

# WEST END WATER CO.



0000091776

9098 W. Pinnacle Peak Road  
Peoria, Arizona 85383  
Phone: (623) 972-6133  
Fax: (623) 566-8925

ORIGINAL

December 12, 2008

Arizona Corporation Commission

**DOCKETED**

DEC 12 2008

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

DOCKETED BY	<i>MM</i>
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RE: West End Water Co. -CC&N Expansion, Docket No. W-01157A-05-0706 and  
Decision No. 69672, Main Extension Agreement for Water Facilities to the  
Extension Area.

Dear Madam/Sir:

In compliance with the above referenced Docket and Decision please find enclosed  
copies of the Master Water Facilities Agreement filed with the Arizona Corporation  
Commission Staff for review and approval. The Master Water Facilities Agreement  
includes provision for water service to the extension area.

Cordially,

Marvin E. Collins  
Manager

AZ CORP COMMISSION  
DOCKET CONTROL

2008 DEC 12 P 12:41

RECEIVED

# WEST END WATER CO.

9098 W. Pinnacle Peak Road  
Peoria, Arizona 85383  
Phone: (623) 972-6133  
Fax: (623) 566-8925

December 12, 2008

Mr. Bradley Morton  
Public Utilities Consumer Analyst II  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, AZ 85007

RE: Master Water Facilities Line Extension Agreement No. WEWC 08-001,  
Woodside Walden, LLC, Walden Farms, LLC, and Michael C. Anderson

Dear Mr. Morton:

Please find enclosed for your review and approval two (2) originals and two (2) copies each of the referenced Master Water Line Extension Agreement between West End Water Co. and Woodside Walden, LLC, Walden Farms, LLC, and Michael C. Anderson.

Also enclosed is one copy each of the following:

1. Engineering plans for the Walden Well #1 site and the Walden Ranch, Water Plant, Phase I.
2. Certificate Of Approval To Construct the Walden Ranch Well #1 issued October 18, 2007, by the Maricopa County Environmental Services Department (Project No. 073942).
3. Certificate Of Approval To Construct the Walden Ranch, Water Plant Phase I issued June 4, 2008, by the Maricopa County Environmental Services Department (Project No. 081485).
4. Water Use Data Sheet.

Please let me know if you require any other information from West End Water Co.

Cordially,



Marvin E. Collins  
Manager

Enc.

**MASTER WATER FACILITIES  
LINE EXTENSION AGREEMENT**

**BETWEEN**

**WEST END WATER CO.**

**AND**

**WOODSIDE WALDEN, LLC**

**WALDEN FARMS LLC**

**AND**

**MICHAEL C. ANDERSON**

**FOR**

**WALDEN RANCH**

**AND**

**RANCHO MARIA**

December 4, 2008

**MASTER WATER FACILITIES  
LINE EXTENSION AGREEMENT**

THIS MASTER WATER FACILITIES LINE EXTENSION AGREEMENT ("Master Agreement") is entered into this 4 day of December, 2008, by and between West End Water Co., an Arizona corporation, ("Company"), Woodside Walden, LLC, an Arizona limited liability company, Walden Farms, LLC, an Arizona limited liability, collectively ("Walden"), and, Michael C. Anderson. In this Master Agreement, Walden and Michael C. Anderson are sometimes referred to individually as a "Developer" or collectively as the "Developers," and the Company, Walden and Michael C. Anderson are sometimes referred to individually as a "Party" and collectively as the "Parties."

**RECITALS**

A. Company is a public service corporation within the meaning of Article 15, Section 2, of the Arizona Constitution, and is authorized to provide potable water service within defined geographic area within Maricopa County, Arizona, ("Certificated Area") in accordance with a Certificate of Convenience and Necessity granted by order of the Arizona Corporation Commission ("Commission").

B. Walden is the master developer of certain real property generally located in Sections 24 and 25, Township 5 North, Range 3 West, G&SRB&M, as more particularly described in the attached Exhibit "A" which is incorporated herein by this reference, known as Walden Ranch ("Walden Ranch"). Walden Ranch contains approximately 520 acres with planned development of approximately 1,537 residential lots, a school, park and approximately 20 acres of commercial development.

C. Michael C. Anderson is the developer of certain real property generally located in the E½ of the E½ of Section 14, Township 5 North, Range 3 West, G&SRB&M, as more particularly described in the attached Exhibit "B" which is incorporated herein by this reference, known as Rancho Maria ("Rancho Maria"). Rancho Maria contains approximately 147 acres with planned development of approximately 383 residential lots and 23 acres of commercial development.

D. Walden Ranch and Rancho Maria are collectively referred to herein as the "Developments." The Developments contain a combined total of approximately 1,920 lots (each lot is individually referred herein as a "Lot").

E. To meet the water service needs of the Developments, potable water wells, water storage tanks, treatment equipment, and booster stations (the "Off-Site Plant Facilities"), and well water transmission mains (the "Off-Site Pipeline Facilities") must be constructed.

F. Developers are willing to construct the Off-Site Plant Facilities and Off-Site Pipeline Facilities (together the "Off-Site Facilities") and Company desires that Developers construct the Off-Site Facilities, subject to Company's approval of the design and construction.

G. To meet the water service needs of the Developments, water distribution mains, fire hydrants, service lines, meters and related appurtenances (the "On-Site Facilities") need to be installed within the individual subdivisions and commercial properties comprising the Developments.

H. Developer has constructed but not equipped a potable water well (the "Walden Ranch Well") on a parcel of property within Walden Ranch (the "Walden Ranch Well Site") as shown on Exhibit "C."

I. Developer has constructed but not equipped a second potable water well (the "Rancho Maria Well") on a parcel of property within Rancho Maria (the "Rancho Maria Well Site") as shown on Exhibit "D".

J. Walden or affiliates of Walden own or are under contract to purchase certain parcels of property collectively representing Walden Ranch, including (the "Walden Ranch Booster Station Site") as shown on Exhibit "E" that the Parties agree is suitable for constructing a water storage tank, treatment equipment, booster pumping facilities and related appurtenances (the "Booster Station") to serve the Developments.

K. Company and Developers must obtain certain regulatory approvals before the Off-Site Facilities and On-Site Facilities are constructed and water service provided to the Developments.

L. Developers must obtain certain regulatory approvals before the Developments are constructed and properties sold.

## AGREEMENT

NOW, THEREFORE the Parties hereto agree as follows:

1. **Authorizations.**

1.1. **Commission Approval.** This Master Agreement is subject to Arizona Corporation Commission ("Commission") approval. The Company shall file this Master Agreement with the Commission for approval. The Company and Developers will cooperate with each other in providing necessary information and documentation to the Commission, such that Commission approval of this Agreement occurs on as prompt a basis as is reasonably possible.

1.2. **Facilities Approvals.** The Developers shall obtain Certificates of Approval to Construct from the Maricopa County Environmental Services Department ("MCESD"), all required zoning clearances, construction permits and all other approvals required by regulatory and other governmental agencies for all Off-Site Facilities and On-Site Facilities to be constructed by Developers hereunder.

1.3. Assured Water Supply. Developers must obtain a Certificate of Assured Water Supply for the Developments from the Arizona Department of Water Resources ("ADWR") as a condition of subdividing the Developments. Developers and Company acknowledge that several Certificates of Assured Water Supply may be obtained by separate application to ADWR corresponding with the phasing of the Developments. Company shall take all reasonable steps to assist Developers in connection with applications by Developers for Certificates of Assured Water Supply including, but not limited to, executing Notices of Intent to Serve required by ADWR in connection with such applications.

1.4. CAGRD. As a condition of obtaining a Certificate of Assured Water Supply, Developers must enroll the Developments as member land in the Central Arizona Groundwater Replenishment District ("CAGRD"). Developers and Company acknowledge that enrollment of the Developments as member land may occur in phases corresponding with the applications to ADWR for Certificates of Assured Water Supply. Company shall take all reasonable steps to assist Developers in connection with Developer's enrolling the Developments as member land in the CAGRD including, but not limited to, entering into such contracts and recording such declarations as may be reasonably required for the Developments or phase thereof to enroll as member land.

1.5. Company's obligations under this Master Agreement are contingent upon the Parties' receipt of all authorizations described in this Article 1. Company is not liable to Developers or their contractors and subcontractors for damages if Developers begin construction or authorize the start of construction before these authorizations are obtained.

## 2. Master Plan.

2.1. Master Plan. Developers have caused a water master plan to be prepared by Coe and Van Loo Consultants, Inc. for the Developments which shows locations and sizing of all Off-Site Facilities required to provide water service to the Developments (the "Master Plan"). The Master Plan, dated 8/31/2008 has been approved by Company and is incorporated herein and made a part of this Master Agreement as if set out in full herein. Any subsequent amendments to the Master Plan must be approved in writing by Company. Once subsequent amendments, if any, are approved by Company, they will be incorporated herein and made a part of this Master Agreement as if set out in full herein.

2.2. Summary and Cost Estimate. A summary, cost estimate and map of the Off-Site Facilities to be constructed by the Developers is attached as Exhibit F.

## 3. Off-Site Facilities.

3.1. Construction by Developers. Developers will permit, design, construct and install, or cause to be permitted, designed, constructed or installed, the Off-Site Facilities necessary to provide water service to the Developments. The facilities will be sufficient to allow Company to meet all regulatory requirements for providing water service and produce water meeting all primary and secondary water quality standards. Developers will pay all of the costs of permitting, designing constructing, installing, and connecting the Off-Site

Facilities, including but not limited to, the costs of studies, reports, engineering, drinking water source approval, materials, labor, transportation, equipment, permits and approvals, easements, testing, corrections, insurance and bonds. Developers' costs for the construction and installation of the Off-Site Facilities shall be considered advances in aid of construction and subject to refund in accordance with paragraphs 6.3 and 6.4 respectively of this Master Agreement.

3.2. Phasing. Developers may construct the Off-Site Facilities in phases as detailed in Exhibit "G". Any changes to the phasing of Off-Site Facilities must be approved by Company, which approval shall not be unreasonably withheld or delayed.

3.3. Administrative Costs. Developers acknowledge and agree that the Company will incur substantial costs in connection with this Agreement and the extension of service to the Developments including, without limitation, engineering, inspection, accounting, legal and other increased administrative and operating costs. In order to help Company recoup such costs, Developers shall pay to Company 3.5% (Three and 1/2 Percent) of the total cost of all Off-Site Facilities (the "Administrative Costs") payable prior to beginning construction of the Off-Site Facilities. The Administrative Costs will be subject to increase or refund ("true-up") based on the final actual costs of construction. The amount paid by Developers for Administrative Costs shall be considered advances in aid of construction and subject to refund in accordance with paragraphs 6.3 and 6.4 respectively of this Master Agreement.

3.4. Timing of Construction. Developers agree that the phased completion of the Off-Site Facilities will be timed to enable Company to provide water service to the Developments as such service is requested. Developers estimate that construction will commence within six (6) months of the mutual agreement by the Parties of a start date for off-site construction and will be completed within two (2) years thereafter.

#### 4. On-Site Facilities.

4.1. Walden Ranch Facilities. Walden will permit, design, construct and install, or cause to be permitted, designed, constructed or installed, the On-Site Facilities necessary to provide water service to Walden Ranch. Walden's estimated schedule of materials, unit quantities, and costs is set forth in Exhibit "H." Walden will pay all of the costs of permitting, designing constructing, installing, and connecting the On-Site Facilities for Walden Ranch, including but not limited to, the costs of studies, reports, engineering, materials, labor, transportation, equipment, permits and approvals, easements, testing, corrections, insurance and bonds. Walden's costs for the construction and installation of the On-Site Facilities shall be considered advances in aid of construction and subject to refund in accordance with paragraph 6.3 of this Master Agreement.

4.2. Rancho Maria Facilities. Michael C. Anderson will permit, design, construct and install, or cause to be permitted, designed, constructed or installed, the On-Site Facilities necessary to provide water service to Rancho Maria. Michael C. Anderson's estimated schedule of materials, unit quantities, and costs is set forth in Exhibit "I". Michael C.

Anderson will pay all of the costs of permitting, designing constructing, installing, and connecting the On-Site Facilities for Rancho Maria, including but not limited to, the costs of studies, reports, engineering, materials, labor, transportation, equipment, permits and approvals, easements, testing, corrections, insurance and bonds. Michael C. Anderson costs for the construction and installation of the On-Site Facilities shall be considered advances in aid of construction and subject to refund in accordance with paragraph 6.34 of this Master Agreement.

4.3. Phasing. Walden and Michael C. Anderson may construct the On-Site Facilities for Walden Ranch and Rancho Maria, respectively, in phases corresponding with the phasing of the Developments.

4.4. Administrative Costs. Developers acknowledge and agree that the Company will incur substantial costs in connection with this Agreement and the extension of service to the Developments including, without limitation, engineering, inspection, accounting, legal and other increased administrative and operating costs. In order to help Company recoup such costs, Developers shall pay to Company 5% (Five Percent) of the total cost of all On-Site Facilities (the "Administrative Costs") payable prior to beginning construction of the On-Site Facilities. The Administrative Costs will be subject to increase or refund ("true-up") based on the final actual costs of construction. The amount paid by Developers for Administrative Costs shall be considered advances in aid of construction and subject to refund in accordance with paragraphs 6.3 and 6.4 respectively of this Master Agreement.

4.5. Meters. Concurrent with requesting Company to set a water meter in Walden Ranch or Rancho Maria, Walden and Michael C. Anderson, respectively, will submit a cash payment as specified in Company's then-current meter installation tariff, for the water meters to be set. The meter installation fee is considered an advance in aid of construction and subject to refund in accordance with Paragraphs 6.3 and 6.4 of this Agreement.

4.6. Timing of Construction. Developers agree that the phased completion of the On-Site Facilities will be timed to enable Company to provide water service to the Developments as such service is requested. Walden estimates that construction of On-Site Facilities for Walden Ranch will commence within six (6) months of the mutual agreement by the Parties of a start date for on-site construction and will be completed within two (2) years thereafter. Michael C. Anderson estimates that construction of On-Site Facilities for Rancho Maria will commence within six months of the mutual agreement by the Parties of a start date for on-site construction and will be completed within two years thereafter.

## 5. Construction Requirements.

5.1. Plans and Specifications. All plans, specifications, construction and installation of the Off-Site Facilities and On-Site Facilities shall be in accordance with good utility practices, the rules, regulations and requirements of the MCESD and the requirements of all other governmental agencies having jurisdiction thereover. Additionally, construction of any phase of the Off-Site Facilities or On-Site Facilities will not commence until plans and specifications for said phase have been approved by Company, approval or denial shall be provided within thirty (30) days of receipt by Company of any plans or changes to plans. If

such approval or denial is not received within the provided herein, the plans or changes to plans shall be deemed approved. Unless otherwise agreed, if Developers begin construction of any improvements before all required approvals have been obtained, such construction will be at no risk to the Company and subject to repair, alteration or reconstruction at Developers' expense as directed by Company or any regulatory agency.

5.2. Inspection, Testing and Corrections. Developers shall comply with the reasonable inspection and testing requirements of Company for the Off-Site Facilities and On-Site Facilities. The construction contract between Developer and Contractor shall include provisions entitling Company and its inspector to inspect and approve the construction and installation work while it is being performed. If, in the Company's reasonable opinion, the work has not been or is not being performed in a safe, good and workmanlike manner and in accordance with the plans and specifications, Company shall have the right to stop work and require the corrections of any defects and compliance with the plans and specifications. Developers shall give Company adequate notice when the Off-Site Facilities or On-Site Facilities under construction are ready for inspection and testing, and Company shall inspect the same promptly after being so notified. No facility will be placed into service by Company until inspected and approved by Company and MCESD has issued its Approval of Construction. Company will not unreasonably withhold, condition, or delay its approvals under this paragraph. Developers agree to promptly correct all defects and deficiencies in construction, materials and workmanship upon request by Company made subsequent to inspection by Company and for one year following the date that the Company places any phase of the Off-Site Facilities or On-Site Facilities into service.

5.3. Post Construction Submittals. Developers shall, within thirty (30) days of Company's placing each phase of the Off-Site Facilities or On-Site Facilities into service, furnish Company with: (a) copies of all contracts and paid bills, invoices and other statements of expenses incurred by Developers, covering all of the costs of materials, equipment, supplies, construction and installation of the Off-Site Facilities or On-Site Facilities, (b) lien waivers and releases from contractors, subcontractors and vendors for materials, equipment, supplies and construction included in the Off-Site Facilities or On-Site Facilities, (c) receipts, specifying exact amount of payments in full by Developers to all contractors, subcontractors and vendors for all materials, equipment, supplies, labor and other costs of construction of the Off-Site Facilities or On-Site Facilities, and (d) "as-built" drawings, certified as to correctness by an engineer registered in the State of Arizona and showing the locations, materials, and respective sizes, and pertinent construction details for the Off-Site Facilities or On-Site Facilities.

5.4. Ownership. The Off-Site Facilities and On-site Facilities constructed pursuant to this Master Agreement when placed into service by Company shall become and remain the sole property of Company without the requirement of any written document of transfer to Company. However, Developers shall furnish any document pertaining to ownership and title as may be requested by Company, including documents which evidence or confirm transfer of possession to Company, and good and merchantable title free and clear of liens. All risk of loss of each phase of the Off-Site Facilities and On-Site Facilities shall be with Developers until that phase has been placed into service by Company. Developers acknowledge that

Company has the right to, and may in the future, connect its existing or future water systems to the Off-Site Facilities and On-Site Facilities.

5.5. Land. As soon as reasonably practical after the first phase of the Off-Site Plant Facilities and the Walden Ranch Well have been placed into service by Company, Walden shall convey or cause to be conveyed to Company by special warranty deed good and marketable title to the Walden Ranch Booster Station Site and the Walden Ranch Well Site. As soon as reasonably practical after the Rancho Maria Well has been placed into service by Company, Michael C. Anderson shall convey or cause to be conveyed to Company by special warranty deed good and marketable title to the Rancho Maria Well Site. The land shall be valued at \$70,000 per acre and shall be considered an advance in aid of construction subject to refund in accordance with Paragraphs 6.3 and 6.4 respectively of this Master Agreement.

5.6. Easements. Developers shall provide Company with evidence that the Off-Site Pipeline Facilities and On-Site Facilities are located within dedicated streets, public utility easements or public rights-of-way. In the event that any Off-Site Pipeline Facilities or On-Site Facilities are not located within dedicated streets, public utility easements or public rights-of-way, the constructing Developer will grant or cause to be granted to Company non-exclusive easements and/or rights-of-way over, under and across the traversed property as may be necessary to operate, maintain and repair the Off-Site Pipeline Facilities or On-Site Facilities. Developers will provide Company with evidence that the Walden Ranch Booster Station Site, the Walden Ranch Well Site, and the Rancho Maria Well Site have legal access to a dedicated street. In the event that any of the sites do not have legal access to a dedicated street, Developers will grant or cause to be granted to Company non-exclusive access easement from the site to a dedicated street. The reasonable cost of any easements obtained from unaffiliated third parties, shall be considered an advance in aid of construction subject to refund in accordance with Paragraphs 6.3 and 6.4 respectively of this Master Agreement.

5.7. The provisions of this Article 5 will be independently applied to each phase of construction.

6. **Advances and Refunds**.

6.1. Walden Advances. The sum of subparagraphs (a) and (b) below shall constitute the total amount of advances in aid of construction (the "Walden Advance") subject to refund by Company to Walden.

(a) Seventy-Nine Percent (79%) of the sum of (a) the cost of oversight, design, construction and installation of Off-Site Facilities, as evidenced by invoices furnished to Company pursuant to Paragraph 3.1, (b) the amount paid to Company for overhead and supervision pursuant to Paragraph 3.3, and (c) the cost of easements provided, as allowed under Paragraph 5.6.

(b) The sum of (i) the value of land conveyed by Walden to Company pursuant to Paragraph 5.5, (ii) the cost of construction and installation of On-Site Facilities for Walden Ranch, as evidenced by invoices furnished to Company pursuant to Paragraph 4.1, and (iii) the amount paid to Company for overhead and supervision for Walden Ranch On-Site Facilities pursuant to Paragraph 4.4, and (iv) the amount paid to Company for meters in Walden Ranch pursuant to Paragraph 4.5.

6.2. Michael C. Anderson Advances. The sum of subparagraphs (a) and (b) below shall constitute the total amount of advances in aid of construction (the "Michael C. Anderson Advance") subject to refund by Company to Michael C. Anderson.

(a) Twenty-One percent (21%) of the sum of (a) the cost of oversight, design, construction and installation of Off-Site Facilities, as evidenced by invoices furnished to Company pursuant to Paragraph 3.1, (b) the amount paid to Company for overhead and supervision pursuant to Paragraph 3.3, and (c) the cost of easements provided, as allowed under Paragraph 5.6.

(b) The sum of (i) the value of land conveyed by Michael C. Anderson to Company pursuant to Paragraph 5.5, (ii) the cost of construction and installation of On-Site Facilities for Rancho Maria, as evidenced by invoices furnished to Company pursuant to Paragraph 4.2, (iii) the amount paid to Company for overhead and supervision for Rancho Maria On-Site Facilities pursuant to Paragraph 4.4, and (iv) the amount paid to Company for meters in Rancho Maria pursuant to Paragraph 4.5.

6.3. Refund of Walden Advance. Refunds of the Walden Advance will be made by the Company through a combination of quarterly payments and annual payments described below:

(a) Quarterly refund payments in the amount of fifty percent (50%) of the Company's total gross revenues (excluding all gross receipts taxes or sales taxes and all District, Municipal, County, State or Federally imposed regulatory assessments) derived from the provision of construction water for land development uses within Walden Ranch. Such quarterly payment shall be made by the Company within sixty (60) days after the close of a calendar quarter from water revenues received during the calendar quarter. Such quarterly payments shall continue to be made by the Company to Walden for a period of four (4) years from the date the Developers sign this Master Agreement.

(b) Annual refund payments in the amount of eight percent (8%) of the Company's total gross revenues (excluding all gross receipts taxes or sales taxes and all District, Municipal, County, State or Federally imposed regulatory assessments) derived from the provision of water service to each consumer whose service line is connected to the On-Site Facilities located within Walden Ranch. Such annual payment shall be made by the Company on or before August 31 of each year from water revenues received during the preceding July 1 to June 30 period. Such annual payments shall continue to be made by the company to Developers until such time as Developers receive the full amount of the Advance or for a period of twenty-two (22) years, whichever occurs first. The twenty-two (22) year period described herein shall begin four (4) years from the date Company first provides service to a permanent residential customer in Walden Ranch.

(c) If the entire Walden Advance has not been refunded to Walden at the end of such twenty-two (22) year period, the Company's obligation to make refund payments shall cease and the portion of the Walden Advance that was not so refunded shall become the Company's property. Company and Walden agree that throughout the term of this Agreement, Company's refund obligation is executory in nature and Walden's right to receive refunds from Company exists only in accordance with the terms of the Master Agreement and not otherwise. The aggregate refunds to Walden hereunder shall in no

event exceed the total of the Walden Advance. The Company shall have the right to set off against any amounts payable to Walden pursuant to this Paragraph 6 any amounts owing by Walden to the Company.

6.4. Refund of Michael C. Anderson Advance. Refunds of the Michael C. Anderson Advance will be made by the Company through a combination of quarterly payments and annual payments described below:

(a) Quarterly refund payments in the amount of fifty percent (50%) of the Company's total gross revenues (excluding all gross receipts taxes or sales taxes and all District, Municipal, County, State or Federally imposed regulatory assessments) derived from the provision of construction water for land development uses within Rancho Maria. Such quarterly payment shall be made by the Company within sixty (60) days after the close of a calendar quarter from water revenues received during the calendar quarter. Such quarterly payments shall continue to be made by the Company to Michael C. Anderson for a period of four (4) years from the date the Developers sign this Master Agreement.

(b) Annual refund payments in the amount of eight percent (8%) of the Company's total gross revenues (excluding all gross receipts taxes or sales taxes and all District, Municipal, County, State or Federally imposed regulatory assessments) derived from the provision of water service to each consumer whose service line is connected to the On-Site Facilities located within Rancho Maria. Such annual payment shall be made by the Company on or before August 31 of each year from water revenues received during the preceding July 1 to June 30 period. Such annual payments shall continue to be made by the company to Developers until such time as Developers receive the full amount of the Advance or for a period of twenty-two (22) years, whichever occurs first. The twenty-two (22) year period described herein shall begin four (4) years from the date Company first provides water service to a permanent residential customer in Rancho Maria.

(c) If the entire Michael C. Anderson Advance has not been refunded to Michael C. Anderson at the end of such twenty-two (22) year period, the Company's obligation to make refund payments shall cease and the portion of the Michael C. Anderson Advance that was not so refunded shall become the Company's property. Company and Michael C. Anderson agree that throughout the term of this Agreement, Company's refund obligation is executory in nature and Michael C. Anderson right to receive refunds from Company exists only in accordance with the terms of the Master Agreement and not otherwise. The aggregate refunds to Michael C. Anderson hereunder shall in no event exceed the total of the Michael C. Anderson Advance. The Company shall have the right to set off against any amounts payable to Michael C. Anderson pursuant to this Paragraph 6 any amounts owing by Michael C. Anderson to the Company.

7. **General Provisions.**

7.1. **Water Services.** Company will provide water service within the Developments upon completion by Developers of the phase or phases of the Off-Site Facilities and On-Site Facilities required to provide adequate water service to the phase or phases of the Developments requesting water service. Company will provide water service in accordance with the regulatory requirements of the Commission, the Arizona Department of Environmental Quality, Maricopa County Environmental Services Department and any other regulatory or governmental agencies having jurisdiction. Notwithstanding any provision of this Master Agreement to the contrary, if Developers are more than 30 days delinquent on any submittal or payment to Company required hereunder, Company will not be required to provide water service to residential units or commercial units not already receiving water service until the required submittal or payment is made by Developers.

7.2. **Applicable Rates.** The charges for water service to the Developments shall be the applicable rates of the Company, which are on file with the Commission at the time water service is provided. These rates are subject to change from time to time upon application of the Company and approval of the Commission.

7.3. **Construction Water.** Water for grading, construction of utilities and roadways, and other land development uses within the Developments will be provided by Company from the facilities to be constructed pursuant to the Master Agreement. Company expects to meter all water, but upon Developers' request to use unmetered water and Company's approval, water may be unmetered. Company will estimate, in accordance with Company's standard procedures, all unmetered water usage, including any unauthorized unmetered water use within the Developments. Whether estimated or metered, Company will bill Developer's construction water and unauthorized usage at its General Water Service Rate in effect at the time service is rendered, except that all consumption will be billed at the second tier commodity rate, said rate currently equaling \$4.00 per 1,000 gallons. Water used for homebuilding operations and commercial building construction will be provided from regular service meters and billed at the General Water Service Rate in effect at the time service is rendered.

7.4. **Water Rights.** Until such time as Company's water service area is sufficiently expanded to allow Company's service area right issued by ADWR to provide the authority necessary to pump groundwater from the wells constructed by Developers under this Master Agreement, Developers will lease, at no cost to Company, any grandfathered water rights required to obtain well drilling permits or to allow Company to pump groundwater from the wells constructed under this Master Agreement.

7.5. **Insurance.** Developer shall secure and maintain, until written acceptance of the subject Facilities by Company, insurance in the name of Developer naming Company as an additional insured with respect to claims which may arise out of or result from Developer's acts, operations or negligence or those of its subcontractors, or anyone directly or indirectly employed by any of them including officers, employees, agents or representatives for matters related to this Agreement. The coverage shall be provided on an "occurrence" basis rather than

a "claims made" basis, shall be provided without offset against Company's existing insurance and provide for a minimum of thirty (30) days notice to Company prior to cancellation, reduction in coverage or other substantial modification. Prior to commencing construction of the subject Facilities and/or at such other times deemed appropriate by Company. Developer shall provide to Company a Certificate(s) of Insurance which sets forth the minimum amounts and types of coverage listed below and shows the Company as an additional insured on a primary and noncontributory basis applicable to all coverages except Workers' Compensation and Employer Liability. Waiver of Subrogation Endorsements are to be included in favor of Company.

<u>Type of Coverage</u>	<u>Amount No Less Than</u>
Workers' Compensation	Statutory
Employers Liability	\$1,000,000 each accident \$1,000,000 disease each employee \$1,000,000 disease aggregate
Commercial General Liability (including contractual liability for this contract; broad form property damage; completed operations; and explosion, collapse and underground coverage)	\$1,000,000 per occurrence \$2,000,000 aggregate
Vehicle Liability (including owned, hired, and non-owned coverages)	\$1,000,000 combined single limit
Umbrella Liability	\$4,000,000 per occurrence limit \$4,000,000 aggregate

Developer shall obtain the above-described insurance from insurance companies which are duly authorized to issue such policies in the State of Arizona, "Best Rated A" or better by the A.M. Best Company and otherwise acceptable to Company. Developer shall maintain such insurance coverage throughout the statute of limitations or repose and Company shall remain as an additional insured. Company shall not be obligated to review any of the Developer's Certificates of Insurance, insurance policies or endorsements or to advise Developer of any deficiencies in such documents; and any receipt of copies or review by Company of such documents shall not relieve Developer from or be deemed a waiver of Company's right to insist on strict fulfillment of Developer's obligations under this paragraph.

7.6. Indemnity. Developers hereby assume the full and entire responsibility and liability for any and all incidents of injury or death of any person, or loss or damage to any property to the extent caused by the active or passive negligence of Developers, their agents,

servants, employees, contractors or subcontractors arising out of or in connection with the construction of the Off-Site Facilities prior to Company's acceptance as set forth herein (Section 3.3). Accordingly, Developers will indemnify and hold harmless Company, its officers, directors, agents and employees from and against claims or expenses, including penalties and assessments, and attorneys' fees to which they or any of them may be subjected by reason of such injury, death, loss, claim, penalty assessment of damage, and in case of any suit or other proceeding shall be brought on account thereof, Developers will assume the defense at Developers' own expense and will pay all judgements rendered therein.

7.7. Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Parties, provided, however, that an assignment or other transfer of this Agreement or any rights or obligation there under by Developer shall not be binding upon the Company or create any rights in the assignee until such assignment or other transfer is approved and a copy of the assignment document has been reviewed and accepted in writing by the Company, which approval shall not be unreasonably withheld or delayed. Provided, however, that in the event Developer has completed all of Developer's obligation under this Agreement, Developer may assign the Agreement to a third party without approval by the Company. In such event, Developer shall give simultaneous notice to the Company of such assignment.

7.8. Interest on Late Payments. Any amount due to the Company that is not paid within 15 (Fifteen Days) of becoming payable will be subject to an interest rate of 10% (Ten Percent) per annum compounded monthly.

7.9. Notices. Communications hereunder shall be sent to Developers addressed as follows:

Woodside Walden, LLC  
8950 South 52<sup>nd</sup> Street  
Tempe, AZ 85284  
Attn: Paul Kroff  
Telephone: (480) 755-0801  
Facsimile: (480) 755-0802

With a copy to:

Wayne Farnsworth  
39 East Eagleridge Drive, Suite 102  
North Salt Lake, UT 84054  
Telephone: (801) 299-6700  
Facsimile: (801) 813-8003

or to such other address or addresses as Woodside may advise Company in writing, and to Walden Farms as follows:

Walden Farms LLC  
6815 N 2<sup>nd</sup> Street  
Phoenix, AZ 85012  
Attn: Kevin Walden  
Telephone: (602) 264-7775

Facsimile: (602) 264-7227

or to such other address or addresses as Walden Farms may advise Company in writing, and to Michael C. Anderson as follows:

Michael C. Anderson  
11402 E. Desert Troon Lane  
Scottsdale, Arizona 85255  
Telephone: (480) 361-8627  
Facsimile: (480) 361-8628

or to such other address or addresses as Michael C. Anderson may advise Company in writing, and to Company as follows:

West End Water Co.  
9098 West Pinnacle Peak Road  
Peoria, Arizona 85383  
Attn: JD Campbell

or to such other address or addresses as Company may advise Developers in writing.

7.10. Entire Agreement. This Master Agreement constitutes the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersedes and revokes all prior or contemporaneous promises, representations, and assurances of any kind.

7.11. No Waiver. No waiver by a Party of any breach of a provision of this Master Agreement, nor any failure by a Party to insist on strict performance by the other party of any provision of this Master Agreement shall in any way be construed to be a waiver of any future or subsequent breach by a party or by the right of the non-breaching Party to insist on strict performance of the provisions of this Master Agreement.

7.12. Governing Law. This Master Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

IN WITNESS WHEREOF, the Parties hereto have executed this Master Agreement as of the day and year first above written.

WEST END WATER CO., an Arizona corporation

By: \_\_\_\_\_

  
JD Campbell

Its: President

WOODSIDE WALDEN, LLC

By: [Signature]

Its: Prep

Walden Farms, LLC

By: [Signature]

Kevin Walden

Its: Managing Member

MICHAEL C. ANDERSON

By: [Signature]  
Michael C. Anderson

CORPORATE ACKNOWLEDGMENT

STATE OF ARIZONA        )  
  )ss.  
County of Maricopa        )

On this, the 11<sup>th</sup> day of December, 2008, before me, the undersigned officer, personally appeared J.D. Campbell who acknowledges himself to be the President of West End Water Co., an Arizona corporation, and that, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation, by himself as such officer.

My commission expires:  
Dec 1, 2009

[Signature]  
Notary Public



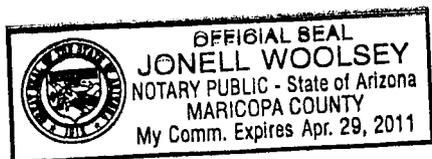
CORPORATE ACKNOWLEDGMENT

STATE OF ARIZONA )  
 ) ss.  
County of Maricopa )

On this, the 4 day of December, 2008, before me, the undersigned officer, personally appeared Gene Morrison who acknowledges himself to be the President of Woodside Walden, LLC, an Arizona limited liability company, and that, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation, by himself as such member.

My commission expires:

Jonell Woolsey  
Notary Public



CORPORATE ACKNOWLEDGMENT

STATE OF ARIZONA )  
 ) ss.  
County of Maricopa )

On this, the 9th day of December, 2008, before me, the undersigned officer, personally appeared Kevin Walden who acknowledges himself to be the Managing Member of Walden Farms, LLC, an Arizona limited liability company, and that, as such Managing Member, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation, by himself as such member.

My commission expires:

Sandra D. Honahni  
Notary Public



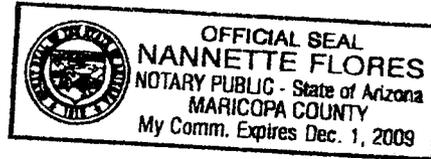
CORPORATE ACKNOWLEDGMENT

STATE OF ARIZONA        )  
                                  ) ss.  
County of Maricopa        )

On this, the 11<sup>th</sup> day of December, 2008, before me, the undersigned officer, personally appeared Michael C. Anderson.

My commission expires:  
Dec 1, 2009

Nannette Flores  
Notary Public



**Exhibit A**

The Walden Ranch Subdivision is on approximately 520-acres of land located in Sections 24 and 25, T5N, R3W, G&SRB&M, Maricopa County, Arizona, near the Town of Wittmann, Arizona. Consisting of Parcels 503-36-001C, 503-36-001D, 503-36-002A, 503-36-002B, 503-36-003A, 503-36-005, 503-36-006B, 503-36-006D, 503-36-006E, 503-36-006F, 503-36-006G, 503-36-006H, 503-36-007, 503-36-008, 503-36-010 in Section 24 T5N, R3W and Parcel No. 503-45-014 in Section 25, T5N, R3W.

## **Exhibit B**

The Rancho Maria Subdivision is on approximately 140-acres of land located in the East ½ of the East ½ of Section 14, T5N, R3W, G&SRB&M, Maricopa County, Arizona, near the Town of Wittmann, Arizona.

## **Exhibit C**

Walden Ranch Well Site is located at the southeast corner of Wildcat Drive and 216<sup>th</sup> Lane within the Walden Ranch Development.

## **Exhibit D**

Rancho Maria Well Site is located in the area of the southeast corner of Burnside Trail and 219<sup>th</sup> Drive in the Rancho Maria Subdivision.

## **Exhibit E**

Walden Ranch Booster Station Site is located in the area of the southeast corner of Lone Mountain Road and Crozier Road in the Wittmann, Arizona area.

## Exhibit F

### Summary, Cost Estimate and Map of Off-Site Facilities to be constructed by Developers

Walden Ranch Well #1	
MOB, DEMOB, Closeout, Bonds & Insurance	\$74,500.00
Site Work	161,500.00
Booster Pump Station Piping, Valves & Appurtenances	374,450.00
Electrical/Instrumentation	<u>256,013.00</u>
Subtotal	\$866,463.00
Taxes @ 8%, Overheads @ 10% & Contingencies @ 10%	<u>242,609.00</u>
Total For Walden Ranch Well	\$1,109,072.00
Rancho Maria Well	
MOB, DEMOB, Closeout, Bonds & Insurance	\$74,500.00
Site Work	161,500.00
Booster Pump Station Piping, Valves & Appurtenances	374,450.00
Electrical/Instrumentation	<u>256,013.00</u>
Subtotal	\$866,463.00
Taxes @ 8%, Overheads @ 10% & Contingencies @ 10%	<u>242,609.00</u>
Total For Rancho Maria Well	\$1,109,072.00
Walden Ranch Water Plant	
MOB, DEMOB, Closeout, Bonds & Insurance	\$130,000.00
Site Work	361,400.00
Booster Pump Station Piping, Valves & Appurtenances	686,545.00
Reservoir and Appurtenances	1,102,700.00
Chlorine Disinfection System	155,000.00
Chlorine Electrical Building	269,800.00
Yard Piping and Appurtenances	362,850.00
Electrical/Instrumentation	<u>400,000.00</u>
Subtotal	\$3,471,295.00
Permits, Overhead, Contingencies etc	<u>1,076,101.00</u>
Total	\$4,547,396.00

## **Exhibit G**

The Off-Site Facilities may be constructed in phases as approved by West End Water Co.

## **Exhibit H**

Cost Estimate of On-Site Facilities to be constructed by Walden

Estimated cost based on 1,537 Residential Units, commercial area and elementary school is  
\$2,536,050.00

## **Exhibit I**

Cost Estimate of On-Site Facilities to be constructed by Michael C. Anderson for Rancho Maria Subdivision based on 383 residential units and commercial area is \$631,950.00