of the Northeast quarter and the Northeast quarter of the Southeast quarter of Section 27.

EXCEPTING therefrom all those portions of the herein above described parcel of land lying Easterly of a line which is parallel and/or concentric with and distant Westerly 100 feet at right angles from the center line of the main track of the California, Arizona and Santa Fe Railway Company as now constructed across said land.

EXCEPTING from the West half of the Northeast quarter of Section 27, Township 17 North, Range 2 West:

Any portion lying within Parcel 18 described herein.

PARCEL 3:

The following described lands situated in Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian:

The Northeast quarter of the Northeast quarter of Section 27;

EXCEPTING therefrom all that portion of the herein above described parcel of land lying Easterly of a line which is parallel and/or concentric with and distant Westerly 100 feet at right angles from the center line of the main track of the California, Arizona and Santa Fe Railway Company as now constructed across said land.

PARCEL 4:

The following described lands situated in Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian:

The Southwest quarter of the Southwest quarter of Section 26; the East half of the Northeast quarter of Section 34; the Northwest quarter of the Northwest quarter; the Southwest quarter of the Northwest quarter and the Northwest quarter of the Southwest quarter of Section 35;

EXCEPTING therefrom all that portion of the Southwest quarter of the Southwest quarter of Section 26 lying Easterly of the following described line:

BEGINNING at the point of intersection of the Southerly line of said Southwest quarter of the Southwest quarter of Section 26 with a line which is parallel with and distant Westerly 903.00 feet at right angles from the center line of the main track of the California, Arizona and Santa Fe Railway Company as now constructed;

Thence Northerly along said parallel line to the point of ending in the Northerly line of said Southwest quarter of the Southwest quarter of Section 26.

ALSO EXCEPTING a tract of land 300 feet square and a strip of land 70 feet wide, conveyed to the City of Prescott by Deed dated November 10, 1900, recorded in Book 52 of Deeds, Page 390, described in said Deed as follows:

BEGINNING at the Southwest Corner No. 1, whence a stake and pile of stones representing the Southwest corner of said Section 26 bears West 530 feet;

Thence East 300 feet to Corner No. 2;

Thence North 300 feet to Corner No. 3;

Thence West 300 feet to Corner No. 4;

Thence South 300 feet to Corner No. 1, the PLACE OF BEGINNING, and also

A strip of land 70 feet wide and about 560 feet long, being 35 feet on each side of the center line of the railroad spur running across the Eastern portion of said Southwest quarter of the Southwest quarter from the main line of the Santa Fe, Prescott and Phoenix Railroad to the East side of the plot of ground above described.

PARCEL 5:

The following described lands situated in Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian:

- (A) The Southeast quarter of the Southwest quarter of Section 22.
- (B) The West half of the Southeast quarter and the Southeast quarter of the Southeast quarter of Section 27.
- (C) All of Section 28.
- (D) The South half of, and the West half of the Northwest quarter of Section 34.

EXCEPTING therefrom 2 parcels of land more particularly described as follows:

- (1) BEGINNING at a point 370 feet West from the Northeast corner of the West half of the

Northwest quarter of Section 34, above Township and Range;

Thence East along the North line of said Quarter section, 370 feet;

Thence South along the East side of the West half of said Quarter section to the South line of said Quarter section;

Thence West along the South line of said Quarter section, 370 feet;

Thence North to the POINT OF BEGINNING, being described in Deed from Santa Fe Land Improvement Company to W.T. HALL, dated February 26, 1916.

(2) BEGINNING at the Southeast corner of said Section 34;

Thence Westerly along the South line said Section a distance of 556.96 feet to a point in the Easterly line of the 100 foot right of way for State Highway designated as U.S. Highway 89;

Thence Northwesterly on said Easterly line along a curve of 2342.01 feet radius concave Southwesterly, a distance of 274.6 feet to a point, the tangent to said curve at the beginning thereof, making a Northwestern angle of 81 degrees, 58 minutes with said Section line;

Thence Northwesterly on said Easterly line, along a tangent to said curve, a distance of 1144.0 feet to a point in the north line of said Southeast quarter of the Southeast quarter;

Thence Easterly along the said North line, making a Southeastern angle of 74 degrees, 31 minutes with said Easterly line of highway right of way, a distance of 917.6 feet to the Northeast corner of said Southeast quarter of the Southeast quarter;

Thence Southerly along the East line of said Section 34, a distance of 1364.0 feet to the POINT OF BEGINNING, being all of that portion of said Southeast quarter of the Southeast quarter lying Easterly of said highway right of way, said parcel being described in Deed from the California, Arizona and Santa Fe Railway Company, to James W. Cutbirth, dated November 4, 1940.

EXCEPTING from Parcels 1, 2 and 5 any portion lying within Parcel 17, below.

PARCEL 6:

The following described tract situated in the West half of the Northeast quarter of Section 34, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian:

BEGINNING at a point in the center line of the county road (as it existed June 9, 1916), 690 feet, more or less, West from the Northeast corner of the West half of the Northeast quarter of said Section 34;

Thence East along the North line of said Quarter section, 690 feet, more or less;

Thence South along the East side of the West half of said Quarter section to the South line of said Quarter section;

Thence West along the South line of said Quarter section, 50 feet;

Thence in a Northwesterly direction in a direct line to the POINT OF BEGINNING.

EXCEPTING therefrom Parcels 1-6, the following described parcels:

AREA #1:

Those portions of the Northeast quarter of the Northeast quarter of Section 21; the Southeast quarter of the Southwest quarter of Section 22; the East half of the Northwest quarter; the Northeast quarter of the Southwest quarter; and the West half of the Southeast quarter of Section 27; and the East half of Section 34, Township 17 North, Range 2 West, which lie within a strip of land 200 feet in width, lying 100 feet on each side of the following described center line:

BEGINNING at the Northeast corner of said Section 21;

Thence South 88 degrees, 44 minutes, 20 seconds West along the North line of said Section, 117.37 feet to the TRUE POINT OF BEGINNING of the line to be described;

Thence South 11 degrees, 27 minutes, 40 seconds East, 554.31 feet to a point on the East line of Section 21, which said point is situated South 0 degrees, 45 minutes, 20 seconds West, 545.89 feet from the Northeast corner of said section;

Thence continuing South 11 degrees, 27 minutes, 40 seconds East, 778.58 feet;

Thence along a curve concave to the Northeast with a radius of 11,459.16 feet, a distance of 1611.11 feet;

Thence South 19 degrees, 31 minutes, 00 seconds East, 2775.48 feet to a point on the South line of Section 22, which said point is situated North 86 degrees, 18 minutes, 00 seconds East, 1581.39 feet from the Southwest corner of said Section 22;

Thence continuing South 19 degrees, 31 minutes, 00 seconds East, 5002.63 feet to Highway Engineer's Station P.C. 1602 + 31.08;

Thence along a curve concave to the Southwest, with a radius of 11459.16 feet, a distance of 948.33 feet;

Thence South 14 degrees, 46 minutes, 30 seconds East, 4690.68 feet to Highway Engineer's Station P.C. 1658 + 70.09;

Thence along a curve concave to the West with a radius of 4297.18 feet, a distance of 608 feet, more or less, to the South line of Section 34 of said Township and Range, and the termination of the center line described herein.

AREA #2:

BEGINNING at the Southwest corner of Section 22, Township 17 North, Range 2 West;

Thence North 86 degrees, 18 minutes, 00 seconds East along the South line of said Section, 1581.39 feet;

Thence North 19 degrees, 31 minutes, 00 seconds West, 78.45 feet;

Thence North 70 degrees, 29 minutes, 00 seconds East, 100 feet to a point on the Easterly line of above described Area #1 and the TRUE POINT OF BEGINNING;

Thence continuing North 70 degrees, 29 minutes, 00 seconds East, 70 feet, more or less, to the Westerly right of way line of existing U.S. Highway 89;

Thence Southerly along said right of way line to the Easterly line of Area #1, as aforesaid;

Thence North 19 degrees, 31 minutes, 00 seconds West along said Easterly line of Area #1 to the TRUE POINT OF BEGINNING.

EXCEPTING from Parcels 1 through 6, the following:

EXCEPTING of all oil, gas and other hydrocarbon substances and all mineral substances, contained in Agreement dated April 20, 1956, recorded August 9, 1956 in Book 82 of Official Records, Pages 209-225.

PARCEL 7:

A parcel of land situated in the Southeast quarter of the Southeast quarter of Section 34, Township 17 North, Range 2 West being all of that portion of said Southeast quarter of the Southeast quarter lying Easterly of the one hundred foot right of way for state highway, designated as U.S. Highway 89, described as follows:

BEGINNING at the Southeast corner of said Section 34;

Thence Westerly along the South line of said Section a distance of 556.96 feet to a point in the Easterly line of said highway right of way;

Thence Northwesterly on said Easterly line along a curve of 2342.01 foot radius, concave Southwesterly, a distance of 274.6 feet to a point, the tangent to said curve at the beginning thereof making a Northwestern angle of 81 degrees, 58 minutes, with said section line;

Thence Northwesterly on said Easterly line, along a tangent to said curve a distance of 1144.0 feet to a point in the North line of said Southeast quarter of the Southeast quarter;

Thence Easterly along said North line, making a Southeastern angle of 74 degrees, 31 minutes, with said Easterly line of the highway right of way, a distance of 917.6 feet to the Northeast corner of said Southeast quarter of the Southeast quarter;

Thence Southerly along the East line of said Section 34, a distance of 1364.0 feet to the POINT OF BEGINNING.

TOGETHER with all improvements situate thereon.

PARCEL 8:

All that portion of the Northeast quarter of Section 29, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Northeast corner of Section 29 marked with a three-fourths inch iron pipe;

Thence South 00 degrees, 21 minutes East, (Basis of Bearing) 2,588.40 feet along the section line to a one-half inch rebar;

Thence North 87 degrees, 15 minutes West, 584.41 feet to a one-half inch rebar;

Thence North 05 degrees, 02 minutes, 54 seconds West, 2,605.69 feet along an old fence line to a one-half inch rebar on the North line of Section 29;

Thence South 87 degrees, 28 minutes East, 798.00 feet to the TRUE POINT OF BEGINNING.

RESERVING UNTO THE GRANTOR a 50.00 foot easement running parallel with and adjacent to the North line of the above described property.

PARCEL 9:

All that portion of the Northwest quarter of Section 15, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Northwest corner of the Section 15 marked with a two inch iron pipe set by Atchison, Topeka and Santa Fe Rail Road and William Check P.E. No. 2398 in 1962;

Thence North 88 degrees, 20 minutes, 36 seconds, East, 1743.67 feet to a one half inch rebar on the Westerly right of way 89 as shown on Yavapai County unrecorded plat #637 dated 1989;

Thence Southeasterly 264.52 feet on the right of way and along a curve to the right with a radius of 2856.45 feet and a Delta of 05 degrees, 18 minutes, 21 seconds;

Thence South 33 degrees, 12 minutes, 03 seconds East, 367.37 feet on the right of way to a point;

Thence Southerly 2142.29 feet on the right of way along a curve to the right with a radius of 3222.14 feet and a Delta of 38 degrees, 05 minutes, 38 seconds;

Thence South 04 degrees, 53 minutes, 35 seconds West 186.34 feet on the right of way to a one half inch rebar on the East West mid section line;

Thence South 87 degrees, 50 minutes, 24 seconds West 2468.88 feet to a one half inch pipe at the West quarter corner of Section 15;

Thence North 02 degrees, 40 minutes, 22 seconds West 2732.26 feet to the POINT OF

BEGINNING.

PARCEL 10:

All that certain tract of land described second in deed dated December 20, 1892, from George W. Banghart, recorded December 20, 1892 in Book 32 of Deeds at Page 233 of the records of the County Recorder of Yavapai County, all in Section 22, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, amended and described as follows:

BEGINNING at the Northeast corner of Section 22 marked with a two inch iron pipe set by Atchison Topeka and Santa Fe Pacific Rail Road and William Cheek P.E. No. 2398 in 1952;

Thence South 01 degrees, 00 minutes, 56 seconds West 1975.63 feet along the Section line to a point;

Thence South 83 degrees, 07 minutes, 38 seconds West 341.92 feet to an Atchison, Topeka and Santa Fe Rail Road brass cap monument set in concrete and the **TRUE POINT OF BEGINNING**;

Thence South 89 degrees, 07 minutes, 38 seconds West, 419.90 feet to an Atchison, Topeka and Santa Fe Rail Road brass cap set in concrete on the Easterly Rail Road right of way at station 1789 + 46.7;

Thence North 18 degrees, 11 minutes, 45 seconds West, 467.77 feet along the right of way to an Atchison, Topeka and Santa Fe Rail Road brass cap monument set in concrete;

Thence North 77 degrees, 30 minutes, 07 seconds East, 625.13 feet to an Atchison, Topeka and Santa Fe Rail Road brass cap set in concrete;

Thence South 04 degree 25 minutes, 43 seconds West 574.98 feet to the **TRUE POINT OF BEGINNING**.

PARCEL 11:

All that portion of the Southeast quarter of the Southeast quarter of Section 22, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southeast corner of Section 22 marked with a one and one-half iron pipe set by Atchison, Topeka and Santa Fe Railroad and William Cheek P.E. No. 2398 in 1962;

Thence North 02 degrees, 02 minutes, 19 seconds East, 23.07 feet to an Atchison, Topeka and Santa Fe Railroad brass cap monument set in concrete;

Thence North 01 degrees, 00 minutes, 35 seconds East, 1349.96 to an Atchison, Topeka and Santa Fe Railroad brass cap set in concrete;

Thence South 86 degrees, 40 minutes, 57 seconds West, 411.37 feet to the Easterly right of way

of the abandoned Atchison, Topeka and Santa Fe Railroad;

Thence South 01 degrees, 40 minutes, 29 seconds East, 46.39 feet along the right of way to the B.O. of a curve;

Thence Southeasterly 463.39 feet along the right of way on a curve to the left with a radius of 1066.15 feet and a Delta of 24 degrees, 54 minutes, 11 seconds;

Thence South 26 degrees, 34 minutes, 40 seconds East 487.87 feet along the right of way to a point on the South line of Section 22;

Thence North 86 degrees, 27 minutes 34 seconds East 41.95 feet to the POINT OF BEGINNING.

PARCEL 12:

All that portion of the Southwest quarter of the Northwest quarter and the Northwest quarter of the southwest quarter of Section 26, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County Arizona, described as follows:

BEGINNING at the Southwest corner of Section 25 marker with a two inch iron pipes set by Atchison, Topeka and Santa Fe Rail Road and William Cheek P.E. No. 2398 in 1962;

Thence South 87 degrees, 31 minutes, 41 seconds East 1342.35 feet along the Section line to a point;

Thence North 00 degrees, 40 minutes, 27 seconds West 1355.79 feet to an Atchison, Topeka and Santa Fe Rail Road brass cap monument set in concrete;

Thence North 00 degrees, 44 minutes, 50 seconds West 834.46 feet to an Atchison, Topeka and Santa Fe Rail Road brass cap monument as set in concrete on the Westerly right of way of the abandoned Rail Road;

Thence North 00 degrees, 46 minutes, 24 seconds West 320.67 feet to the Easterly right of way of the abandoned Rail Road and the TRUE POINT OF BEGINNING;

Thence North 00 degrees, 46 minutes, 24 seconds West 80.08 feet to an Atchison, Topeka and Santa Fe Rail Road brass cap set in concrete;

Thence North 00 degrees, 46 minutes, 09 seconds West 1556.90 feet to an Atchison, Topeka and Santa Fe Rail Road brass cap set in concrete;

Thence North 85 degrees, 16 minutes, 50 seconds West 988.77 feet to the Easterly right of way of the abandoned Rail Road;

Thence South 12 degrees, 54 minutes,, 47 seconds East 545.95 feet along right of way to the B.C. of a curve;

Thence Southeasterly 297.76 feet on the right of way along a curve to the left with a radius of 645.25 feet and a Delta of 26 degrees, 26 minutes, 23 seconds;

Thence South 39 degrees, 21 minutes, 10 seconds East 1191.31 feet to the TRUE POINT OF BEGINNING.

PARCEL 13:

All that portion of the Northeast quarter of the Southwest quarter of Section 26, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, and described as that certain 5.64 acre parcel of land described in Deed dated March 19, 1930 from Nelson and Olga Pryor Punttenney, recorded March 25, 1930 in Book 147 of Deeds, Page 585, in the Yavapai County Recorder's Office, AMENDED and described as follows:

BEGINNING at the Southwest corner of Section 26 marked with a two inch iron pipe set by Atchison, Topeka and Santa Fe Railroad and William Cheek P.E. 2398 in 1962;

Thence South 87 degrees, 31 minutes, 41 seconds East, 1342.35 feet along the Section line to a point;

Thence North 00 degrees, 40 minutes, 27 seconds West, 1355.79 feet to an Atchison, Topeka and Santa Fe Railroad brass cap monument set in concrete and the TRUE POINT OF BEGINNING;

Thence North 00 degrees, 44 minutes, 50 seconds West, 834.46 feet to an Atchison, Topeka and Santa Fe Railroad brass cap set in concrete on the Westerly right-of-way of the abandoned railroad;

Thence South 39 degrees, 21 minutes, 10 seconds East, 10.76 feet along right-of-way to the B.C. of a curve;

Thence Southeasterly, 488.93 feet on the right-of-way along a curve to the right with a radius of 834.17 feet and a delta of 33 degrees, 34 minutes, 59;

Thence South 03 degrees, 46 minutes, 11 seconds East, 395.42 feet along the right-of-way to a point;

Thence North 86 degrees, 46 minutes, 32 seconds West, 220.96 feet to the TRUE POINT OF BEGINNING.

PARCEL 14:

All that portion of the Southeast quarter and the Northeast quarter of the Southwest quarter of Section 26, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, and described as that certain 1.84 acre parcel of land described in Deed dated March 19, 1930 from Nelson and Olga Pryor Punttenney, recorded March 25, 1930 in Book 147 of Deeds, Page 585, and all that certain 0.96 acre parcel described in Deed dated April 18, 1941 from James W. Cutbirth, recorded May 7, 1941 in Book 177 of Deeds, Page 496, in Yavapai County Recorder's Office, AMENDED and described as follows:

BEGINNING at the Southwest corner of Section 26, marked with a two inch iron pipe set by Atchison, Topeka and Santa Fe Railroad and William Cheek P.E. No. 2398 in 1962;

Thence South 87 degrees, 31 minutes, 41 seconds East, 1886.62 feet along the Section line to a point on the Easterly right-of-way of the abandoned Railroad;

Thence North 05 degrees, 46 minutes, 11 seconds West, 1151.91 feet along right-of-way to an Atchison, Topeka and Santa Fe Railroad brass cap monument set in concrete and the TRUE POINT OF BEGINNING;

Thence North 05 degrees, 46 minutes, 11 seconds West, 609.92 feet to an Atchison, Topeka and Santa Fe Railroad brass cap set in concrete on the Easterly right-of-way of the abandoned Railroad;

Thence South 85 degrees, 46 minutes, 14 seconds East, 200.01 feet to an Atchison, Topeka and Santa Fe Railroad brass cap set in concrete;

Thence South 05 degrees, 49 minutes, 16 seconds East, 610.00 feet to an Atchison, Topeka and Santa Fe Railroad brass cap monument set in concrete;

Thence North 86 degrees, 46 minutes, 12 seconds West, 220.56 feet to the TRUE POINT OF BEGINNING.

PARCEL 15:

All that portion of the Southeast quarter of the Southwest quarter of Section 26, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, and described as that portion lying West of the Railroad right-of-way and East of the existing fence, AMENDED and described as follows:

BEGINNING at the Southwest corner of Section 26 marked with a two inch iron pipe set by Atchison, Topeka and Santa Fe Railroad and William Cheek P.E. No. 2398 in 1962;

Thence South 87 degrees, 31 minutes, 41 seconds East, 1342.35 feet along the Section line the TRUE POINT OF BEGINNING;

Thence North 08 degrees, 34 minutes, 45 seconds East, 246.37 feet along the fence (and its extension Southerly to the Section line) to a point;

Thence North 14 degrees, 31 minutes, 40 seconds East, 800.26 feet along the fence to the Westerly right-of-way of the abandoned Railroad;

Thence South 05 degrees, 46 minutes, 11 seconds East, 1038.30 feet along right-of-way to the South line of Section 26;

Thence North 87 degrees, 31 minutes, 41 seconds West, 342.18 feet to the TRUE POINT OF BEGINNING.

PARCEL 16:

All that portion of the Southwest quarter of the Southwest quarter of Section 23 and the Northwest quarter of the Northwest quarter of Section 26, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southeast corner of the Northwest quarter of the Northwest quarter of Section 26 marked with an Atchison, Topeka and Santa Fe Railroad brass monument;

Thence North 85 degrees, 16 minutes, 50 seconds West, 936.30 feet along the Southerly line of the Northwest quarter of the Northwest quarter of Section 26 to the Easterly right-of-way of the abandoned Atchison, Topeka and Santa Fe Railroad;

Thence North 12 degrees, 55 minutes, 36 seconds West, 862.48 feet along said right-of-way to a point;

Thence 479.35 feet, along said right-of-way on a curve to the left with a radius of 2009.86 feet, delta = 13 degrees, 39 minutes, 54 seconds and a chord bearing North 19 degrees, 45 minutes, 33 seconds West, 478.21 feet to a point;

Thence North 26 degrees, 35 minutes, 30 seconds West, 155.98 feet along said right-of-way to an Atchison, Topeka and Santa Fe Railroad brass cap monument marking the Section line common to Sections 22 and 23;

Thence North 01 degrees, 00 minutes, 33 seconds East, 1349.96 feet along said Section line to an Atchison, Topeka and Santa Fe Railroad brass monument;

Thence South 25 degrees, 01 minutes, 32 seconds East, 3152.96 feet to the TRUE POINT OF BEGINNING.

PARCEL 17:

All that portion of the South half of the South half of Section 22, and the North half of Section 27, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southwest corner of Section 22 marked with a 40 penny nail in a rock mound;

Thence North 00 degrees, 48 minutes, 35 seconds East, along the Section line 1349.69 feet to a one-half inch rebar marking the one-sixteenth corner;

Thence North 86 degrees, 35 minutes, 18 seconds East, 1906.29 feet along the North line of the South one-half of the South one-half of Section 22 to a one-half inch rebar on the Easterly right-of-way line of old U.S. Highway 89 and the TRUE POINT OF BEGINNING;

Thence North 86 degrees, 35 minutes, 18 seconds East, 792.23 feet to a five-eighth inch rebar at the Northeast corner of the Southeast quarter of the Southwest quarter of Section 22;

Thence North 86 degrees, 36 minutes, 00 seconds East, 276.00 feet to a one-half inch rebar;

Thence South 13 degrees, 40 minutes, 18 seconds East, 371.15 feet to a one-half inch rebar;

Thence South 04 degrees, 24 minutes, 40 seconds West, 219.56 feet to a one-half inch rebar;

Thence South 19 degrees, 30 minutes, 50 seconds West, 491.51 feet to a one-half inch rebar;

Thence South 26 degrees, 26 minutes, 59 seconds West, 1788.80 feet to a one-half inch rebar on the Easterly right-of-way of the new (1962) U.S. Highway 89;

Thence North 19 degrees, 26 minutes, 58 seconds West, 915.70 feet along said right-of-way to a one-half inch rebar at the intersection of the fences marking the new and old Highway 89 Easterly boundary;

Thence Northeasterly, 209.84 feet along a curve concave to the East having a radius of 1325.49 feet and a delta of 09 degrees, 04 minutes, 14 seconds, to a six inch by six inch old Highway 89 right-of-way post marked station 1593 + 01.4, said curve marked by an old Highway right-of-way fence;

Thence North 04 degrees, 50 minutes, 09 seconds East, 1513.19 feet along the Easterly right-of-way of old U.S. Highway 89 to the TRUE POINT OF BEGINNING.

EXCEPTING all oil, gas and other hydrocarbon substances and all mineral substances as contained in said Agreement dated April 20, 1956, recorded August 9, 1956 in Book 82 of Official Records, Pages 209-225.

EXCEPT that portion of the South half of the South half of Section 22, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southwest corner of Section 22 marked with a 40-penny nail in a rock mound;

Thence North 00 degrees, 48 minutes, 35 seconds East, along the Section line, 1349.69 feet to a 1/2 inch rebar marking the 1/16th corner;

Thence North 86 degrees, 35 minutes, 18 seconds East, 1906.29 feet along the North line of the South half of the South half of Section 22 to a 1/2 inch rebar on the Easterly right-of-way of old U.S. Highway 89 and the TRUE POINT OF BEGINNING;

Thence North 86 degrees, 35 minutes, 18 seconds East, 370 feet;

Thence South 4 degrees, 50 minutes, 09 seconds West, 401.08 feet;

Thence South 85 degrees, 09 minutes, 51 seconds East, 132.83 feet;

Thence South 4 degrees, 50 minutes, 09 seconds West, 729 feet;

Thence North 85 degrees, 09 minutes, 51 seconds West, 499.00 feet to a point on the Easterly

right-of-way of old U.S. Highway 89;

Thence North 4 degrees, 50 minutes, 09 seconds East, along said Easterly right-of-way, 1077 feet to the TRUE POINT OF BEGINNING.

PARCEL 18:

All that portion of Section 27, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southeast corner of Section 27 marked with a one and one-half inch iron pipe;

Thence South 87 degrees, 53 minutes, 03 seconds West, (basis of bearing) 5369.20 feet to a one and one-half inch bent iron pipe at the Southwest corner of Section 27;

Thence North 51 degrees, 14 minutes, 15 seconds East, 4320.80 feet to a one-half inch rebar and the TRUE POINT OF BEGINNING;

Thence North 04 degrees, 37 minutes, 43 seconds East, 341.47 feet to a one-half inch rebar;

Thence North 61 degrees, 45 minutes, 48 seconds East, 340.88 feet to a one-half inch rebar;
Thence South 12 degrees, 24 minutes, 50 seconds West, 441.52 feet to a one-half inch rebar;

Thence South 20 degrees, 07 minutes, 50 seconds West, 21.23 feet to a one-half inch rebar;

Thence South 77 degrees, 23 minutes, 08 seconds West, 231.23 feet to the TRUE POINT OF BEGINNING.

PARCEL 19:

A parcel of land situate in a portion of the Southeast quarter of Section 15, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the West quarter corner of said Section 15, being marked by a brass cap monument set in concrete stamped "W.J. Cheek P.E. #2398";

Thence South 88 degrees, 07 minutes, 05 seconds West, a distance of 2188.99 feet to a point on the East-West mid-section line of said Section 15 marked with a half inch rebar, said point also being the TRUE POINT OF BEGINNING;

Thence South 17 degrees, 53 minutes, 42 seconds East, along the Easterly right of way line of the Atchison, Topeka and Santa Fe Railroad, a distance of 1436.82 feet to a point on the Southerly line of the Northwest quarter of the Southeast quarter of said Section 15;

Thence South 87 degrees, 53 minutes, 35 seconds West, along said Southerly line, a distance of 207.84 feet;

Thence North 17 degrees, 53 minutes, 42 seconds West, along the Westerly right of way line of the Atchison, Topeka and Santa Fe Railroad, a distance of 1437.67 feet;

Thence North 88 degrees, 07 minutes, 05 seconds East, along said mid-section line, a distance of 208.07 feet to the TRUE POINT OF BEGINNING.

PARCEL 20:

A parcel of land situate in a portion of the Southwest quarter of the Southeast quarter of Section 15, the East half of Section 22 and the Northeast quarter of the Northeast quarter of Section 27, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of said Section 22, said point marked by a 2 inch pipe;

Thence South 00 degrees, 25 minutes, 04 seconds East, along said Easterly line of said Section 27, a distance of 539.19 feet to a point on the Westerly right of way line of the Atchison, Topeka and Santa Fe Railroad and the beginning of a non-tangent curve, concave Southwesterly, whose radius point bears South 75 degrees, 55 minutes, 19 seconds, West, a distance of 1809.86 feet;

Thence along the following 8 courses being on the Westerly right of way of the Atchison, Topeka and Santa Fe Railroad;

Thence Northerly along said Westerly right of way line and said curve to the left, through a central angle of 10 degrees, 17 minutes, 17 seconds, an arc distance of 324.98 feet to a point of tangency;

Thence North 24 degrees, 21 minutes, 58 seconds West, a distance of 746.24 feet to the beginning of tangent curve, concave Northeasterly, whose radius point bears North 65 degrees, 38 minutes, 02 seconds East, a distance of 1245.92 feet;

Thence Northerly, along said curve to the right through a central angle of 23 degrees, 28 minutes, 17 seconds, an arc distance of 510.39 feet to a point of tangency;

Thence North 00 degrees, 53 minutes, 41 seconds West, a distance of 401.17 feet to a point on the Northerly line of the Southeast quarter of the Southeast quarter of said Section 22;

Thence North 86 degrees, 59 minutes, 12 seconds East, along said Northerly line of the Southeast quarter of the Southeast quarter, a distance of 50.03 feet;

Thence North 00 degrees, 53 minutes, 41 seconds West, a distance of 1109.60 feet to the beginning of a tangent curve concave Westerly, whose radius point bears South 89 degrees, 06 minutes, 19 seconds West, a distance of 1095.92 feet;

Thence Northerly along said curve to the left, through a central angle of 17 degrees, 00 minutes, 01 seconds, an arc distance of 325.17 feet to a point of tangency;

Thence North 17 degrees, 53 minutes, 42 seconds West, a distance of 4223.45 feet to a point on the Northerly line of the Southwest quarter of the Southeast quarter of said Section 15;

Thence North 87 degrees, 53 minutes, 35 seconds East, along said Northerly line, a distance of 103.92 feet;

Thence along the following 6 courses being on the Easterly right of way line of the Atchison, Topeka and Santa Fe Railroad;

Thence South 17 degrees, 53 minutes, 42 seconds East, a distance of 4195.18 feet to the beginning of a tangent curve, concave Southwesterly, whose radius point bears South 72 degrees, 06 minutes, 18 seconds West, a distance of 1195.95 feet;

Thence Southerly along said curve to the right, through a central angle of 17 degrees, 00 minutes, 01 seconds, an arc distance of 354.84 feet to a point of tangency;

Thence South 00 degrees, 53 minutes, 41 seconds East, a distance of 1512.62 feet to the beginning of a tangent curve, concave Northeasterly, whose radius point bears North 89 degrees, 06 minutes, 19 seconds East, a distance of 1095.92 feet;

Thence along said curve to the left, through a central angle of 23 degrees, 18 minutes, 17 seconds, an arc distance of 448.95 feet to a point of tangency;

Thence South 24 degrees, 21 minutes, 58 seconds East, a distance of 561.40 feet to a point on the Southerly line of said Section 22;

Thence North 86 degrees, 45 minutes, 31 seconds East, along said Southerly line, a distance of 42.60 feet to the TRUE POINT OF BEGINNING.

PARCEL 21:

A parcel of land situate in a portion of the Northwest quarter of the Northwest quarter of Section 26 and the Southwest quarter of the Southwest quarter of the Section 23, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at the Northwest corner of said Section 26 being marked by a 2 inch iron pipe;

Thence North 02 degrees, 14 minutes, 21 seconds East, a distance of 22.91 feet to point marked by an Atchison, Topeka and Santa Fe brass cap set in concrete;

Thence along the following 3 courses on the Easterly right of way line of the Atchison, Topeka and Santa Fe Railroad;

Thence South 24 degrees, 21 minutes, 58 seconds East, a distance of 189.97 feet to the beginning of a tangent curve, concave Southwesterly, whose radius point bears South 65 degrees, 38 minutes, 02 seconds West, a distance of 2009.86 feet;

Thence Southeasterly along said curve to the right, through a central angle of 10 degrees, 50 minutes, 17 seconds, an arc distance of 380.18 feet to a point of tangency;

Thence South 13 degrees, 31 minutes, 41 seconds East, a distance of 925.57 feet to a point on the Southerly line of the Northwest quarter of the Northwest quarter of said Section 26;

Thence North 84 degrees, 58 minutes, 20 seconds West, along said Southerly line, a distance of 210.97 feet;

Thence along the following 2 courses being on the Westerly right of way line of the Atchison, Topeka and Santa Fe Railroad;

Thence North 13 degrees, 31 minutes, 41 seconds West, a distance of 858.44 feet to the beginning of a tangent curve, concave Southwesterly, whose radius point bears South 76 degrees, 28 minutes, 19 seconds West, a distance of 1809.86 feet;

Thence Northwesterly along said curve to the left, through a central angle of 00 degrees, 33 minutes, 00 seconds, an arc distance of 17.37 feet to a point on the Westerly line of said Section 26;

Thence North 00 degrees, 25 minutes, 04 seconds West, along said Westerly line a distance of 539.13 feet to the TRUE POINT OF BEGINNING.

PARCEL 22:

A parcel of land situate in a portion of the Southwest quarter of the Northwest quarter of Section 26, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the Northwest corner of said corner Section 26 being marked by a 2 inch

iron pipe;

Thence South 00 degrees, 25 minutes, 04 seconds East, along the Westerly line of said Section 26, a distance of 1373.15 feet to a point on the Northerly line of the Southwest quarter of the Northwest quarter of said Section 26;

Thence South 84 degrees, 58 minutes, 20 seconds East, along said Northerly line, a distance of 199.64 feet from which the Southeast corner of the Northwest quarter of the Northwest quarter of said Section 26, marked with an Atchison, Topeka and Santa Fe brass cap bears South 84 degrees, 58 minutes, 20 seconds East, a distance of 1145.82 feet, said point also being the TRUE POINT OF BEGINNING;

Thence continuing South 84 degrees, 58 minutes, 20 seconds East, along said Northerly line, a distance of 158.23 feet;

Thence along the following 3 courses being on the Easterly right of way line of the Atchison, Topeka and Santa Fe Railroad;

Thence South 39 degrees, 03 minutes, 21 seconds East, a distance of 724.31 feet to the beginning of a tangent curve, concave Northeasterly, whose radius point bears North 76 degrees, 28 minutes, 19 seconds East, a distance of 904.93 feet;

Thence Southeasterly along said curve to the left, through a central angle of 25 degrees, 31 minutes, 40 seconds, an arc distance of 403.19 feet to a point of tangency.

Thence South 39 degrees, 03 minutes, 21 seconds East, a distance of 724.31 feet to a point on the East-West mid-section line of said Section 26;

Thence North 85 degrees, 43 minutes, 14 seconds West, along said East-West mid-section line, a distance of 206.23 feet;

Thence along the following 3 courses being on the Westerly right of way line of the Atchison, Topeka and Santa Fe Railroad;

Thence North 39 degrees, 03 minutes, 21 seconds West, a distance of 582.78 feet to the beginning of a tangent curve, concave Northeasterly, whose radius point bears North 50 degrees, 56 minutes, 39 seconds East, a distance of 1054.93 feet;

Thence Northerly along said curve to the right, through a central angle of 25 degrees, 31 minutes, 40 seconds, an arc distance of 470.02 feet to a point of tangency;

Thence North 13 degrees, 31 minutes, 41 seconds West, a distance of 567.91 feet to the TRUE POINT OF BEGINNING.

PARCEL 23:

A parcel of land situate a portion of the Southwest quarter of Section 26, Township 17 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the Southwest corner of said Section 26, being marked by a 1 1/2 inch iron pipe;

Thence South 87 degrees, 13 minutes, 26 seconds East, along the Southerly line of said Section 26, a distance of 1683.96 feet to the TRUE POINT OF BEGINNING;

Thence along the following 3 courses being on the Westerly right of way line of the Atchison, Topeka and Santa Fe Railroad;

Thence North 05 degrees, 27 minutes, 29 seconds West, a distance of 1753.47 feet to the beginning of a tangent curve, concave Southwesterly, whose radius point bears South 84 degrees, 32 minutes, 31 seconds West, a distance of 854.93 feet;

Thence Northwesterly along said curve to the left, through a central angle of 33 degrees, 35 minutes, 52 seconds, an arc distance of 501.32 feet to a point of tangency;

Thence North 39 degrees, 03 minutes, 21 seconds West, a distance of 718.46 feet to a point on the East-West mid-section line of said Section 26;

Thence South 85 degrees, 43 minutes, 14 seconds East, along said East-West mid-section line, a distance of 206.23 feet;

Thence along the following 5 courses being on the Easterly right of way line of the Atchison, Topeka and Santa Fe Railroad;

Thence South 39 degrees, 03 minutes, 21 seconds East, a distance of 384.54 feet;

Thence North 00 degrees, 24 minutes, 17 seconds West, a distance of 80.05 feet;

Thence South 39 degrees, 03 minutes, 21 seconds East, a distance of 254.91 feet to the beginning of a tangent curve, concave Southwesterly, whose radius point bears South 50 degrees, 56 minutes, 39 seconds West, a distance of 1054.93 feet;

Thence Southeasterly along said curve to the right, through a central angle of 33 degrees, 35 minutes, 52 seconds, an arc distance of 618.60 feet to a point of tangency;

Thence South 05 degrees, 27 minutes, 29 seconds East, a distance of 1782.41 feet;

Thence North 87 degrees, 13 minutes, 26 seconds West, along the Southerly line of said Section 26, a distance of 202.08 feet to the TRUE POINT OF BEGINNING.

EXCEPTING all coal and other minerals as reserved in Patent recorded in Book 154 of Deeds, Page 121 and in Book 147 of Deeds, Page 5. (affects Section 26)

PARCEL 24:

A strip of land 20 feet in width situated within the West half of Section 27, Township 17 North, Range 2 West lying on the Easterly side of, parallel with and immediately adjacent to the new Easterly right of way line of the Prescott-Ash Fork Highway between Highway Engineer's Stations 1570 + 00 and 1582 + 00.

PARCEL 25:

A strip of land 50 feet in width situated within the Northeast quarter of Section 34, Township 17 North, Range 2 West lying on the Easterly side of, parallel with and immediately adjacent to the new Easterly right of way line of the Prescott-Ash Fork Highway between Highway Engineer's Stations 1623 + 00 and 1630 + 00.

PARCEL 26:

A strip of land 50 feet in width situated within the Southeast quarter of Section 34, Township 17 North, Range 2 West lying on the Westerly side of, parallel with and immediately adjacent to the new Westerly right of way line of the Prescott-Ash Fork Highway between Highway Engineer's Stations 1660 + 00 and the North line of said Southeast quarter.

PARCEL 27:

BEGINNING at a point on the South line of Section 22, Township 17 North, Range 2 West, which point bears North 86 degrees, 18 minutes, 00 seconds East, 1581.39 feet from the Southwest corner of said Section 22;

Thence North 19 degrees, 31 minutes, 00 seconds West, 678.45 feet;

Thence North 70 degrees, 29 minutes, 00 seconds East, 100 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 70 degrees, 29 minutes, 00 seconds East, 300 feet;

Thence North 19 degrees, 31 minutes, 00 seconds West, 300 feet;

Thence South 70 degrees, 29 minutes, 00 seconds West, 300 feet;

Thence South 19 degrees, 31 minutes, 00 seconds East, 300 feet to the TRUE POINT OF BEGINNING.

EXCEPTING all oil, gas and other hydrocarbon substances and all mineral substances, contained in Agreement dated April 20, 1956, recorded August 9, 1956 in Book 82 of Official Records, Pages 209-225.

EXHIBIT "A"

Property that is part of Exhibit A

PARCEL 1:

A PARCEL OF GROUND LYING IN SECTION 34, TOWNSHIP 17 NORTH, RANGE 2 WEST, G.&S.R.M., YAVAPAI COUNTY, ARIZONA DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND 2 INCH IRON PIPE ACCEPTED AS THE NORTHWEST CORNER OF SECTION 34 FROM WHICH, A FOUND ½" REBAR WITH PLASTIC CAP STAMPED "RLS 29891," ACCEPTED AS THE NORTH QUARTER CORNER OF SECTION 34 LIES NORTH 87°59'34" EAST (BASIS OF BEARINGS FOR THIS DESCRIPTION AS DEPICTED ON A RESULTS OF SURVEY PLAT RECORDED IN BOOK 132 OF LAND SURVEYS, PAGE 68 IN THE YAVAPAI COUNTY RECORDER'S OFFICE) A DISTANCE OF 2684.82 FEET;

THENCE NORTH 87°59'44" EAST 872.59 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE NORTH 00°06'59" WEST 81.84 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°29'54" EAST 901.49 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°36'04" EAST 597.64 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°47'22" EAST 471.71 FEET TO A POINT ON THE NORTH LINE OF SECTION 34 AND THE TRUE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 89°47'22" EAST A DISTANCE OF 399.59 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015" AT A NON-TANGENT POINT OF CURVATURE ON THE WESTERLY RIGHT OF WAY LINE OF HIGHWAY 89-A, THE CENTRAL POINT OF SAID CURVE LIES SOUTH 73°54'19" WEST 11,359.16 FEET;

THENCE ALONG SAID CURVED RIGHT OF WAY LINE IN A NORTHWESTERLY DIRECTION THROUGH A CENTRAL ANGLE OF 00°05'09" AN ARC LENGTH OF 17.02 FEET TO A ½" REBAR WITH PLASTIC CAP STAMPED "RLS 29891" ON THE NORTH LINE OF SECTION 34;

THENCE SOUTH 87°50'32" WEST 395.14 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 2:

A PARCEL OF GROUND LYING IN SECTION 34, TOWNSHIP 17 NORTH, RANGE 2 WEST, G.&S.R.M., YAVAPAI COUNTY, ARIZONA DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND 2 INCH IRON PIPE ACCEPTED AS THE NORTHWEST CORNER OF SECTION 34 FROM WHICH, A FOUND ½" REBAR WITH PLASTIC CAP STAMPED "RLS 29891," ACCEPTED AS THE NORTH QUARTER CORNER OF SECTION 34 LIES NORTH 87°59'34" EAST (BASIS OF BEARINGS FOR THIS DESCRIPTION AS DEPICTED ON A RESULTS OF SURVEY PLAT RECORDED IN BOOK 132 OF LAND SURVEYS, PAGE 68 IN THE YAVAPAI COUNTY RECORDER'S OFFICE) A DISTANCE OF 2684.82 FEET;

THENCE NORTH 87°59'44" EAST 872.59 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 00°06'59" EAST 1035.54 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE NORTH 88°53'28" EAST 100.21 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 00°08'02" EAST 1649.32 FEET;

THENCE NORTH 88°46'56" EAST 1851.55 FEET TO A ½" REBAR WITH CAP STAMPED "RLS 12005";

THENCE NORTH 88°46'15" EAST 309.99 FEET TO A ½" REBAR WITH CAP STAMPED "RLS 12005";

THENCE NORTH 88°46'35" EAST 808.34 FEET TO A ½" REBAR WITH CAP STAMPED "LS 29891" ON THE WESTERLY RIGHT OF WAY LINE OF HIGHWAY 89;

THENCE NORTH 14°37'50" WEST ALONG SAID RIGHT OF WAY LINE A DISTANCE OF 2.45 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°29'21" WEST 807.57 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°28'50" WEST 309.91 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°26'31" WEST 434.97 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°30'47" WEST 659.79 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°35'45" WEST 664.37 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE NORTH 00°43'53" WEST 1609.81 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 88°53'28" WEST 75.41 FEET TO THE TRUE POINT OF BEGINNING.

THIS PROPERTY IS TO BE DELETED FROM THE FOREGOING
EXHIBIT A TO REFLECT A MINOR BOUNDARY ADJUSTMENT

PARCEL 1:

A PARCEL OF GROUND LYING IN SECTION 27, TOWNSHIP 17 NORTH, RANGE 2 WEST, G.&S.R.M., YAVAPAI COUNTY, ARIZONA DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND 2 INCH IRON PIPE ACCEPTED AS THE SOUTHWEST CORNER OF SECTION 27 FROM WHICH, A FOUND ½" REBAR WITH PLASTIC CAP STAMPED "RLS 29891," ACCEPTED AS THE SOUTH QUARTER CORNER OF SECTION 27 LIES NORTH 87°59'34" EAST (BASIS OF BEARINGS FOR THIS DESCRIPTION AS DEPICTED ON A RESULTS OF SURVEY PLAT RECORDED IN BOOK 132 OF LAND SURVEYS, PAGE 68 IN THE YAVAPAI COUNTY RECORDER'S OFFICE) A DISTANCE OF 2684.82 FEET;

THENCE NORTH 87°59'44" EAST 872.59 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015" AT THE TRUE POINT OF BEGINNING;

THENCE NORTH 00°06'59" WEST 81.84 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°29'54" EAST 901.49 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°36'04" EAST 597.64 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE SOUTH 89°47'22" EAST 471.71 FEET TO A POINT ON THE SOUTH LINE OF SECTION 27;

THENCE SOUTH 88°22'23" WEST 159.58 FEET TO A ½" REBAR WITH PLASTIC CAP STAMPED "RLS 29891";

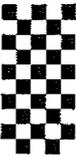
THENCE SOUTH 87°58'39" WEST 370.13 FEET TO A ½" REBAR WITH PLASTIC CAP STAMPED "FAMAS RLS 12005";

THENCE SOUTH 87°59'47" WEST 540.17 FEET TO A ½" REBAR WITH PLASTIC CAP STAMPED "FAMAS RLS 12005";

THENCE SOUTH 87°59'37" WEST 801.93 FEET TO A ½" REBAR WITH OBLITERATED PLASTIC CAP;

THENCE SOUTH 87°59'44" WEST 99.99 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 2:



COMPANY RESPONSE TO STAFF 18

Del Rio Water Company
Attn: Kevin Nagai
Suite 1970
411 108th Ave NE
Bellevue, Washington 98004

Re: Request to Have Property Included in CC&N

Dear Mr. Nagai:

This letter is to request that all of our property located in the Town of Chino Valley, Yavapai County, Arizona, as more particularly described on the enclosed legal description, be included within the Certificate of Convenience & Necessity service territory of Del Rio Water Company. Please let me know if you need anything further from us.

Sincerely,

Del Rio Apartments, LLC

By: _____

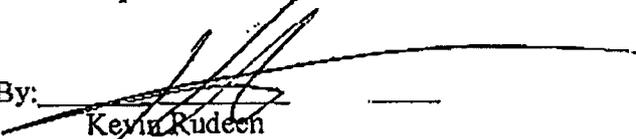

Kevin Rudeen
Its Manager

EXHIBIT "A"

LEGAL DESCRIPTION Approximately 24.82 Acres

PARCEL 1:

Revised APN # 306-46-003G
09/27/2006

The following is a legal description of a parcel of land previously described in Book 4321 of Official Records, Page 580 in the Office of the Yavapai County Recorder (herein referred to as R1), lying within Sections 27 and 34, Township 17 North, Range 2 West of the Gila and Salt River Meridian, Yavapai County, Arizona, more particularly described as follows:

Beginning at a found 2 inch iron pipe (bent over – position established at point of entry into the ground) accepted as the northwest corner of Section 34, from which a found ½" rebar and plastic cap stamped RLS 29891 at the north Quarter corner of Section 34 bears North 87°59'34" East, a distance of 2684.82 feet (measured and Basis of Bearings for this description – North 87°50'20" East, 2684.62 R1 and record per a Record of Survey as recorded in Book 132 of Land Surveys, Page 68 in the Office of the Yavapai County Recorder, herein referred to as R2);

Thence North 87°59'41" East, along the north line of Section 34, a distance of 1774.51 feet (North 87°50'20" East, 1774.43 feet R1, R2) to a found ½" rebar and plastic cap stamped RLS 12005 at the original northwest corner of the subject parcel and the TRUE POINT OF BEGINNING;

Thence leaving the north line of Section 34, North 00°06'06" West into Section 27, a distance of 42.37 feet to a set ½" rebar and aluminum cap stamped RLS 13015;

Thence South 89°36'04" East, a distance of 597.64 feet to a set ½" rebar and aluminum cap stamped RLS 13015;

Thence South 00°20'14" East, a distance of 17.29 feet to a set ½" rebar and aluminum cap stamped RLS 13015 at a point on the north line of Section 34, from which a found ½" rebar and plastic cap stamped RLS 12005 at the original northeast corner of the subject parcel bears South 87°58'39" West, a distance of 57.85 feet;

Thence leaving Section 27, South 00°20'14" East into Section 34, a distance of 1151.25 feet to a set ½" rebar and aluminum cap stamped RLS 13015;

Thence South 25°18'54" East, a distance of 5.48 feet to a set ½" rebar and aluminum cap stamped RLS 13015;

Thence South 00°25'59" East, a distance of 615.07 feet to a set ½" rebar and aluminum cap stamped RLS 13015;

Thence South 89°30'43" West, a distance of 668.22 feet to a set ½" rebar and aluminum cap

A PARCEL OF GROUND LYING IN SECTION 34, TOWNSHIP 17 NORTH, RANGE 2 WEST, G.&S.R.M., YAVAPAI COUNTY, ARIZONA DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND 2 INCH IRON PIPE ACCEPTED AS THE NORTHWEST CORNER OF SECTION 34 FROM WHICH, A FOUND ½" REBAR WITH PLASTIC CAP STAMPED "RLS 29891," ACCEPTED AS THE NORTH QUARTER CORNER OF SECTION 34 LIES NORTH 87°59'34" EAST (BASIS OF BEARINGS FOR THIS DESCRIPTION AS DEPICTED ON A RESULTS OF SURVEY PLAT RECORDED IN BOOK 132 OF LAND SURVEYS, PAGE 68 IN THE YAVAPAI COUNTY RECORDER'S OFFICE) A DISTANCE OF 2684.82 FEET;

THENCE NORTH 87°59'44" EAST 872.59 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015" AT THE TRUE POINT OF BEGINNING;

THENCE NORTH 87°59'44" EAST 99.99 FEET TO A ½" REBAR WITH OBLITERATED CAP;

THENCE SOUTH 00°08'02" EAST 1037.06 FEET;

THENCE SOUTH 88°53'28" WEST 100.27 FEET TO A ½" REBAR WITH ALUMINUM CAP STAMPED "SHEPHARD-WESNITZER RLS 13015";

THENCE NORTH 00°06'59" WEST 1035.54 FEET TO THE TRUE POINT OF BEGINNING.

stamped RLS 13015t;

Thence North $01^{\circ}14'08''$ West, a distance of 266.68 feet to a set $\frac{1}{2}$ " rebar and aluminum cap stamped RLS 13015;

Thence North $51^{\circ}49'15''$ East, a distance of 81.91 feet to a set $\frac{1}{2}$ " rebar and aluminum cap stamped RLS 13015;

Thence North $00^{\circ}00'55''$ West, a distance of 390.14 feet to a set $\frac{1}{2}$ " rebar and aluminum cap stamped RLS 13015;

Thence North $00^{\circ}05'47''$ West, a distance of 1048.61 feet to the TRUE POINT OF BEGINNING.

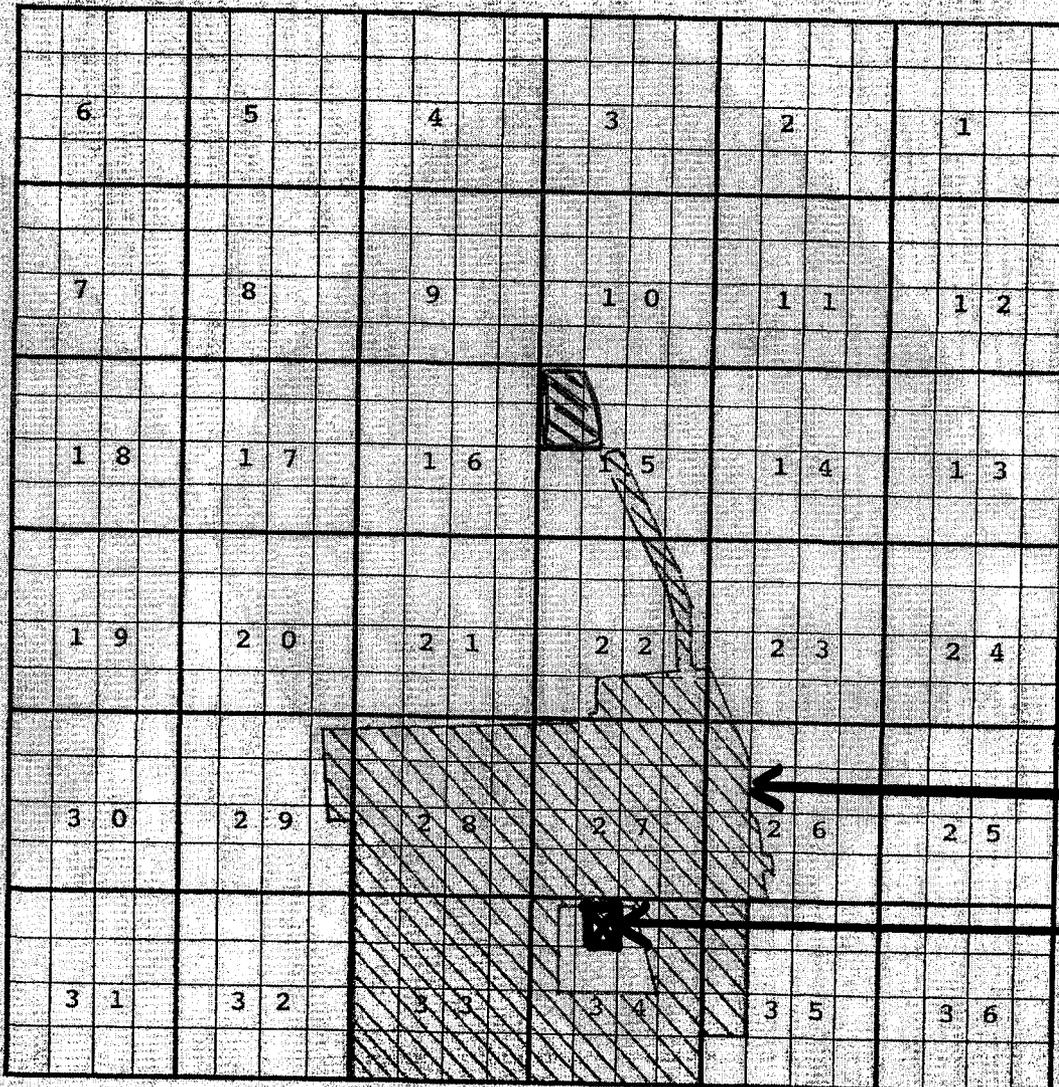
COMPANY RESPONSE TO STAFF 19

Property Ownership

CS-5

ATTACHMENT "B"

| | | | |
|---------|---|----------|-------|
| YAVAPAI | 27, 28, 33 Portions of 22, 23, 26, 29, 34, 35, 15 | 17N | 2W |
| COUNTY | SECTION | TOWNSHIP | RANGE |



The Bond Ranch
at Del Rio
Springs, LLC

Del Rio
Apartments, LLC

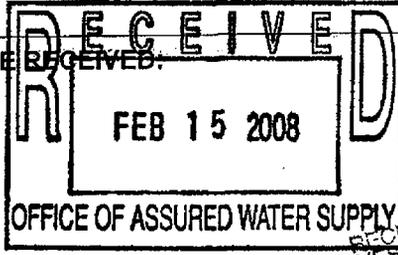
Type or Print Description Here:

ALL OF SECTIONS 28, 27, & 33, TOWNSHIP 17N, RANGE 2 WEST, GILA & SALT RIVER, BASE & MERIDIAN, as well as portions of SECTIONS 22, 23, 26, 29, 15, 34, AND 35, TOWNSHIP 17N, RANGE 2 WEST, GILA & SALT RIVER, BASE & MERIDIAN.

UPDATED 3-18-08

ARIZONA DEPARTMENT OF WATER RESOURCES
 OFFICE OF ASSURED AND ADEQUATE WATER SUPPLY
 3550 NORTH CENTRAL AVENUE, 2ND FLOOR
 PHOENIX, ARIZONA 85012

DATE RECEIVED:



RECEIVED
 MOYES STOREY
 FEB 20 2008

APPLICATI

27-700493.0000
 Del Rio East - Alpha

CERTIFICATE OF ASSURED WATER SUPPLY APPLICATION
PART A - GENERAL INFORMATION

1. Has a Certificate of Assured Water Supply (Certificate) previously been issued for this property? Yes No.
 If "yes," this may not be the appropriate application form. Please contact the Office of Assured and Adequate Water Supply for assistance.
 2. Subdivision information:
 - a. Name of subdivision as it will appear on submittals to the platting entity and the Department of Real Estate:
Del Rio East - Alpha Number of Lots: 795
 - b. Location of the subdivision: Township(s) 17N Range(s) 2W Section(s) 26, 26, 34, 35
 City: Chino Valley County: Yavapai AMA: Prescott
 3. Subdivision method of water distribution: Central distribution system (water provider) or Dry lot (individual wells)
 If there will be a central distribution system, identify the water provider and the water provider's system name, if it operates more than one, that will be serving the subdivision. The water provider must be the same entity that signs the Notice of Intent to Serve. If there will be more than one water provider for the subdivision, please identify both water providers.
 Primary Water Provider: Del Rio Water Company, LLC System Name: Del Rio
 Secondary Water Provider (if applicable): _____ System Name: _____
 4. Contact person for questions regarding this application:
 Name: Herb Dishlip, P.E.
 Company: Herb Dishlip Consulting E-Mail: herbdishlip@cox.net
 Address: 167 W. Myrna Lane, Tempe, Az, 85284 Phone: (480)897-1274 Fax: (480)897-2012
 5. Owner(s) and buyer(s) of the property on which the subdivision will be built (attach additional sheets, if necessary):
 Owner: The Bond Ranch at Del Rio Springs LLC Phone: (425)646-3040 Fax: _____
 Address: 411 108th Ave NE, Suite 1970, Bellevue, Wa. 98004 E-mail: _____
 Buyer (if applicable): _____ Phone: _____ Fax: _____
 Address: _____ E-mail: _____
- NOTE:** Please attach proof of ownership in the form of a title report, condition of title report, limited search title report, or recorded deed, dated within 90 days of the date this application is submitted to the Department. If the buyers will participate in the application process, provide evidence of (a) purchase agreement(s). **Attachment A**
6. Please include a copy of the preliminary or final plat (reference as attachment): **Attachment B**

I DO HEREBY certify that the information contained in **this application and all information accompanying it is true and correct to the best of my knowledge and belief.** NOTE: All owners and buyers, if applicable, must sign (attach additional sheets, if necessary). If the signator is someone other than the owner, please provide proof of legal authority to sign on the owner's behalf that is dated within 90 days of the date this application is submitted to the Department.

Duncan Wallace, Manager

Name and Title of Owner/Owner's Authorized Agent (if signator is someone other than the owner)

Duncan Wallace
 Signature of Owner/Owner's Authorized Agent

2-15-08

Date

Name and Title of Buyer/Buyer's Authorized Agent (if signator is someone other than the buyer)

Signature of Buyer/Buyer's Authorized Agent

Date

PART B - DEMAND ESTIMATE

Please use and attach the Subdivision/Development Demand Calculator provided by the Department (See http://www.azwater.gov/WaterManagement_2005/Content/OAAWS/Demand_Calculator.xls) OR provide a detailed explanation of the assumptions used in estimating water demand (reference as attachment): **Attachment C**. NOTE: Acreages used in the demand estimate should correspond to the development plan map referenced in question 6 in Part A.

TOTAL ANNUAL DEMAND: 311.74 acre-feet per year

PART C – CONTINUOUS AVAILABILITY AND LEGAL AVAILABILITY OF SOURCE WATER

Subdivision is a dry-lot subdivision.

1. If the proposed subdivision is not a dry-lot subdivision, please attach a signed copy of the Notice of Intent to Serve Form included in this application. Please reference attachment: **Attachment D**
2. See A.A.C. R12-15-717 and R12-15-718 for documentation that should be submitted as evidence of continuous availability and legal availability (respectively) for each source of supply. Please reference attachment(s): **Attachment E**
3. Indicate proposed water uses for water provider(s):

| Water Provider | Proposed Water Uses | | | | |
|---------------------------|-------------------------------------|--------------------------|--------------------------|------------------------------|--------------------------|
| | Potable | Non-potable | Livestock Grazing | Urban Irrigation (mini-farm) | Other |
| Del Rio Water Company | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Secondary (if applicable) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

4. Indicate proposed water sources:
 - a. To complete the table below, multiply the Total Annual Demand computed in Part B by 100 to obtain the 100-year demand and enter at the bottom of the chart. Enter the appropriate 100-year demands for each type of water delivered to the subdivision for each category.

| Source of Supply | 100 Year Volume (ac-ft) |
|---|-------------------------|
| | Primary Provider |
| Groundwater | 22,888 |
| Central Arizona Project Water <input type="checkbox"/> Direct treatment and delivery <input type="checkbox"/> Recovered water | |
| Surface Water <input type="checkbox"/> Direct treatment and delivery <input type="checkbox"/> Recovered water | |
| Effluent <input type="checkbox"/> Direct treatment and delivery <input checked="" type="checkbox"/> Recovered water | 8,286 |
| Other | |
| Total 100-yr Volume | 31,174 |

- b. Are the providers currently delivering water to customers?
 Primary water provider: Yes No Secondary water provider (if applicable): Yes No

PART D - PHYSICAL AVAILABILITY OF SOURCE WATER

Subdivision has 20 or less lots. If this applies, independent proof of physical availability may not be required. (Contact the Department's Hydrology Division to find out what information, if any, is required.) Please skip to Part E.

If the development consists of more than 20 lots, a comprehensive hydrologic study must be submitted with this application, unless the Department has previously reviewed the hydrologic conditions for this area and has issued a valid Letter of Water Availability, Physical Availability Determination or Analysis of Assured Water Supply. Please indicate the evidence of physical availability and reference as an attachment: **Attachment F**

- Water Availability Letter
- Physical Availability Determination
- New Hydrologic Study
- Other, please specify: _____
- Analysis of Assured Water Supply

PART E - WATER QUALITY

1. Are the well or wells from which water will be withdrawn for the subdivision within one mile of a Water Quality Assurance Revolving Fund (WQARF) or Superfund site? Yes No.

If "Yes", please submit a contaminant migration and mitigation analysis demonstrating that the water supply will continue to meet the water quality requirements in A.A.C. Title 18, Chapter 4, and reference as attachment: _____

2. Water provider(s) serving the subdivision will be regulated by the Arizona Department of Environmental Quality (ADEQ) or another governmental entity with equivalent jurisdiction. If this applies, independent proof of adequate water quality is not required, please skip to Part F. **NOTE:** If there is more than one water provider, and one or more of the providers are not regulated as indicated above, please answer question 4 for each of the unregulated providers.

3. If the subdivision will be a dry-lot subdivision, please provide current (within the last 60 days) analytical results on water samples taken from a well or wells constructed *within the subdivision*, or near where the wells will be drilled, demonstrating that the water meets the water quality requirements in A.A.C. Title 18, Chapter 4, and reference as attachment: _____

4. If the subdivision will be served by a central provider that serves 15 customers or less, provide current (within the last 60 days) analytical results on water samples taken from a well or wells constructed *within the service area serving the subdivision*, demonstrating that the water meets the water quality requirements in A.A.C. Title 18, Chapter 4, and reference as attachment: _____

NOTE: Information on the required water quality analyses may be found at the ADEQ website <http://www.adeq.gov>.

PART F - CONSISTENCY WITH MANAGEMENT GOAL

Subdivision is a dry-lot subdivision (see question 3, Part A) AND has 20 or less lots. If this applies, the subdivision is exempt from proving consistency with the management goal, please skip to Part G.

If the subdivision has more than 20 lots and if groundwater is a proposed source of water for this subdivision, indicate how the groundwater use will meet the "consistency with management goal" requirement. Please check all that apply below:

- Enrollment of the subdivision lands in the Central Arizona Groundwater Replenishment District (Phoenix, Tucson and Pinal AMAs **ONLY**).
A separate application for membership must be filed with the Central Arizona Water Conservation District, and the membership documents **must be executed and recorded before** a Certificate will be issued.
- Extinguishment of grandfathered groundwater rights dedicated to this subdivision.
Provide evidence and reference the attachment: **Attachment G**
- Other. Please specify: **Attachment G**

PART G - CONSISTENCY WITH MANAGEMENT PLAN

Subdivision has less than 50 lots. If this applies, the subdivision is exempt from meeting the Consistency with Management Plan, you may skip to Part H. However, if implementation of conservation requirements is planned for this subdivision, please answer the relevant questions below.

1. For the municipal or county jurisdiction within which the subdivision is located, list any water conservation ordinances and briefly describe the sections that apply to the subdivision. If they will serve as evidence of your demand projections, please reference as attachment: Pursuant to the Town of Chino Valley's Code §51.037 "The development must provide a water budget that meets or exceeds the water use and water conservation goals of the Arizona Department of Water Resources Third Management Plan for Prescott Active Management Area, 2000-2010."
2. Will the subdivision incorporate Conditions, Covenants and Restrictions (CC&Rs) or other conditions that will limit exterior water demand? Yes No. If "Yes", please reference as attachment: _____
3. Will landscaping in public rights of way conform to the Department's Low Water Use Plant List? Yes No
4. Generally describe any other current or proposed conservation practices, rates, fees, restrictions, policies and devices to be utilized within the subdivision to meet the conservation requirements of the Management Plan: The Town of Chino Valley has an active water conservation program for its residents and water customers. Chino Valley has joined with Yavapai County and the communities of Prescott and Prescott Valley to create a regional water conservation effort through the Central Yavapai County Partnership. The Partnership will implement new water conservation efforts over time.

NOTE: If demand estimates rely on these conservation requirements, please reference attachment: _____

PART H - FINANCIAL CAPABILITY

Subdivision is a dry-lot subdivision (see question 3, Part A). If this applies, proof of financial capability is not required, please skip to Part I.

Please check one of the following and include attachments as necessary:

- The final plat will be submitted to a **qualified platting authority**. (The Department maintains a list of **qualified platting authorities**. Contact the Office of Assured and Adequate Water Supply for assistance.)
The platting authority is: Town of Chino Valley, Arizona
- Adequate delivery, storage, and treatment works have been constructed, and water service is available to each lot. Attach a letter from the water provider verifying that water service is available to each lot.
Attachment: _____
- A performance bond has been posted with the platting authority for the entire cost of adequate delivery, storage, and treatment works (reference as attachment): _____

PART I - FEES

Please calculate fees by completing the appropriate items below, and include the total fees with your application. Payment may be made by cash, check, or credit card. Checks should be made payable to the Department of Water Resources. **Failure to enclose the required fees will cause the application to be returned. Fees for certificates of assured water supply are authorized by A.R.S. § 45-113.**

| | | |
|--|------------------------------|--------------------|
| 1. Basic Application fee (includes first 20 lots) | | <u>\$ 3000.00</u> |
| 2. Per-lot review fee (for lots in excess of the first 20): | | |
| Total lots in this application | <u>795</u> | |
| Less first 20 lots | <u>-20</u> | |
| Lots subject to additional review fees | <u>775</u> x \$3.00 per lot: | <u>\$ 2,325.00</u> |
| 3. Subtotal (add items #1 and #2) NOT TO EXCEED \$5,000 | | <u>\$ 5,000.00</u> |

4. Indicate the appropriate AMA and enter the associated **Public Notice Fee**:

\$ 75.00

- Phoenix AMA \$ 52.00
- Tucson AMA \$ 225.00
- Pinal AMA \$ 125.00
- Prescott AMA \$ 75.00
- Santa Cruz AMA \$ 50.00

5. **TOTAL FEE DUE (add items #3 and #4):**

\$ 5,075.00

DID YOU REMEMBER?

To completely fill out the application form?

To include copies of plat?

To include a signed Notice of Intent to Serve?

To include a hydrologic study, if required?

To include all documents referenced in the application?

To include correctly calculated fees?

To have application signed by **each applicant** or an authorized agent **for each applicant** and include proof of the authorization?

Attachment A

INFORMATION

The Title Insurance Commitment is a legal contract between you and the company. It is issued to show the basis on which we will issue a Title Insurance Policy to you. The Policy will insure you against certain risks to the land title, subject to the limitations shown in the Policy

The Company will give you a sample of the Policy form, if you ask.

The Commitment is based on the land title as of the Commitment Date. Any changes in the land title or the transaction may affect the Commitment and the Policy.

The Commitment is subject to its Requirements, Exceptions and Conditions.

THIS INFORMATION IS NOT PART OF THE TITLE INSURANCE COMMITMENT.



COMMITMENT FOR TITLE INSURANCE

ISSUED BY

First American Title Insurance Company
through its Division

First American Title Insurance Company

TABLE OF CONTENTS

AGREEMENT TO ISSUE POLICY on the following page
 COMMITMENT DATE Schedule A (Page 1)
 POLICIES TO BE ISSUED, AMOUNTS AND PROPOSED INSURED Schedule A (Page 1)
 INTEREST IN THE LAND Schedule A (Exhibit A)
 DESCRIPTION OF THE LAND on the following page
 EXCEPTIONS - PART ONE Schedule B (inside)
 EXCEPTIONS - PART TWO Schedule B (inside)
 REQUIREMENTS (Standard) on the third page
 REQUIREMENTS (Continued) Requirements (inside)
 CONDITIONS on the third page

YOU SHOULD READ THE COMMITMENT VERY CAREFULLY
If you have any questions about the Commitment, contact:

First American Title Insurance Company National Commercial Services
2425 E. Camelback Road, Suite 300, Phoenix, AZ 85016

AGREEMENT TO ISSUE POLICY

We agree to issue a policy to you according to the terms of this Commitment. When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under the Commitment is limited by the following:

The Provisions in Schedule A
The Requirements
The Exceptions in Schedule B - Parts 1 and 2
The Conditions

This Commitment is not valid without SCHEDULE A and Parts 1 and 2 of SCHEDULE B.

SCHEDULE B - EXCEPTIONS

Any Policy we issue will have the following exceptions unless they are taken care of to our satisfaction.

Part One:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water; whether or not the aforementioned matters excepted are shown by the public records.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

Part One of Schedule B will be eliminated from any A.L.T.A. Extended Coverage Policy, A.L.T.A. Plain Language Policy and policies with EAGLE Protection added. However, the same or similar exception may be made in Schedule B of those policies in conformity with Schedule B, Part Two of this Commitment.

**REQUIREMENTS
(Standard)**

The following requirements must be met:

- (a) Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
- (b) Pay us the premiums, fees and charges for the policy.
- (c) Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded.
- (d) You must tell us in writing the name of anyone not referred to in this commitment who will get interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.

(Continued on Requirements Page)

CONDITIONS

- 1. **DEFINITIONS**
 - (a) "Mortgage" means mortgage, deed of trust or other security instrument.
 - (b) "Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.
- 2. **LATER DEFECTS**

The Exceptions in Schedule B may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements are met. We shall have no liability to you because of this amendment.
- 3. **EXISTING DEFECTS**

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.
- 4. **LIMITATION OF OUR LIABILITY**

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements
or
eliminate with our written consent any Exceptions shown in Schedule B

We shall not be liable for more than the Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.
- 5. **CLAIMS MUST BE BASED ON THIS COMMITMENT**

Any claims, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this Commitment and is subject to its terms

**First American Title
Insurance Company
National Commercial
Services**



**The First American
Corporation**

PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from public records or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our web site at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial services providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products and services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

**First American Title Insurance Company
National Commercial Services**

SCHEDULE A

Fifth Amended

ESCROW/CLOSING INQUIRIES should be directed to your Escrow Officer: **Carol Peterson at (602)567-8100**

Effective Date: **January 10, 2008** at 7:30 a.m.

1. Policy or (Policies) to be issued:

ALTA 1992 Extended Owner's Policy for \$40,000,000.00

Proposed Insured:

Brown Family Communities, an Arizona limited partnership

2. The estate or interest in the land described or referred to in this commitment and covered herein is fee simple and title thereto is at the effective date hereof vested in:

The Bond Ranch at Del Rio Springs, L.L.C, an Arizona limited liability company

3. Title to the estate or interest in the land upon issuance of the policy shall be vested in:

Brown Family Communities, an Arizona limited partnership

4. The land referred to in this Commitment is located in Yavapai County, AZ and is described as:

SEE EXHIBIT "A " ATTACHED HEREIN

Title officer: Ron Robertson/raf/ncg @ (602)567-8160/rrobertson@firstam.com.

Pages 1 through 4 of this document consist of the Title Insurance Commitment contract and our Privacy Policy.

EXHIBIT "A"

ALL THAT PORTION OF SECTIONS 22, 23, 26, 27, 34, AND 35, TOWNSHIP 17 NORTH, RANGE 2 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPAI COUNTY, ARIZONA, AS SHOWN BY RBF CONSULTING ON AN UNRECORDED A.L.T.A. SURVEY FOR THE RANCH AT DEL RIO SPRINGS L.L.C., MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A FOUND 4-INCH PIPE MARKING THE SOUTHEAST CORNER OF SAID SECTION 34;

THENCE NORTH 00°09'39" WEST, ALONG THE EAST LINE OF SAID SECTION 34, A DISTANCE OF 1402.70 FEET TO A 2 INCH PIPE MARKING THE NORTHEAST CORNER OF THE SOUTHEAST-QUARTER OF THE SOUTHEAST-QUARTER OF SAID SECTION 34, AND THE POINT OF BEGINNING;

THENCE NORTH 85°28'50" EAST, A DISTANCE OF 1363.35 FEET TO A FOUND 1 INCH BENT PIPE;

THENCE NORTH 00°21'23" EAST, A DISTANCE OF 3918.13 FEET TO A POINT HEREAFTER REFERRED TO AS "POINT A", SAID POINT ALSO LYING ON THE SOUTH LINE OF SAID SECTION 26;

THENCE SOUTH 87°13'26" EAST, ALONG SAID SOUTH LINE, A DISTANCE OF 544.14 FEET TO A POINT LYING ON THE EASTERLY RIGHT-OF-WAY OF THE ABANDONED ATCHISON, TOPEKA AND SANTA FE RAILROAD (A.T. & S.F.);

THENCE NORTH 05°27'29" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 1151.89 FEET TO A FOUND A.T. & S.F. BRASS CAP;

THENCE SOUTH 86°28'22" EAST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 200.68 FEET TO A FOUND A.T. & S.F. BRASS CAP;

THENCE NORTH 05°30'38" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 610.16 FEET TO A FOUND A.T. & S.F. BRASS CAP;

THENCE NORTH 86°30'49" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 200.09 FEET TO A FOUND A.T. & S.F. BRASS CAP;

THENCE NORTH 05°27'29" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 21.18 FEET TO THE BEGINNING OF A CURVE TO THE LEFT, HAVING A RADIUS OF 1054.93 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE LEFT, AN ARC DISTANCE OF 618.60 FEET, THROUGH A CENTRAL ANGLE OF 33°35'52" (CHORD BEARING NORTH 22°15'25" WEST, 609.78');

THENCE NORTH 39°03'21" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 255.12 FEET TO A FOUND A.T. & S.F. BRASS CAP;

THENCE NORTH 00°27'27" WEST, A DISTANCE OF 1556.61 FEET TO AN A.T. & S.F. BRASS CAP MARKING THE SOUTHEAST CORNER OF THE NORTHWEST-QUARTER OF THE NORTHWEST-QUARTER OF SAID SECTION 26, SAID POINT HEREAFTER REFERRED TO AS "POINT B";

THENCE NORTH 24°43'32" WEST, A DISTANCE OF 3153.15 FEET TO A FOUND A.T. & S.F. BRASS CAP;

THENCE SOUTH 86°59'12" WEST, A DISTANCE OF 2700.09 FEET TO A FOUND 3/4 INCH REBAR;

THENCE SOUTH 86°59'42" WEST, A DISTANCE OF 422.41 FEET;

THENCE SOUTH 05°14'23" WEST, A DISTANCE OF 401.10 FEET;

THENCE SOUTH 84°45'37" EAST, A DISTANCE OF 132.83 FEET;

THENCE SOUTH 05°14'23" WEST, A DISTANCE OF 729.00 FEET;

THENCE NORTH 84°45'37" WEST, A DISTANCE OF 498.97 FEET TO A POINT LYING ON THE EASTERLY RIGHT-OF-WAY OF OLD HIGHWAY 89;

THENCE SOUTH 05°14'17" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 436.19 FEET TO THE BEGINNING OF A CURVE TO THE LEFT, HAVING A RADIUS OF 1325.49 FEET;

THENCE ALONG SAID RIGHT-OF-WAY, AN ARC DISTANCE OF 212.01 FEET, MORE OR LESS, THROUGH A CENTRAL ANGLE OF 09°11'13" (CHORD BEARING SOUTH 00°38'40" WEST, 211.79') TO THE INTERSECTION OF SAID EASTERLY RIGHT-OF-WAY OF OLD HIGHWAY 89, AND THE EASTERLY RIGHT-OF-WAY OF NEW HIGHWAY 89;

THENCE SOUTH 19°03'42" EAST, ALONG THE EASTERLY RIGHT-OF-WAY OF NEW HIGHWAY 89, A DISTANCE OF 4610.19 FEET TO THE BEGINNING OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 11484.66 FEET;

THENCE ALONG SAID RIGHT-OF-WAY, AN ARC DISTANCE OF 952.82 FEET, THROUGH A CENTRAL ANGLE OF 04°45'13" (CHORD BEARING SOUTH 16°42'15" EAST, 952.55') TO A FOUND A.D.O.T. BRASS CAP;

THENCE SOUTH 14°20'22" EAST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 3934.00 FEET TO A FOUND A.D.O.T. BRASS CAP;

THENCE NORTH 88°12'47" EAST, A DISTANCE OF 839.83 FEET TO THE POINT OF BEGINNING.

RESERVING, SUBJECT TO, AND TOGETHER WITH ALL EASEMENTS OF RECORD;

EXCEPTING THE FOLLOWING DESCRIBED PROPERTIES:

PARCEL A:

BEGINNING AT THE ABOVE REFERENCED "POINT A";

THENCE NORTH 09°20'04" EAST, A DISTANCE OF 247.02 FEET;

THENCE NORTH 14°40'09" EAST, A DISTANCE OF 800.52 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY OF SAID A.T. & S.F. RAILROAD;

THENCE NORTH 05°27'29" WEST, ALONG SAID RIGHT-OF-WAY, A DISTANCE OF 325.39 FEET;

THENCE NORTH 86°28'09" WEST, A DISTANCE OF 812.93 FEET;

THENCE SOUTH 05°27'40" EAST, A DISTANCE OF 1230.46 FEET;

THENCE SOUTH 89°39'32" WEST, A DISTANCE OF 15.92 FEET;

THENCE SOUTH 00°28'09" WEST, A DISTANCE OF 70.01 FEET;

THENCE NORTH 89°39'32" EAST, A DISTANCE OF 22.69 FEET;

THENCE SOUTH 05°27'40" EAST, A DISTANCE OF 74.93 FEET;

THENCE SOUTH 87°13'26" EAST, A DISTANCE OF 469.17 FEET TO THE POINT OF BEGINNING.

PARCEL B:

COMMENCING AT THE ABOVE REFERENCED "POINT A";

THENCE NORTH 87°13'26" WEST, A DISTANCE OF 499.11 FEET TO A FOUND STONE WITH A "X" CHISELED ON TOP, SAID POINT ALSO BEING THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 87°13'26" WEST, A DISTANCE OF 299.40 FEET TO A FOUND 1-INCH PIPE;

THENCE NORTH 00°02'55" WEST, A DISTANCE OF 300.00 FEET;

THENCE SOUTH 87°13'46" EAST, A DISTANCE OF 300.00 FEET;

THENCE SOUTH 00°03'58" WEST, A DISTANCE OF 300.00 FEET TO THE POINT OF BEGINNING;

PARCEL C:

COMMENCING AT THE ABOVE REFERENCED "POINT B";

THENCE NORTH 84°58'20" WEST, A DISTANCE OF 1146.11 FEET TO THE POINT OF BEGINNING;

THENCE CONTINUING NORTH 84°58'20" WEST, A DISTANCE OF 199.72 FEET;

THENCE NORTH 00°25'04" WEST, A DISTANCE OF 834.37 FEET TO A POINT LYING ON THE WESTERLY RIGHT-OF WAY SAID A.T. & S.F. RAILROAD, SAID POINT ALSO LYING ON A CURVE TO THE RIGHT, HAVING A RADIUS OF 1809.86 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE RIGHT, AN ARC DISTANCE OF 17.44 FEET, THROUGH A CENTRAL ANGLE OF 00°33'08" (CHORD BEARING SOUTH 13°47'34" EAST, 17.44 FEET);

THENCE SOUTH 13°31'41" EAST, ALONG SAID RIGHT-OF-WAY, A DISTANCE OF 858.74 FEET TO THE POINT OF BEGINNING.

PARCEL D:

COMMENCING AT A FOUND 2-INCH PIPE MARKING THE SOUTHWEST CORNER OF SAID SECTION 26;

THENCE SOUTH 87°13'26" EAST, ALONG THE SOUTH LINE OF SAID SECTION 26, A DISTANCE OF 1886.54 FEET TO THE POINT OF BEGINNING, SAID POINT LYING ON THE EASTERLY RIGHT-OF-WAY OF THE ABANDONED ATCHISON, TOPEKA AND SANTA FE RAILROAD (A.T. & S.F.);

THENCE NORTH 05°27'29" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 1782.99 FEET TO THE BEGINNING OF A CURVE TO THE LEFT HAVING A RADIUS OF 1054.93 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE LEFT, AN ARC DISTANCE OF 618.60 FEET, THROUGH A CENTRAL ANGLE OF 33°35'52" (CHORD BEARING NORTH 22°15'25" WEST, 609.78");

THENCE NORTH 39°03'21" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 255.12 FEET TO A FOUND A.T. & S.F. BRASS CAP;

THENCE SOUTH 00°27'27" EAST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 80.15 FEET;

THENCE NORTH 39°03'21" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 1109.26 FEET TO THE BEGINNING OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 904.93 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE RIGHT, AN ARC DISTANCE OF 403.18 FEET, THROUGH A CENTRAL ANGLE OF 25°31'40" (CHORD BEARING NORTH 26°17'31" WEST, 399.86');

THENCE NORTH 13°31'41" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 517.77 FEET;

THENCE SOUTH 84°58'20" EAST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 52.74 FEET;

THENCE NORTH 13°31'41" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 925.87 FEET TO THE BEGINNING OF A CURVE TO THE LEFT, HAVING A RADIUS OF 2009.86 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE LEFT, AN ARC DISTANCE OF 380.18 FEET, THROUGH A CENTRAL ANGLE OF 10°50'17" (CHORD BEARING NORTH 18°56'50" WEST, 379.61');

THENCE NORTH 24°21'58" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 190.86 FEET;

THENCE SOUTH 01°19'37" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 23.60 FEET;

THENCE SOUTH 86°45'31" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 42.63 FEET;

THENCE NORTH 24°21'58" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 561.62 FEET TO THE BEGINNING OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 1095.92 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE RIGHT, AN ARC DISTANCE OF 448.94 FEET, THROUGH A CENTRAL ANGLE OF 23°28'16" (CHORD BEARING NORTH 12°37'50" WEST, 445.81');

THENCE NORTH 00°53'41" WEST, ALONG SAID EASTERLY RIGHT-OF-WAY, A DISTANCE OF 406.90 FEET;

THENCE SOUTH 86°59'42" WEST, A DISTANCE OF 150.10 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY OF SAID RAILROAD;

THENCE SOUTH 00°53'41" EAST ALONG SAID WESTERLY RIGHT-OF-WAY, A DISTANCE OF 401.35 FEET TO THE BEGINNING OF A CURVE TO THE LEFT, HAVING A RADIUS OF 1245.92 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO LEFT, AN ARC DISTANCE OF 510.39 FEET, THROUGH A CENTRAL ANGLE OF 23°24'16" (CHORD BEARING SOUTH 12°37'50" EAST, 506.83');

THENCE SOUTH 24°21'58" EAST, ALONG SAID WESTERLY RIGHT-OF-WAY, A DISTANCE OF 746.57 FEET TO THE BEGINNING OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 1809.86 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE RIGHT, AN ARC DISTANCE OF 342.34 FEET, THROUGH A CENTRAL ANGLE OF 10°50'16" (CHORD BEARING SOUTH 18°56'49" EAST, 341.83');

THENCE SOUTH 13°31'41" EAST, ALONG SAID WESTERLY RIGHT-OF-WAY, A DISTANCE OF 1426.87 FEET TO THE BEGINNING OF A CURVE TO THE LEFT, HAVING A RADIUS OF 1054.93 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE LEFT, AN ARC DISTANCE OF 470.02 FEET, THROUGH A CENTRAL ANGLE OF 25°31'40" (CHORD BEARING SOUTH 26°17'31" EAST, 466.14');

THENCE SOUTH 39°03'21" EAST, ALONG SAID WESTERLY RIGHT-OF-WAY, A DISTANCE OF 1301.74 FEET TO THE BEGINNING OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 854.93 FEET;

THENCE ALONG SAID RIGHT-OF-WAY AND CURVE TO THE RIGHT, AN ARC DISTANCE OF 501.33 FEET, THROUGH A CENTRAL ANGLE OF 33°35'53" (CHORD BEARING SOUTH 22°15'25" EAST, 494.17');

THENCE SOUTH 05°27'29" EAST, ALONG SAID WESTERLY RIGHT-OF-WAY, A DISTANCE OF 1754.06 FEET TO A POINT LYING ON THE SOUTH LINE OF SAID SECTION 26;

THENCE SOUTH 87°13'26" EAST ALONG SAID SOUTH LINE, A DISTANCE OF 202.08 FEET TO THE POINT OF BEGINNING.

**First American Title Insurance Company
National Commercial Services**

**SCHEDULE B
Fourth Amended**

PART TWO:

1. This item has been intentionally deleted.
2. Reservations or Exceptions in Patents, or in Acts authorizing the issuance thereof.
3. Water rights, claims or title to water, whether or not shown by the public records.
4. This item has been intentionally deleted.
5. An easement for electric lines and incidental purposes in the document recorded as Book 191 of Deeds, Page 472.

(Affects Section 26)
6. An easement for electric lines and incidental purposes in the document recorded as Book 191 of Deeds, Page 561.

(Affects Sections 23 and 26)
7. Easements, exceptions and reservations including the right to prospect for, mine and remove all oil, gas and other minerals as set forth in instrument recorded in Book 82 of Official Records, Page 209 and in Book 172 of Official Records, Page 355.

(Affects Section 22, 26, 27, 28, 33, 34, and 35)(gas line, power lines, telephone lines, highway undefined location)
8. An easement for telephone and telegraph lines and incidental purposes in the document recorded as Book 265 of Official Records, Page 257.

(Affects Sections 22, 27 and 34)
9. This item has been intentionally deleted.

10. An easement for electric lines and incidental purposes in the document recorded as Book 2595 of Official Records, Page 270.

(Affects Section 26 and 35)
11. The terms and provisions contained in the document entitled "Deed" recorded as Book 2935 of Official Records, Page 730.

(Affects Sections 15, 22, 26, 27 and 35)
12. An easement for roadway and incidental purposes in the document recorded as Book 2935 of Official Records, Page 739.

(Affects Sections 26, 27, 34 and 35)
13. An easement for ingress, egress and utilities and incidental purposes in the document recorded as Book 3138 of Official Records, Page 386 and corrected in Book 3561 of Official Records, Page 696.

(Affects Sections 26, 27, 34 and 35)
14. An easement for communication facilities and incidental purposes in the document recorded as Book 3201 of Official Records, Page 716.

(Affects Sections 26, 27, 34 and 35)
15. This item has been intentionally deleted.
16. This item has been intentionally deleted.
17. The right to enter upon, mine and remove all coal and other minerals as reserved in patents recorded in Book 147 of Deeds, Page 5 and in Book 154 of Deeds, Page 121.
18. Easement, reservations and conditions contained in Book 32 of Deeds, Page 233.
19. An easement for oil and water pipelines and incidental purposes in the document recorded as Book 58 of Official Records, Page 517.
20. An easement for gas pipeline and incidental purposes in the document recorded as Book 6 of Official Records, Pages 181 through 247.
21. This item has been intentionally deleted.
22. The terms and provisions contained in the document entitled "Development Agreement" recorded January 8, 2001 as Book 3803 of Official Records, Page 805 and re-recorded February 8, 2001 as Book 3810 of Official Records, Page 466 and First Addendum recorded November 14, 2005 as Book 4333 of Official Records, Page 666.

23. An easement for drainage and incidental purposes in the document recorded as Book 568 of Official Records, Page 212.
24. All matters set forth in Survey recorded in Book 138 of Surveys, Page 33 and 34.
25. This item has been Intentionally deleted.
26. The terms and provisions contained in the document entitled "Water Right Lease Agreement by and between The Town of Chino Valley and The Bond Ranch at Del Rio Springs, L.L.C., dated October 13, 2005" recorded March 8, 2006 as Book 4371 of Official Records, Page 976.
27. The terms and provisions contained in the document entitled "Water Resources and Infrastructure and Management Agreement" recorded July 25, 2003 as Book 4055 of Official Records, Page 700 and thereafter an Amendment recorded March 8, 2006 in Book 4371 of Official Records, Page 977.
28. Any facts, rights, interests or claims that may exist or arise by reason of the following matters disclosed by an ALTA/ACSM survey made by Project Design Consultants on September 29, 2006, designated Job Number 3377.00:
 - a.) Dirt roads traversing the property.
 - b.) Fences meandering along boundary lines.
 - c.) Power lines and power poles lying outside any recorded easements.
 - d.) Farm roads traversing the property.
 - e.) Cemetery located in Section 22.
 - f.) A lack of access to the property East of abandoned railroad and trail.
29. The rights of parties in possession by reason of any unrecorded lease or leases or month to month tenancies affecting any portion of the within described property.

NOTE: This matter will be more fully set forth or deleted upon compliance with the applicable requirement(s) set forth herein.
30. Taxes for the year 2008, a lien not yet due and payable.
31. All matters as set forth in Survey, recorded as Book 163 of Surveys, Page 73-85.
32. An easement for ingress, egress, utilities and incidental purposes in the document recorded as Book 4469 of Official Records and Page 449 and re-recorded in Book 4482 of Official Records, Page 17 of Official Records.

End of Schedule B

**First American Title Insurance Company
National Commercial Services**

Fifth Amended

REQUIREMENTS:

1. Compliance with A.R.S. 11-480 relative to all documents to be recorded in connection herewith. See note at end of this section for details.
2. All of 2007 taxes are paid in full.

NOTE: Taxes are assessed in the total amount of \$543.40 for the year 2006 under Assessor's Parcel No. 306-40-062 8.

NOTE: Taxes are assessed in the total amount of \$1,652.58 for the year 2006 under Assessor's Parcel No. 306-40-038 9.

NOTE: Taxes are assessed in the total amount of \$335.96 for the year 2006 under Assessor's Parcel No. 306-40-064A 3.

NOTE: Taxes are assessed in the total amount of \$463.78 for the year 2006 under Assessor's Parcel No. 306-40-064C 1.

NOTE: Taxes are assessed in the total amount of \$308.46 for the year 2006 under Assessor's Parcel No. 306-40-058A 6.

NOTE: Taxes are assessed in the total amount of \$127.90 for the year 2006 under Assessor's Parcel No. 306-40-063 1.

NOTE: Taxes are assessed in the total amount of \$894.78 for the year 2006 under Assessor's Parcel No. 306-40-321 0.

NOTE: Taxes are assessed in the total amount of \$1,143.72 for the year 2006 under Assessor's Parcel No. 306-40-028E 5.

NOTE: Taxes are assessed in the total amount of \$10,061.14 for the year 2006 under Assessor's Parcel No. 306-40-028Q 0.

NOTE: Taxes are assessed in the total amount of \$1,851.30 for the year 2006 under Assessor's Parcel No. 306-40-028P 1.

NOTE: Taxes are assessed in the total amount of \$851.40 for the year 2006 under Assessor's Parcel No. 306-40-320A 6.

NOTE: Taxes are assessed in the total amount of \$2,918.62 for the year 2006 under Assessor's Parcel No. 306-40-038A 8.

3. Record partial release and reconveyance of a Deed of Trust securing an original indebtedness in the amount of \$16,000,000.00, recorded April 15, 2004 as Book 4137 of Official Records, Page 812.
Dated: April 15, 2004
Trustor: Bond Ranch at Del Rio Springs, LLC, an Arizona limited liability company
Trustee: First American Title Insurance Company
Beneficiary: Robert O'Rear, an individual, as to an undivided 5/16th interest; Joseph Galando, an individual as to an undivided 5/16th interest; James Brown, an individual, as to an undivided 5/16th interest and Duncan A. Wallace, an individual as to an undivided 1/16th interest as tenants in common

A document recorded August 2, 2004 as Book 4173 of Official Records, Page 190 provides that the lien or charge of the Deed of Trust was subordinated to the lien or charge of the Deed of Trust recorded August 2, 2004 as Book 4173 of Official Records, Page 189.

4. Record partial release and reconveyance of a Deed of Trust securing an original indebtedness in the amount of \$16,000,000.00, recorded August 2, 2004 as Book 4173 of Official Records, Page 189.
Dated: July 30, 2004
Trustor: Bond Ranch at Del Rio Springs, LLC, an Arizona limited liability company
Trustee: First American Title Insurance Company
Beneficiary: Citicorp USA, Inc., a Delaware corporation

A document recorded April 17, 2007 as Book 4498 of Official Records, Page 619 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

5. Furnish Revised Plat of Survey of the subject property by a Registered Land Surveyor in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" as currently established. Said Plat of Survey shall include the recommended certification and, at the minimum, also have shown thereon Items 1, 6, 8, 10, 11(b), 16, 17 and 18 from Table A thereof.

NOTE: If a Zoning Endorsement is requested, Items 7(a), 7(b) and 7(c) of Table A will also be required. If "parking" is to be added to the endorsement, the number and type of parking spaces must be shown on the survey. Property use information must also be provided to First American Title Insurance Company.

6. Furnish copies of any existing leases affecting the within described property and insertion of said leases in Schedule B of the Policy of Title Insurance.
7. Furnish a copy of the Articles of Organization, stamped "filed" by the Arizona Corporation Commission; a fully executed copy of the Operating Agreement, and any amendments thereto; and a list of the current members of The Bond Ranch at Del Rio Springs, L.L.C., a limited liability company.

8. Furnish copies of all Certificates required by Title 29, Chapter 3, Arizona Revised Statutes, on file with the Secretary of State relating to Brown Family Communities, an Arizona limited partnership. Said Certificates shall be certified by an authorized representative of the Secretary of State as true and correct copies and shall be accompanied by a Certificate from the Secretary of State's office stating that the Certificates presented constitute a complete set of Certificates filed in said office relative to the limited partnership stated.
9. Furnish a copy of the Partnership Agreement of Brown Family Communities, an Arizona limited partnership, together with any amendments thereto.

NOTE: The partners required to execute on behalf of Brown Family Communities, an Arizona limited partnership, to complete this transaction shall be set forth at such time as Requirement No.(s) 8 and 9 have been furnished.

10. Approval by all parties to this transaction of the description used herein.
11. Record Warranty Deed from The Bond Ranch at Del Rio Springs, L.L.C., a limited liability company to Brown Family Communities, an Arizona limited partnership.

NOTE: In connection with Arizona Revised Statutes 11-480, as of January 1, 1991, the County Recorder may not accept documents for recording that do not comply with the following:

 - a. Print must be ten-point type or larger.
 - b. A margin of two inches at the top of the first page for recording and return address information and margins of one-half inch along other borders of every page.
 - c. Each instrument shall be no larger than 8-1/2 inches in width and 14 inches in length.
12. Return to title department for final recheck before recording.

DISCLOSURE NOTE: In the event any Affidavit required pursuant to A.R.S. §33-422 has been, or will be, recorded pertaining to the land, such Affidavit is not reflected in this Commitment nor will it be shown in any policy to be issued in connection with this Commitment. The statute applies only to unsubdivided land in an unincorporated area of a county.

End of Requirements

Attachment B

**Copy of the Preliminary Plat as Submitted to the Town of Chino Valley for
Approval**

Attachment C

Estimate of Water Demand

The estimated water demand for the proposed subdivision, as envisioned in the preliminary plat, is 311.74 acre feet per year. The water demand was estimated using the assumptions contained in the ADWR Demand Calculator for the Prescott AMA (copy of spreadsheet attached). The assumed persons-per-household-unit of 2.58 is derived from the US Census 2000 Demographic Profile for the Town of Chino Valley. Standard values were used for residential components and no large lot adjustment is required. Non-residential components include low water use roadside landscaping and open space/pocket parks as well as a common clubhouse and pool. The standard factor of 10% for lost and unaccounted water was used for the estimate, although since the system will be new, a lower factor could reasonably be expected. All estimated water uses will be in compliance with ADWR Third Management Plan standards.

Attachment C

| February 5, 2008 | | CERTIFICATE OF ASSURED WATER SUPPLY GENERIC DEMAND CALCULATOR | | | | |
|---|-------------|---|-----------------------|--------------------------------------|--------------------------------|--|
| Del Rio East - Alpha | | | | | | |
| <p>INSTRUCTIONS: This spreadsheet is designed to help you calculate the water demand for your new subdivision for purposes of applying for a Certificate of Assured Water Supply. Please fill out all blue boxes. If you need help, contact the Office of Assured and Adequate Water Supply at (502) 437-2465.</p> | | | | | | |
| <p>NOTE: This sheet, when completed, does not constitute approval of the demand estimate for your subdivision. It is intended for general estimation purposes only. Final official demand estimates will be determined by the Department upon review of your complete application.</p> | | | | | | |
| Enter the AMA the subdivision is located in: | | | | | | |
| Residential Usage | | | | | | |
| Category | PPHU | GPCD or per house/day | Demand/HU/YR (af/yr) | No. HU (Lots) | Residential Demand/Yr (af/yr) | |
| Single Family (ft) | 2.58 | 57.00 | 0.16 | 795.00 | 130.98 | |
| Single Family Landscape (ex) | 1.00 | 75.00 | 0.08 | 795.00 | 66.78 | |
| Total Residential Demand | | | | | 197.76 | |
| Non-Residential Usage | | | | | | |
| For each category please enter either square feet or acres of land for that type of non-residential use within your subdivision. | | | | | | |
| Category | Square Feet | Acres | Demand Factor (af/af) | | Non-Residential Demand (af/yr) | |
| Right of Way | | 26.70 | 1.50 low water use | | 38.55 | |
| Clubhouse landscape | | 2.10 | 1.50 low water use | | 3.15 | |
| Clubhouse landscape | | 0.50 | 4.90 turf | | 2.45 | |
| Clubhouse interior | | 1.00 | 2.25 commercial | | 2.25 | |
| Public Pool (length x width = square feet) | 2500.00 | 0.06 | AMA TMP model pool | | 0.23 | |
| Open Space/Pocket Park | | 17.00 | 1.50 low water use | | 26.55 | |
| Open Space/Pocket Park | | 2.50 | 4.90 turf | | 12.25 | |
| Total Non-Residential Demand | | | | | 85.43 | |
| Distribution Losses | | | | | | |
| | Residential | Non-Residential | Total | Loss Factor % | Distribution Losses (af/yr) | |
| Demand af/yr | 197.76 | 85.43 | 283.18 | 10.00 | 28.32 | |
| Construction Demand | | | | | | |
| | No. of Lots | Demand (gals/lot) | 100 yr demand (af) | | Construction Demand (af/yr) | |
| | 795.00 | 10000.00 | 24.40 | | 0.24 | |
| Total Demand Per Year | | | | | 311.74 | |
| Residential Usage | 197.76 | Non-Residential Usage | 85.43 | Construction Demand | 0.24 | |
| | | | | Total Non-Residential Usage | 113.99 | |
| | | | | Total Demand Per Year (af/yr) | 311.74 | |



FACT SHEET

Chino Valley town, Arizona

View a Fact Sheet for a race, ethnic, or ancestry group

Census 2000 Demographic Profile Highlights:

| General Characteristics - show more >> | Number | Percent | U.S. | | |
|---|--------|---------|--------|-----|-------|
| Total population | 7,835 | | | map | brief |
| Male | 3,845 | 49.1 | 49.1% | map | brief |
| Female | 3,990 | 50.9 | 50.9% | map | brief |
| Median age (years) | 39.8 | (X) | 35.3 | map | brief |
| Under 5 years | 475 | 6.1 | 6.8% | map | |
| 18 years and over | 6,756 | 73.5 | 74.3% | | |
| 65 years and over | 1,273 | 16.2 | 12.4% | map | brief |
| One race | 7,683 | 98.1 | 97.6% | | |
| White | 7,370 | 94.1 | 75.1% | map | brief |
| Black or African American | 18 | 0.2 | 12.3% | map | brief |
| American Indian and Alaska Native | 74 | 0.9 | 0.9% | map | brief |
| Asian | 12 | 0.2 | 3.6% | map | brief |
| Native Hawaiian and Other Pacific Islander | 6 | 0.1 | 0.1% | map | brief |
| Some other race | 203 | 2.6 | 5.6% | map | |
| Two or more races | 152 | 1.9 | 2.4% | map | brief |
| Hispanic or Latino (of any race) | 766 | 9.8 | 12.5% | map | brief |
| Household population | 7,805 | 99.6 | 97.2% | map | brief |
| Group quarters population | 30 | 0.4 | 2.8% | map | |
| Average household size | 2.58 | (X) | 2.59 | map | brief |
| Average family size | 3.01 | (X) | 3.14 | map | |
| Total housing units | 3,256 | | | map | |
| Occupied housing units | 3,030 | 93.1 | 91.0% | | brief |
| Owner-occupied housing units | 2,337 | 77.1 | 66.2% | map | |
| Renter-occupied housing units | 693 | 22.0 | 33.8% | map | brief |
| Vacant housing units | 226 | 6.9 | 9.0% | map | |
| Social Characteristics - show more >> | Number | Percent | U.S. | | |
| Population 25 years and over | 5,332 | | | | |
| High school graduate or higher | 4,506 | 84.5 | 80.4% | map | brief |
| Bachelor's degree or higher | 763 | 14.3 | 24.4% | map | |
| Civilian veterans (civilian population 18 years and over) | 1,085 | 18.3 | 12.7% | map | brief |
| Disability status (population 5 years and over) | 1,562 | 20.8 | 19.3% | map | brief |
| Foreign born | 348 | 4.3 | 11.1% | map | brief |
| Male, Now married, except separated (population 15 years and over) | 1,913 | 64.8 | 58.7% | | brief |
| Female, Now married, except separated (population 15 years and over) | 1,894 | 56.1 | 52.1% | | brief |
| Speak a language other than English at home (population 5 years and over) | 680 | 9.0 | 17.9% | map | brief |
| Economic Characteristics - show more >> | Number | Percent | U.S. | | |
| In labor force (population 16 years and over) | 3,442 | 55.7 | 63.9% | | brief |
| Mean travel time to work in minutes (workers 16 years and over) | 21.4 | (X) | 25.5 | map | brief |
| Median household income in 1999 (dollars) | 32,280 | (X) | 41,994 | map | |
| Median family income in 1999 (dollars) | 35,013 | (X) | 50,046 | map | |
| Per capita income in 1999 (dollars) | 15,555 | (X) | 21,587 | map | |
| Families below poverty level | 277 | 12.6 | 9.2% | map | brief |
| Individuals below poverty level | 1,235 | 15.5 | 12.4% | map | |
| Housing Characteristics - show more >> | Number | Percent | U.S. | | |

Attachment D
ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED WATER SUPPLY
3550 NORTH CENTRAL AVE. 2ND FLOOR
PHOENIX, ARIZONA 85012
(602) 771-8585

NOTICE OF INTENT TO SERVE

Subdivision/Development Name ("Subdivision"): Del Rio East - Alpha

Subdivision Owner ("Owner"): Bond Ranch at Del Rio Springs LLC

Municipal Provider: Del Rio Water Company, LLC

If the Municipal Provider has several divisions, please specify service area in which the Subdivision is located

ADEQ Public Water System Number: Please indicate the number valid for this Subdivision

Municipal Provider Type:

City or Town;

Irrigation District;

Water Improvement District;

Private Water Company Regulated by the Arizona Corporation Commission ("PWC");

Is the Subdivision within the PWC's existing Certificate of Convenience and Necessity ("CC&N")? Yes No
If "No", has an application for an extension of the CC&N been filed? Yes No (Application is being prepared)

If "Yes" date of submittal: _____

Please include a copy of the application for extension and reference as an attachment.

If the Subdivision is not within the PWC's CC&N, a Certificate of Assured Water Supply will not be issued until the CC&N has been extended to include the Subdivision.

Homeowners' Association ("HOA")

If HOA, please provide the documents that establish the HOA and evidence from the Arizona Corporation Commission ("ACC") that the HOA is "not for public service," and therefore not subject to regulation by the ACC.

Other (Explain) _____

COMPLETE THIS SECTION IF SUBDIVISION IS LOCATED WITHIN AN ACTIVE MANAGEMENT AREA:

ADWR Service Area Right Number: New Right to be established Number can be found on ADWR Annual Reports

Is the Subdivision located within the Municipal Provider's existing operating distribution system? Yes No

If no, will the Municipal Provider be establishing a new service area right to serve the Subdivision? Yes No

If yes, what type of right will be used to establish the service area right? Type 2 Grandfathered Right

If the Subdivision is not within the Municipal Provider's operating distribution system, the Municipal Provider must begin the process to establish a new or satellite service area right or enter into an agreement with the undersigned Owner to extend water lines to the subdivision before a Certificate of Assured Water Supply will be issued. Please contact your local AMA office for more information on establishing a new service area right.

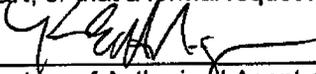
The undersigned Owner and Municipal Provider certify that: (1) They have entered into an agreement whereby the Municipal Provider agrees to provide the Subdivision an amount of water sufficient to satisfy the water demands of the Subdivision; (2) The aforementioned agreement is binding upon the present and future agents, servants, representatives, successors in interest and assigns of the Municipal Provider and the Owner; and (check which of the following applies):

(a) the Subdivision is within 660' of the Municipal Provider's operating distribution system or,

(b) the undersigned Owner and Municipal Provider have entered into an agreement to extend water lines to the subdivision, or

(c) a new service area right will be established to serve the Subdivision (if subdivision is located within an active management area). This Notice of Intent to Serve is conditioned upon the Municipal Provider's receipt of necessary approvals from the relevant regulatory agencies and the Municipal Provider's receipt of all necessary payments.

If the Municipal Provider is a PWC, then the Municipal Provider further certifies that the Subdivision is within the boundaries of its CC&N, or that a formal request has been (or will be) filed with the ACC to extend the boundaries to include the Subdivision.

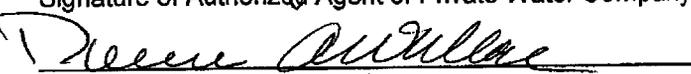


Signature of Authorized Agent of Private Water Company

Manager
Title

2/15/08

Date



Signature of Owner

Manager
Title

2-15-08

Date

Attachment D

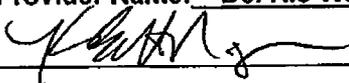
ARIZONA DEPARTMENT OF WATER RESOURCES
OFFICE OF ASSURED WATER SUPPLY
3550 NORTH CENTRAL AVE. 2ND FLOOR
PHOENIX, ARIZONA 85012
(602) 771-8585

NOTICE OF INTENT TO SERVE

SIGNATURE PAGE FOR:

Subdivision/Development Name ("Subdivision"): Del Rio East - Alpha

Water Provider Name: Del Rio Water Company, LLC

By: 

Its: Manager

Owner Name: Bond Ranch at Del Rio Springs, LLC

By: 

Its: Manager

This form must be signed by each owner or an authorized agent for each owner. If the signator is someone other than the owner, please provide proof of legal authority to sign on each owner's behalf that is dated within 90 days of the date this application is submitted to the Department.

RESOLUTION OF SOLE MEMBER**DEL RIO WATER COMPANY, LLC**

The undersigned, being the sole Member of DEL RIO WATER COMPANY, LLC ("Company"), which is a limited liability company under the laws of the state of Arizona, does hereby appoint H. THOMAS WICK and KEVIN NAGAI, as Managers of the Company, with full right and authority to act as Manager as set forth in the Company's Operating Agreement dated as of August 8, 2001. Without limiting the powers of the Manager under the Operating Agreement or law, either of such Managers hereby appointed shall have the authority, acting individually, to: (i) execute and deliver any and all contracts, forms or documents on behalf of the Company; and (ii) perform and do any and all other acts and things as may be necessary or convenient to carry out the Company's business.

This Resolution shall remain in full force and effect and may continue to be relied upon by any and all governmental agencies, lenders or other parties until such parties receive written notice of its revocation signed by the Company's sole member. Any such notice shall operate prospectively only, and shall not affect any liability of Company or of the undersigned individuals arising out of transactions with such parties occurring prior to its receipt of such notice.

IN WITNESS WHEREOF, the undersigned has signed this Resolution as of February 5, 2008.

THE BOND RANCH AT DEL RIO SPRINGS,
L.L.C.

By 
Duncan A. Wallace, Its Manager

Attachment E

Continuous Availability and Legal Availability

There are two water sources that will be utilized to serve the subdivision, groundwater and effluent. The groundwater will be withdrawn from a service area well that will be constructed by the Bond Ranch at Del Rio Springs LLC (Developer), but owned and operated by the Del Rio Water Company LLC (Water Company). Effluent will be First Generation On-Site Effluent that will be collected in the Town of Chino Valley's (Town) wastewater system, treated at the Town Wastewater Reclamation Facility and stored at the Town's Old Home Manner Underground Storage Facility. The effluent will be recovered using the same well that is used to withdraw groundwater. The Water Company will apply to have the well designated as a recovery well.

The Del Rio East – Alpha subdivision is located entirely within the Town limits of the Town of Chino Valley. There is currently no operating water service area at the site of the subdivision. The Developer and the Del Rio Water Company LLC have entered into agreements for the Water Company to provide water service. The Developer and the Town of Chino Valley have entered into an agreement for the Town to provide sewer service. The initial phase of the water service area will require the development of a well, water treatment works, and a storage facility. The initial phase of the water service area will require the refurbishment and equipping of an existing well, water treatment works, and a storage facility. The initial well is located within the Sec. 34 T17N R2W. The Developer will (i) make modifications to the initial well and to design and construct related equipment (ii) design and construct arsenic treatment, potable water storage with booster pumps and associated equipment; and (iii) design and construct water transmission mains and related equipment necessary to deliver potable water to the Del Rio East-Alpha subdivision. The Water Company intends to operate, maintain, and repair that portion of the water service facility located within public rights of way or other public property, and to provide water service to the Development within the Water Company's new service area. The Water Company will file an Initial Notice of Intent to Establish a New Service Area with ADWR. The Developer is the owner of a Type 2 Non-Irrigation Grandfathered Right No. 58-120029.0001 under which it is authorized to divert and use up to 63.44 acre-feet of groundwater annually. Until ADWR establishes the well as a New Service Area Well, the Developer is willing to use a portion of the Type 2 Right to serve as a source of water from the initial well as a new service area water supply for the subdivision. In order to utilize the initial well as a recovery well for withdrawing effluent credits, the Water Company will also need to receive such a designation from ADWR.

Pursuant to the Agreement for Sewer Facilities and Service entered into between the Developer and the Town, the Developer intends to design and construct a wastewater lift station, a force main, and a primary interceptor main necessary to collect sewage and wastewater from residential and commercial developments within the Property, and convey the same to the existing Town Wastewater Reclamation Facility. The Town

intends to operate, maintain, and repair that portion of the Del Rio wastewater facility located within public rights of way or other public property, and to provide wastewater treatment service to the subdivision as part of the Town's recognized wastewater treatment service area. By ordinance, the Town requires an owner of a lot on which commercial or residential dwelling units are located to maintain sewage and wastewater lines and related infrastructure located on that lot. The Town owns and operates an underground storage facility where it intends to recharge the effluent associated with the First Generation On-Site Effluent. The permit for the underground storage facility is #71-595206.0000 with a storage capacity of 1,120 acre feet per year. The Town also holds water storage permit #73-595206.0000 which is also for 1,120 acre feet per year.

The Developer and the Town have also entered into an agreement titled the "Water Resources, Infrastructure and Management Agreement." As recognized in this Agreement, the Town will be the owner of all effluent generated at the Del Rio East-Alpha subdivision. The Town's ownership of the effluent is consistent with state law. (Under *Arizona Public Service Co. v. Long*, the entity that treats the wastewater has the right to determine the use of the resulting treated effluent.) Under the Agreement the Town will not encumber any effluent generated within the Del Rio development and will make it available to the Developer for use in obtaining Certificates of Assured Water Supply. The Town will be the owner of the effluent credits but not the operator of the water supply service area. An annual transfer of effluent credits from the Town to the Water Company is envisioned. The Town intends to dedicate the amount of effluent generated within the Del Rio East - Alpha subdivision to this Certificate of Assured Water Supply. The Town has previously committed to a similar dedication in the case of the Certificate of Assured Water Supply for Highlands Ranch Phase II (#27-401741.0000). The effluent for this Certificate of Assured Water Supply will be recovered outside of the Area of Hydrologic Impact of the Old Home Manor Underground Storage Facility. However, the hydrologic conditions at both the storage site and the proposed recovery site meet the requirements of §8-101.B of the Prescott AMA Third Management Plan.

Attachment F

Physical Availability of Source Water

The physical availability of the groundwater resources for this application has been previously demonstrated to ADWR. By letter dated January 30, 2003, ADWR approved the Bond Ranch Application for Physical Availability Demonstration #20-400853 (copy of letter attached.)

The physical availability of the First Generation On-site Effluent is based on empirical rather than measured data. The estimate for the anticipated effluent volume is based on the assumption that two-thirds of interior residential usage will result in effluent flow. In the case of this application the estimated interior use was assumed to be 57 gpcd. At the assumed occupancy rate of 2.58 pphu the volume of interior residential use for 795 units will be 130.96 acre feet per year. Two thirds of this volume will equate to 87.3 acre feet per year. This volume was reduced by 5% to account for losses and evaporation in the collection, treatment and recharge aspects. The resulting estimate of effluent once the subdivision is fully built out is 82.86 acre feet or 8,286 acre feet over the 100 year period.

ARIZONA DEPARTMENT OF WATER RESOURCES

Hydrology Division
500 North Third Street, Phoenix, Arizona 85004
Telephone 602 417-2448
Fax 602 417-2425



January 30, 2003

JANET RAPOKITANO
Governor

HERB GUENTHER
Director

Mr. James Bond
Ms. Lee Storey
3003 N. Central Avenue, Suite 1250
Phoenix, Arizona 85012

RE: The Bond Ranch, Chino Valley
Application for Physical Availability Demonstration #10-400853

Dear Mr. Bond and Ms. Storey:

The Department has completed review of the report entitled *Demonstration of Physical Availability of Water Supply for the Bond Ranch at Del Rio Springs, Yavapai County, Arizona*, by Errol L. Montgomery & Associates, Inc., November 15, 2002 and has completed analysis of additional available hydrologic information. The study area includes the Bond Ranch Property and consists of about 3058 acres in Sections 22, 26, 27 and 34, T17N, R2W, G&S R B&M in Yavapai County within the Little Chino sub-basin of the Prescott Active Management Area.

Our review included additional hydrogeologic data provided by Allen, Stephenson and Associates (Aquifer Testing and Evaluation Report No. 2). The aquifer test data and modeling simulations by Montgomery and Associates suggest concurrent groundwater discharge from the Little Chino (LIC) sub-basin to the surface at Del Rio Springs and sub-surface groundwater discharge in the Lower Volcanic Unit (LVU) to the Big Chino sub-basin/Verde headwaters area. The groundwater modeling report from Montgomery and Associates indicates that the magnitude of groundwater discharge in the LVU sub-surface may be greater than previously thought. Therefore, groundwater pumping could eventually capture a greater proportion of groundwater discharge from the LVU sub-surface (to the Big Chino/Verde area) and capture less at the surface (Del Rio Springs) than the Department's previous estimates.

These data were considered in our evaluation of the groundwater flow simulation of the aquifer system by Montgomery and Associates using the ADWR groundwater flow model. The future groundwater discharge rate projected at Del Rio Springs by Montgomery & Associates represents an informed projection based on the ADWR model and should be considered a reasonable estimate of the life of Del Rio Springs.

The results of our review indicate that the groundwater discharge at Del Rio Springs is not independent of long-term groundwater level decline rates and sub-surface groundwater discharge in the LIC sub-basin. The projected groundwater demand from all pumping in the LIC sub-basin will continue to capture groundwater discharge to the Big Chino Sub-basin/Verde headwaters area even after Del Rio Springs is projected to go dry in approximately 2030. The long-term decline rates in the LIC sub-basin are expected to continue if projected groundwater demand and long-term (calibrated) recharge rates hold true. The net groundwater storage loss for the Prescott AMA (LIC and Upper Aqua Fria sub-basin) is projected to be about 10,000 acre-feet per year.

Page 2

January 30, 2003

Mr. James Bond

The Bond Ranch, Chino Valley

Application for Physical Availability Demonstration #20-400853

based on current commitments plus the additional 3531 acre-feet requested for your development. Additionally, shallow wells in and around the LIC sub-basin might be adversely impacted by chronic groundwater level decline rates due to the projected groundwater demands.

In accordance with A.A.C. R-12-15-702(C), the consultant has furnished sufficient data and analysis to demonstrate that 3,531 acre-feet per year of groundwater is physically available for 100 years under A.A.C. R-12-15-703(B) for assured water supply purposes in the subject area. This water is also of adequate quality for purposes of A.A.C. R-12-15-704. It is the Department's conclusion that, after taking into account a gradual buildup of the water demand, pumping these amounts for 100 years will take the depth-to-static water level to approximately 40 to 150 feet below land surface, which is within the maximum depth allowed by A.A.C. R-12-15-703(B). This letter deals only with physical availability. Other assured water supply requirements, including legal availability of groundwater, will need to be addressed in any future applications.

The results of the Department's hydrologic review fulfill the requirements of R12-15-702(C) and can be cited in applications for certificates of assured water supply or for designation of assured water supply. If the Department finds that the groundwater supply is not available because the assumptions and information used in determining the physical availability under the current criteria prove incorrect, the Department will modify the availability of groundwater accordingly.

The Department's determination is an appealable agency action. In order to appeal this decision; you must request an appeal within thirty (30) days from receipt of this letter. I have enclosed a summary of the appeals process and an appeal form should you wish to pursue this option.

If you have any questions regarding the physical availability review, please contact Karen Medesto at (602) 417-2448.

Sincerely,



Frank Putman
Acting Assistant Director

FPKM/d
20132

cc: Mr. Tom Anderson, Errol L. Montgomery & Associates, Inc.
Mr. James Holt, Prescott AMA
Mr. Jim Holway
Ms. Shilpa Hunter-Patel
Mr. Doug Dunham

Attachment G

Consistency with the Management Goal

The water budget for this application utilizes three components of groundwater:

- 2,650 acre feet are allowed for use in demonstrating Consistency with the Management Goal pursuant to R12-15-726.A. The formula for this calculation is as follows: $[(2025-2008) * 311.74] + 2$.
- 15,000 acre feet of groundwater are allowed for use in demonstrating Consistency with the Management Goal pursuant to R12-15-726.B that is being pledged to this Certificate of Assured Water Supply application from the water portfolio of the Town of Chino Valley. Bond Ranch at Del Rio Springs LLC purchased the equivalent of 150 acre feet per year of extinguishment credits from the Town on April 12, 2004. This purchase is documented in the attached Town of Chino Valley Resolution No. 04-722 and related Sixth Amendment to Water Resources, Infrastructure and Management Agreement. Also attached is the letter from Bond Ranch to the Town confirming payment for these credits. The date cited in the Sixth Amendment paragraph G contains an apparent typographical error. By letter dated January 23, 2008, Bond Ranch has requested that the Town complete the ADWR forms entitled Notification of Conveyance of Assured Water Supply Credits. Evidence of the existence of the credits and ownership by the Town of Chino Valley can be found in Extinguishment Document numbers 58-101753.0003; 58-101753.0007; 58-114293.0002; and 58-120016.0003.
- 5,238 acre feet of groundwater are allowed for use in demonstrating Consistency with the Management Goal pursuant to R12-15-726.B resulting from the extinguishing the Type 1 Grandfathered Rights to 139.68 acres from Certificate #58-106092.0003.

RESOLUTION NO. 04-722

A RESOLUTION OF THE VICE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, YAVAPAI COUNTY, ARIZONA, AUTHORIZING AND APPROVING A SIXTH AMENDMENT TO WATER RESOURCES, INFRASTRUCTURE AND MANAGEMENT AGREEMENT, DATED FEBRUARY 18, 2003.

WHEREAS, the Town of Chino Valley (Town has previously entered into a *Water Resources, Infrastructure And Management Agreement* with The Bond Ranch At Del Rio Springs, LLC (Developer) dated February 18, 2003 (the Agreement); and,

WHEREAS, the Town and Developer agreed in a First Amendment dated May 22, 2003, to *Water Resources, Infrastructure And Management Agreement* to extend the terms of the Agreement to May 31, 2004; and,

WHEREAS, the Town and the Developer have agreed in a Second Amendment dated May 27, 2004, to *Water Resources, Infrastructure And Management Agreement* to extend the terms of the Agreement to June 15, 2004 and,

WHEREAS, the Town and the Developer have agreed in a Third Amendment dated June 10, 2004, to *Water Resources, Infrastructure And Management Agreement* to extend the terms of the Agreement to July 1, 2004 and,

WHEREAS, the Town and the Developer have agreed in a Fourth Amendment dated July 24, 2004, to *Water Resources, Infrastructure And Management Agreement* to extend the terms of Agreement to August 12, 2004 and,

WHEREAS, the Town and the Developer have agreed to a Fifth Amendment dated August 12, 2004, to *Water Resources, Infrastructure And Management Agreement* to extend the terms of Agreement to August 26, 2004 and

WHEREAS, the Town and the Developer have agreed to a Sixth Amendment, acknowledging that the *Agreement To Purchase Connections To Wastewater Treatment Facility And Consent* entered into by Developer and Fann Contracting, Inc. on August 11, 2004, complies with the terms and conditions of Sections 1.3 and 7.2.1 of the *Water Resources, Infrastructure And Management Agreement* and discharges any further obligation of the Developer with respect to Section 7.2.1; and

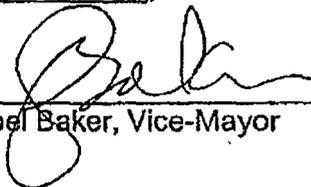
WHEREAS, the Common Council has considered such proposed Sixth Amendment at a regularly scheduled and public council meeting with proper notice thereof and an opportunity having been given to all interested parties to be heard; and,

WHEREAS, the public convenience and necessity require the approval of the proposed amendment,

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the Town of Chino Valley, Yavapai County, Arizona, as follows:

1. The proposed *Sixth Amendment To Water Resources, Infrastructure And Management Agreement* dated February 18, 2003, in substantially the form attached hereto as Exhibit 1, is hereby approved by the Common Council.

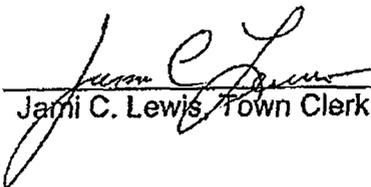
PASSED AND ADOPTED by the Vice Mayor and Common Council of the Town of Chino Valley, Arizona, this 23rd day of September, 2004.



Joel Baker, Vice-Mayor

ATTEST:

APPROVED AS TO FORM:



Jami C. Lewis, Town Clerk



Musgrove, Drutz & Kack
Town Attorney

**SIXTH AMENDMENT TO
WATER RESOURCES, INFRASTRUCTURE AND MANAGEMENT AGREEMENT
DATED FEBRUARY 18, 2003
(Town of Chino Valley & Bond Ranch at Del Rio Springs, LLC)**

This Sixth Amendment is made and entered into this 24th day of September, 2004 by and between the Town of Chino Valley, a municipal corporation of the State of Arizona (Town) and Bond Ranch at Del Rio Springs, LLC, an Arizona Limited Liability Company (Developer). The Town and Developer are collectively referred to as the "Parties".

RECITALS

- A. The Parties have heretofore entered into an Agreement known as *Water Resources Infrastructure and Management Agreement* dated February 18, 2003 (the Agreement); and, said Agreement, per the terms of Section 7.2.1, provides that the Agreement shall automatically terminate on May 31, 2003 if certain ancillary agreements regarding financing and construction of the wastewater treatment facility have not occurred.
- B. The Parties entered into a First Amendment to the Agreement extending the term of the Agreement to May 31, 2004.
- C. The Parties entered into a Second Amendment to the Agreement extending the term of the Agreement to June 15, 2004.
- D. The Parties entered into a Third Amendment to the Agreement extending the term of the Agreement to July 1, 2004.
- E. The Parties entered into a Fourth Amendment to the Agreement extending the term of the Agreement to August 12, 2004.
- F. The Parties entered into a Fifth Amendment to the Agreement extending the term of the Agreement to August 26, 2004.
- G. On or about April 15, 2003, the Developer delivered to the Town a check in the amount of \$750,000 for the purchase of 150 acre feet per year of the Town's Water Portfolio as provided in Section 2.5 of the Agreement.
- H. In May, 2004, the Developer delivered to the Town a check in the amount of \$810,000 for prepayment of two hundred thirteen (213) Facility Hook-ups of a total of six hundred (600) Facility Hook-ups that Developer has agreed to purchase from Fann Contracting, Inc.

- I. On or about July 15, 2004, the Town delivered the amount due Fann Contracting, Inc. for Developer's prepayment of the first two hundred thirteen (213) Facility Hook-ups.
- J. On August 11, 2004, the Developer and Fann Contracting, Inc. entered an agreement known as *Agreement to Purchase Connections to Wastewater Treatment Facility and Consent* (Wastewater Agreement) setting forth the terms for the payment of the additional three hundred eighty-seven (387) Facility Hook-up fees, a copy of which is attached hereto as Exhibit A.
- K. On August 26, 2004, the Town consented to and also executed the Wastewater Agreement as provided between the Developer and Fann Contracting, Inc. and referenced in Recital J above.

NOW THEREFORE, in consideration of the agreements and promises set forth herein and those set forth in the Agreement and Wastewater Agreement, the Parties agree as follows:

1. The Town agrees and confirms that the Wastewater Agreement attached hereto as Exhibit A complies with the terms and conditions of Sections 1.3 and 7.2.1 of the Agreement, and discharges any further obligation of the Developer with respect to Section 7.2.1 of the Agreement.
2. The Town agrees and confirms that the Developer has purchased 150 acre feet per year of the Town's Water Portfolio as provided in Section 2.5 of the Agreement.
3. All other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this *Sixth Amendment to Water Resources, Infrastructure And Management Agreement* to be Effective as of August 26, 2004.

THE TOWN OF CHINO VALLEY

By: Karen Fann, Mayor

ATTEST:

Jamie C. Lewis
Jamie C. Lewis, Town Clerk

APPROVED AS TO FORM:

James B. Masgrove
James B. Masgrove, Town Attorney

THE BOND RANCH AT DEL RIO SPRINGS, LLC.

By: H. Brown *Managing Member, Base Case*
Managing Member

for Darwin & Wallace

THE BOND RANCH AT DEL RIO SPRINGS, LLC
411 108TH AVENUE NE, SUITE 1970, BELLEVUE, WASHINGTON 98004-5554
TELEPHONE (425) 646-3030 FACSIMILE (425) 646-3040

April 12, 2004

Mayor Karen Fann
Town of Chino Valley
P.O. Box 406
Chino Valley, AZ 86323

Dear Mayor Fann,

This letter is to confirm our tender of \$750,000.00 to purchase 150 acre feet of water from the Town of Chino Valley pursuant to Resolution 663 and the resulting Water Resources, Infrastructure and Management Agreement dated February 18, 2003, extended by Resolution No. 674 to May 31, 2004. We are tendering our payment based on fees approved by Amended Ordinance No. 496 at \$5,000.00 per acre-foot. Please accept this tender as payment in full for 150 acre feet of water.

Sincerely,
The Bond Ranch at Del Rio Springs, LLC



Duncan Wallace,
Managing Member

Cc: H. Thomas Wick
Lee Storey, Esq.

THE BOND RANCH AT DEL RIO SPRINGS, LLC
411 108TH NE, STE 1970
BELLEVUE, WA 98004

CHART BANK
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4/12/2004

PAY TO THE
ORDER OF

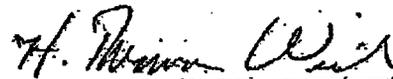
Town of Chino Valley

\$ 750,000.00

Seven Hundred Fifty Thousand and 00/100*****

DOLLARS

Town of Chino Valley



MEMO

⑈001471⑈ ⑆125108450⑆ 01305085⑈

THE BOND RANCH AT DEL RIO SPRINGS, LLC.

By: H. Thomas West, Managing Member, *Base Capital*

for Doreen Q. Walker

THE BOND RANCH AT DEL RIO SPRINGS, LLC
411 108TH AVENUE NE, SUITE 1970, BELLEVUE, WASHINGTON 98004-5554
TELEPHONE (425) 646-3030 FACSIMILE (425) 646-3040

January 23, 2008

Mr. Gerald Stricklin,
Assistant Town Manager
Town of Chino Valley
1020 W. Palomino Road
Chino Valley, AZ 86323

RE: The Bond Ranch at Del Rio Springs, LLC; Request for Conveyance of Extinguishment Credits to Del Rio East-Alpha Plat.

Dear Mr. Stricklin:

In a letter to the Mayor and Town Council dated January 17, 2008, we informed the Town that pursuant to Section 2.5 of the Water Resources, Infrastructure and Management Agreement dated February 18, 2003, as amended ("Water Resources Agreement"), that we are pledging the 15,000 acre feet (150 acre feet per year) of the extinguishment credits we previously purchased from the Town to the Del Rio East-Alpha plat. Pursuant to said Section 2.5 of the Water Resources Agreement, the Town is required to make this water available to us for such purpose. Pursuant to Section 3.1 of the Water Resources Agreement, the Town is further required to cooperate with us in our efforts to obtain Certificates of Assured Water Supply (CAWS). To that end, enclosed please find Notification of Conveyance of Assured Water Supply Credits ("Notification") forms that we have completed on the Town's behalf and which we intend to include in our application for the CAWS. The Notification forms require the signature of the Town's representative before a notary public. No fee is required by the Arizona Department of Water Resources (ADWR) in connection with these Notification forms.

Note that we have complied with the requirement under Section 3.1 of the Water Resources Agreement that we give the Town a 10-day period to review and comment on our draft CAWS application. We submitted our draft CAWS application to the Town on October 23, 2007, and we have taken into due consideration the comments of the Town's water resource manager which were provided to our water expert, Herb Dishlip, in a meeting on January 14, 2008.

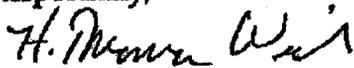
As we intend to file the CAWS application for the Del Rio East-Alpha plat very shortly, and since the Town has threatened to penalize us should we not submit such

Mr. Ron Grittman
January 24, 2008
Page 2

application by February 18, 2008, we hereby demand the Town's prompt execution of the Notification forms and returning the originals to us for filing with our CAWS application with ADWR within ten (10) days from the date of this letter. Since this is purely a ministerial matter already covered by the Water Resources Agreement, no Council approval is required, and there is no reason to delay performance.

Please contact Mr. Kevin Nagai (Tel. 425 646-3039 or email kevin@basecapital.com) as soon as the signed Notification forms are available for pick up. Time is of the essence. Please contact us immediately should you have any questions.

Respectfully,



H. Thomas Wick
Managing Member
Base Capital, L.L.C.

Enclosure

Cc: Mayor Karen Fann
Vice-Mayor Joel Baker
Council Members Jim Bunker, Pat Purdin, Virginia Reid, Ron Romley and Gloria Moore
Ron Grittman, Town Engineer
Mark Holmes, Town Water Resource Manager
Duncan Wallace, Managing Member
Jake Jacobson, Project Manager
Kevin Nagai
Scott Settle, Esq.
Lee Storey, Esq.
Tony Cullum, Esq.
James Musgrove, Esq.
Bill Staudenmaier, Esq.
Herb Dishlip, Consultant
Al Bradshaw
Catherine England



Arizona Department of Water Resources
 Office of Assured and Adequate Water Supply
 3550 N. Central Ave, 2nd Floor
 Phoenix, Arizona 85012
 (602) 771-8599
 Web: www.azwater.gov

**Notification of Conveyance
 of Assured Water Supply Credits**

A.A.C. R12-15-723

NO FEE

- ❖ The Creditholder's signature on this form must be notarized.
- ❖ Enclose the original extinguishment document. If the original document has been lost, a notarized statement to this effect must be submitted.
- ❖ Once extinguishment credits are pledged to a Certificate of Assured Water Supply, they may not be re-conveyed.
- ❖ In the case of a change in ownership of the subdivision, use this form to re-convey the credits to the same subdivision. You may choose to withdraw the pledged credits in the case of a change in ownership, but only if no lots have been sold.
- ❖ Extinguishment credits may not be transferred or pledged outside of the active management area in which they originated.
- ❖ The effective date of this conveyance is the date of Notarization.

DATE RECEIVED

The undersigned party hereby notifies the Arizona Department of Water Resources of the conveyance of the following extinguishment credits:

| | | | |
|--|--|--|----------------|
| EXTINGUISHMENT DOCUMENT NUMBER 58 - 1 0 1 7 5 3 . 0 0 0 7 | | ACTIVE MANAGEMENT AREA (CHECK ONE) <input type="checkbox"/> Phoenix <input type="checkbox"/> Pinal <input checked="" type="checkbox"/> Prescott <input type="checkbox"/> Tucson | |
| AMOUNT OF CREDITS ON CURRENT EXTINGUISHMENT DOCUMENT Acre-Feet | | Credits Are Being Conveyed To CHECK ONE | |
| AMOUNT OF CREDITS TO BE CONVEYED 561.0 Acre-Feet | | <input type="checkbox"/> Designated Water Provider | DWR NO. 26- |
| | | <input checked="" type="checkbox"/> Certificate of Assured Water Supply | DWR NO. 27- |
| | | <input type="checkbox"/> Private Entity: | |

| | | | |
|---|-----------------------|---|-----|
| Creditholder | | <i>If Private Entity Is checked above, provide:</i> | |
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL Town of Chino Valley | | FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL | |
| MAILING ADDRESS P.O. Box 406 | | MAILING ADDRESS | |
| CITY/STATE/ZIP CODE Chino Valley, Arizona 86323 | | CITY/STATE/ZIP CODE | |
| CONTACT PERSON NAME AND TITLE Mark Holmes, Water Resources Manager | | CONTACT PERSON NAME AND TITLE | |
| TELEPHONE NUMBER (928) 636-7140 | FAX (928) 636-7141 | TELEPHONE NUMBER | FAX |
| SIGNATURE OF CREDITHOLDER <i>Sign in the presence of a Notary Public</i> | | DATE | |

NOTARY PUBLIC ACKNOWLEDGMENT

STATE OF ARIZONA)
)
 COUNTY OF _____)

Subscribed and sworn to before me by _____ (SELLER)
 this _____ day of _____, 20_____

(SEAL)

NOTARY PUBLIC SIGNATURE

DATE COMMISSION EXPIRES

If you have questions regarding this matter, please contact the appropriate Active Management Area office:
 Phoenix (602) 771-8550 • Pinal (520) 836-4857 • Prescott (928) 778-7202 • Tucson (520) 770-3800



Arizona Department of Water Resources
 Office of Assured and Adequate Water Supply
 3650 N. Central Ave, 2nd Floor
 Phoenix, Arizona 85012
 (602) 771-8599
 Web: www.azwater.gov

**Notification of Conveyance
 of Assured Water Supply Credits**
 A.A.C. R12-15-723

NO FEE

- ❖ The Creditholder's signature on this form must be notarized.
- ❖ Enclose the original extinguishment document. If the original document has been lost, a notarized statement to this effect must be submitted.
- ❖ Once extinguishment credits are pledged to a Certificate of Assured Water Supply, they may not be re-conveyed.
- ❖ In the case of a change in ownership of the subdivision, use this form to re-convey the credits to the same subdivision. You may choose to withdraw the pledged credits in the case of a change in ownership, but only if no lots have been sold.
- ❖ Extinguishment credits may not be transferred or pledged outside of the active management area in which they originated.
- ❖ The effective date of this conveyance is the date of Notarization.

DATE RECEIVED

The undersigned party hereby notifies the Arizona Department of Water Resources of the conveyance of the following extinguishment credits:

| | | | |
|---|--|---|--|
| EXTINGUISHMENT DOCUMENT NUMBER 58 - 1 1 4 2 9 3 . 0 0 0 2 | | ACTIVE MANAGEMENT AREA (CHECK ONE) <input type="checkbox"/> Phoenix <input type="checkbox"/> Pinal <input checked="" type="checkbox"/> Prescott <input type="checkbox"/> Tucson | |
| AMOUNT OF CREDITS ON CURRENT EXTINGUISHMENT DOCUMENT Acra-Feet | | Credits Are Being Conveyed To CHECK ONE | |
| AMOUNT OF CREDITS TO BE CONVEYED 915.2 Acra-Feet | | <input type="checkbox"/> Designated Water Provider DWR NO. 26- <input checked="" type="checkbox"/> Certificate of Assured Water Supply DWR NO. 27- <input type="checkbox"/> Private Entity: | |

| | | | |
|--|-----------------------|--|-----|
| Creditholder FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL Town of Chino Valley | | <i>If Private Entity is checked above, provide:</i> FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL | |
| MAILING ADDRESS P.O. Box 406 | | MAILING ADDRESS | |
| CITY / STATE / ZIP CODE Chino Valley, Arizona 86323 | | CITY / STATE / ZIP CODE | |
| CONTACT PERSON NAME AND TITLE Mark Holmes, Water Resources Manager | | CONTACT PERSON NAME AND TITLE | |
| TELEPHONE NUMBER (928) 636-7140 | FAX (928) 636-7141 | TELEPHONE NUMBER | FAX |
| SIGNATURE OF CREDITHOLDER <i>Sign in the presence of a Notary Public</i> | | DATE | |

NOTARY PUBLIC ACKNOWLEDGMENT

STATE OF ARIZONA)
)
 COUNTY OF _____)
 Subscribed and sworn to before me by _____ (SELLER)
 this _____ day of _____, 20____

(SEAL)

NOTARY PUBLIC SIGNATURE

 DATE COMMISSION EXPIRES _____

*If you have questions regarding this matter, please contact the appropriate Active Management Area office:
 Phoenix (602) 771-8550 • Pinal (520) 836-4867 • Prescott (928) 778-7202 • Tucson (520) 770-3600*



Arizona Department of Water Resources
 Office of Assured and Adequate Water Supply
 3550 North Central Avenue, Phoenix, Arizona 85012
 (800) 352-8488 Web: www.water.az.gov

Application for Extinguishment of a Grandfathered Groundwater Right for Assured Water Supply Credits
 A.A.C. R12-15-723

DATE RECEIVED

- ❖ The rightholder's (current landowner) signature on this form must be notarized.
- ❖ Enclose the original Certificate of Grandfathered Right. If the original certificate has been lost, a notarized statement to this effect must be submitted.
- ❖ For a partial extinguishment, i.e., the number of acres being extinguished is less than the full acreage associated with the Right, include a map outlining the borders of the acres to be extinguished. The map may be to any scale, but must include a minimum of four section corners in a Township.
- ❖ For a partial extinguishment, include a payment of \$35 for issuance of a new certificate for the remaining acreage.
- ❖ Assured water supply credits will be calculated based on the date the complete application is received by the Active Management Area office.
- ❖ Upon completion of the processing of this request for extinguishment, the grandfathered rights will be **permanently extinguished** in exchange for assured water supply credits.

| | | | |
|--|-----------------------|---|--|
| EXTINGUISHMENT DOCUMENT NUMBER 58 - 1 0 6 0 9 2 0 0 0 3 | | ACTIVE MANAGEMENT AREA (CHECK ONE) <input type="checkbox"/> Phoenix <input type="checkbox"/> Pinal <input checked="" type="checkbox"/> Prescott <input type="checkbox"/> Tucson | |
| Rightholder (Current Landowner) | | Credits Are Being Pledged To | |
| FULL NAME OF COMPANY, ORGANIZATION, OR INDIVIDUAL The Bond Ranch at Del Rio Springs LLC | | CHECK ONE <input type="checkbox"/> Designated Water Provider DWR NO. 26- <input type="checkbox"/> Certificate of Assured Water Supply DWR NO. 27- <input type="checkbox"/> Private Entity NAME | |
| MAILING ADDRESS 411 108 th Ave. Suite 1970 | | <input checked="" type="checkbox"/> Credits Are Not Pledged At This Time | |
| CITY / STATE / ZIP CODE Bellevue, Washington 98004 | | DATE WATER WAS LAST USED UNDER THIS RIGHT 2002 | |
| CONTACT PERSON NAME AND TITLE Herb Dishlip, P.E. Consultant | | | |
| TELEPHONE NUMBER (480) 897-1274 | FAX (480) 897-2012 | | |

| Irrigation Grandfathered Rights | Type 1 Non-Irrigation Grandfathered Rights | Type 2 Non-Irrigation Grandfathered Rights |
|---|---|--|
| NUMBER OF ACRES ON CERTIFICATE | NUMBER OF ACRES ON CERTIFICATE 673.8 | AMOUNT OF RIGHT ALLOTMENT |
| NUMBER OF ACRES TO BE PERMANENTLY EXTINGUISHED | NUMBER OF ACRES TO BE PERMANENTLY EXTINGUISHED 140.0 | |
| BALANCE OF FLEXIBILITY ACCOUNT | | |
| Note: If an Irrigation Grandfathered Right to be extinguished has a debit balance in its flexibility account, the amount of the debit shall be subtracted from the amount of assured water supply credit. | | For Irrigation and Type 1 Grandfathered Rights, a recorded deed evidencing ownership of the land must be enclosed. For a Type 2 Non-Irrigation Right, documentation evidencing ownership must be enclosed. |

Sign in the presence of a Notary Public
 I hereby request that the Arizona Department of Water Resources PERMANENTLY EXTINGUISH the above-referenced grandfathered right in exchange for assured water supply credits. Sign in the presence of a Notary Public.

SIGNATURE OF RIGHTHOLDER: *Duncan Wallace* DATE: 2-15-08

NOTARY PUBLIC ACKNOWLEDGMENT

STATE OF ~~ARIZONA~~ WASHINGTON)
 COUNTY OF King) S.

Subscribed and sworn to before me by Duncan Wallace for The Bond Ranch at Del Rio Springs
 (Landowner)

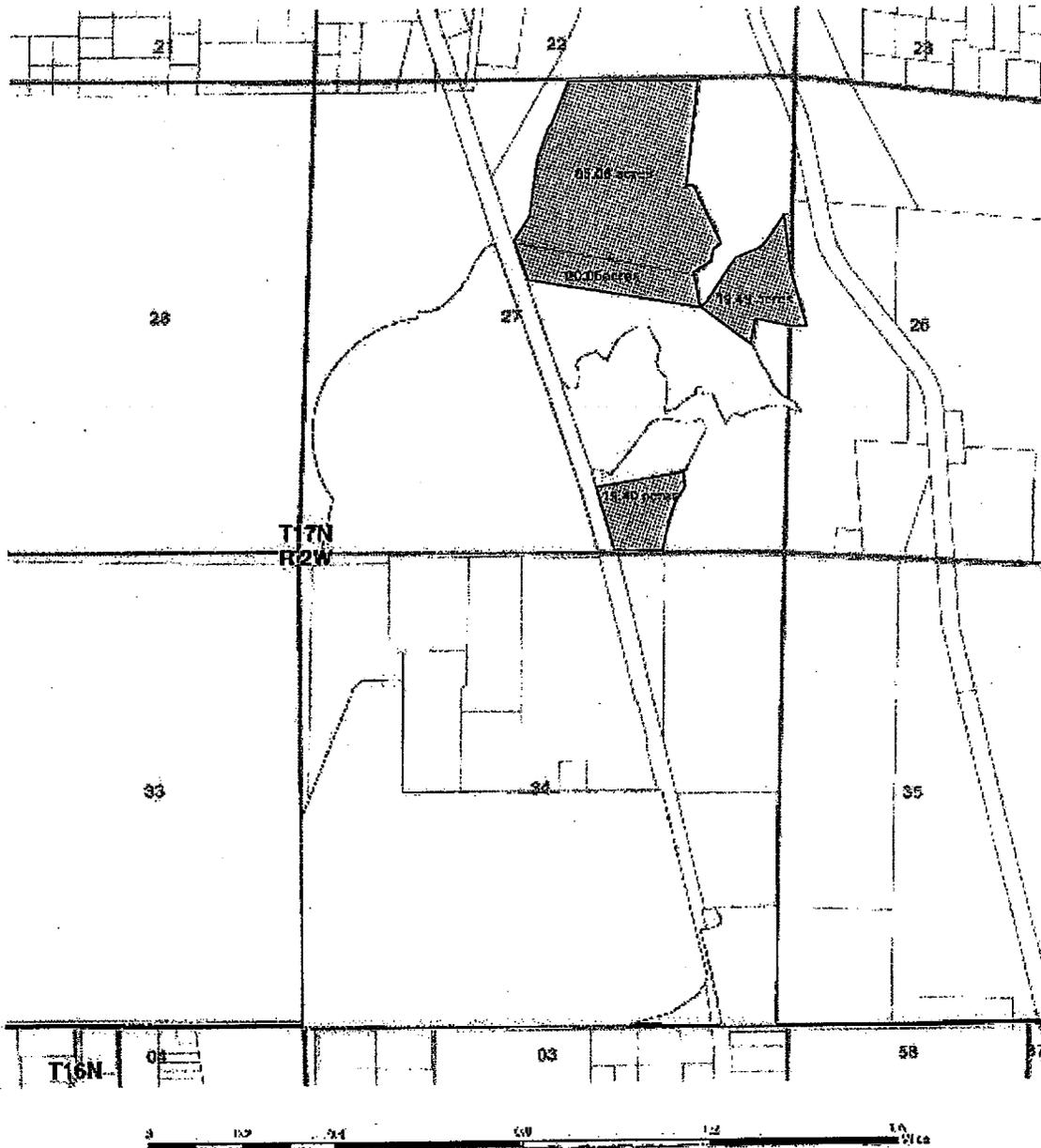
this 15 day of February 2008.

(SEAL)

NOTARY PUBLIC SIGNATURE: James L. Mingos
 DATE COMMISSION EXPIRES: 3 19 1 2010

If you have questions, please contact the appropriate Active Management Area office:
 Phoenix (602) 771-8585 • Pinal (520) 836-4857 • Prescott (928) 778-7202 • Tucson (520) 770-3800
 application_extinguishment_02-05-08 (2) (REVISED 02/12/08)

Bond Ranch @ Del Rio Springs, LLC
58-106092.0003



58-106092_0003
Scale: 1" = 200'



2/1/2008



If you have questions, please contact the appropriate Active Management Area office:
Phoenix (602) 771-8585 • Pinal (520) 836-4857 • Prescott (928) 778-7202 • Tucson (520) 770-3800
application_extinguishment_02-05-08 (2) (REVISED 02/12/08)

THE BOND RANCH
AT DEL RIO SPRINGS, LLC
411 108TH AVE. NE. STE. 1970
BELLEVUE, WA 98004-5554

CHARTER BANK
BELLEVUE, WA 98004
98-845/1251

2241

2/12/2008

PAY TO THE ORDER OF Department of Water Resources

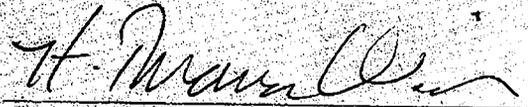
\$ **5,075.00

Five Thousand Seventy-Five and 00/100*****

DOLLARS

Department of Water Resources

MEMO



AUTHORIZED SIGNATURE

⑈002241⑈ [REDACTED]

THE BOND RANCH AT DEL RIO SPRINGS, LLC

2241

Department of Water Resources
Land entitlement:Permits

2/12/2008

5,075.00

RECEIVED
MOYES STOREY

FEB 14 2008

Checking

5,075.00

To include all documents referenced in the application...

To include correctly calculated fees?

To have application signed by each applicant or an authorized agent for each applicant and include proof of the authorization?

ATTACHMENT "D"
Del Rio Water Company
WATER TARIFF SCHEDULE

RATES AND CHARGES

CUSTOMER/MINIMUM CHARGES PER MONTH

| <u>METER</u> | <u>CHARGE</u> | <u>GALLONS</u> | <u>COMMODITY CHARGE (EXCESS OF MINIMUM):</u> |
|--------------|---------------|----------------|--|
| 5/8 x 3/4" | \$ 20.00 | for - | \$2.50 PER 1,000 GALLONS |
| 3/4" | \$ 30.00 | for - | |
| 1" | \$ 50.00 | for - | FLAT RATE \$ <u>N/A</u> PER MONTH |
| 1 1/2" | \$ 100.00 | for - | |
| 2" | \$ 160.00 | for - | |
| 3" | \$ 320.00 | for - | |
| 4" | \$ 500.00 | for - | |
| 5" | \$ 750.00 | for - | |
| 6" | \$ 1,000.00 | for - | |

SERVICE LINE AND METER INSTALLATION CHARGES

| <u>Meter Size</u> | <u>Service Line Charge</u> | <u>Meter Charge</u> | <u>Total Charge</u> |
|-------------------|--------------------------------|-------------------------|-------------------------|
| 5/8 X 3/4" | \$ 355 | \$ 85 | \$ 440 |
| 3/4" | 355 | 165 | 520 |
| 1" | 405 | 205 | 610 |
| 1 1/2" | 440 | 415 | 855 |
| 2" - Turbine | 600 | 915 | 1,515 |
| 2" - Compound | 600 | 1,640 | 2,240 |
| 3" - Turbine | 775 | 1,420 | 2,195 |
| 3" - Compound | 815 | 2,215 | 3,030 |
| 4" - Turbine | 1,110 | 2,250 | 3,360 |
| 4" - Compound | 1,170 | 3,145 | 4,315 |
| 6" - Turbine | 1,670 | 4,445 | 6,115 |
| 6" - Compound | 1,710 | 6,180 | 7,890 |

SERVICE CHARGES:

| | |
|--|----------|
| Establishment | \$ 25.00 |
| Establishment After Hours | 35.00 |
| Reconnection (Delinquent) | 35.00 |
| Reconnection (Delinquent and After Hours) | 50.00 |
| Meter Test | 35.00 |
| Deposit | (a) |
| Hydrant Meter Deposit | \$ 50.00 |
| Deposit Interest | (b) |
| Re-Establishment (Within 12 Months) | (c) |
| Re-Establishment (After Hours) | (c) |
| NSF Check | \$ 25.00 |
| Deferred Payment, Per Month | 1.50% |
| Meter Re-Read | \$ 25.00 |
| Moving Meter at Customer Request per Rule R14-2-405B | Cost |
| Late Charge/Month | 1.50% |
| Main Extension per Rule R14-2-406B | Cost (d) |

(a) Per Commission rule AAC R-14-2-403(D)

(b) Interest per Rule R14-2-403(B)

(c) Months off system times the monthly minimum per Rule R14-2-403(D)

(d) Cost to include labor, parts, overhead, and all applicable taxes, including income tax, if applicable.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).